

**The 11th Term INTERIM REPORT**

June 1, 2006, through November 30, 2006

CREED INTERIM REPORT 2007



*Creed*

CREED CORPORATION

Stock Code : 8888



### Greetings

We truly appreciate your continuing support. We hereby report on our business for the interim 11th fiscal term (from June 1, 2006 to November 30, 2006).

The environment for real estate investment and management business for the interim period was characterized by the upward trends of land prices in the major cities, proliferation of real estate financial products based on the increased liquidity of real estate and more transparency in real estate transactions, and continuous investment money flow into Japan where yield gap is higher than the other markets. The market, therefore, was very robust, while it has also become more competitive to acquire properties due to increased number of new entrants in the market.

Under such market environment, we successfully expanded our business by focusing on areas where we can fully take advantage of our real estate expertise—our core value. Our ini-

tiatives for future growth during the interim period include launch of a new flagship fund based on a new fund strategy, diversification of investor base, expansion of development business, and asset accumulation in Germany.

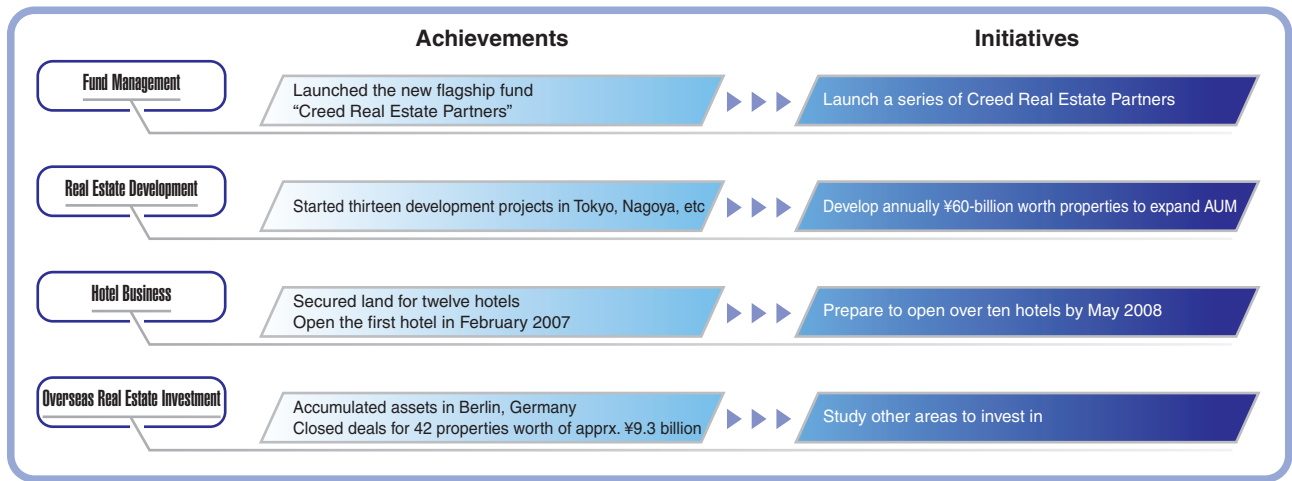
As a result, sales rose 169.3% year over year to ¥25,032 million, ordinary profit jumped 128.0% to ¥5,348 million and net profit surged 74.6% to ¥2,962 million.

It should be noted that these financial results are partly influenced by the consolidation of five of the SPCs starting from this interim period.

By segment, operating profit for Fund Business soared 236.6% year over year to ¥5,724 million due to increase in incentive fees from private funds and the consolidation of the SPCs, and operating profit for Real Estate Investment Business increased 10.6% year over year to ¥1,381 million. Other Business, though, lost ¥15 million (compared with operating profit of ¥141 million last year) due to decreased client needs for due diligence and solution as the disposal of nonperforming loans had passed the peak.

In the first quarter, we changed our segments; Principal Investment Business, Fund Business, Due Diligence Business, and Solutions Business were reorganized into Fund Business, Real Estate Investment Business, and Other Business.

We revised our full-year earnings forecasts: sales are revised from ¥29 billion to ¥43 billion and ordinary profit is revised from ¥7 billion to ¥8 billion. This is largely due to the consolidation of the SPCs as mentioned earlier.



The business development going forward consists of the following three strategic pillars. The first strategic pillar is the newly launched flagship fund. The flagship fund “Creed Real Estate Partners” is a large-scale value-added real estate private fund to manage capital from global investors for a medium-to-long term by investing in small-to-medium sized properties. We closed fund-raising and started acquisition and management of properties, targeting the total asset size of ¥230 billion.

The second strategic pillar is to reinforce our development business. Taking advantage of the Group’s real estate expertise, we will constantly supply high-quality properties that meet the needs of tenants and investors.

The third pillar is to diversify real estate types for investments and to strengthen investments in real estate overseas. In

addition to the offices and residences, which we have mainly invested in and managed, we have started to diversify investments in commercial facilities and hotels. We will also increase our overseas real estate investment—we have already begun investments in Germany—with a view to launch private funds in the future.

In order to realize our Group Vision “Building Global Markets for Real Estate Investment and Management,” we aim to continue our growth by strengthening our business platforms. Your continuing support is highly appreciated.

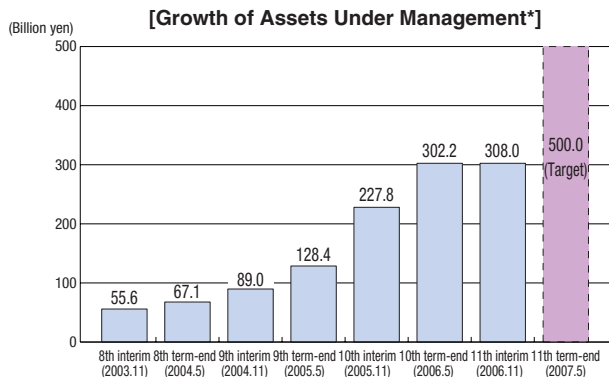
**Toshihiko Muneyoshi**  
President and CEO  
Creed Corporation



## Terms

**Consolidation of SPCs** On September 8, 2006, Accounting Standards Board of Japan announced “Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations.” While the SPCs for our private funds were not consolidated until last fiscal year, five of them are consolidated starting from the interim period based upon the Solution and in consultation with Ernst & Young ShinNihon, our Regulatory Auditor.

## Growth of Assets Under Management and Portfolio Distribution



\*Assets Under Management (AUM) is the sum of the balance of investments managed integral to the capital of investors, the balance of assets managed only with the investors' capital and the balance of assets held and managed by the Company and its 100%-owned subsidiaries.

Note: The indicated amounts are based on the purchase prices of properties.

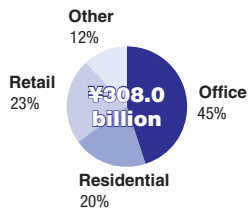
### Expansion of Assets Under Management

At the end of the interim period, assets under management, which is an important management index for the Group, stood at ¥308.0 billion. The target for the fiscal year (the 11th term) is ¥500 billion. The details of our assets under management are shown below: the share of "Retail" increased due to expansion of asset management of suburban retail facilities. The shares of "Japan-other" and "Overseas" also increased due to accelerated acquisition of properties in regional key cities and overseas.

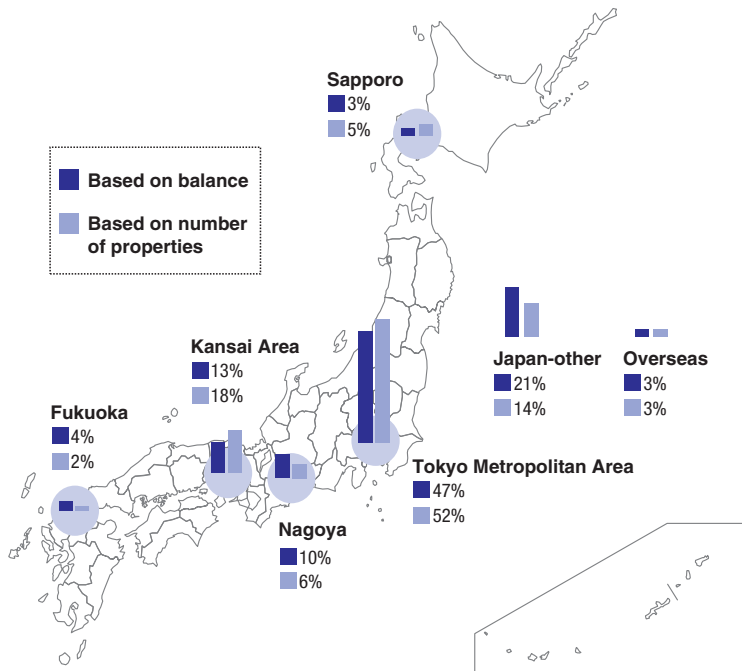
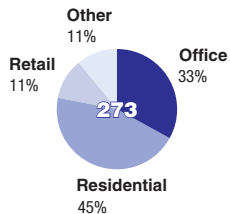
AUM of Japan Single-residence REIT (¥31.2 billion as of the end of the 10th term) is no longer included because we sold all the shares in Japan Single-residence Asset Management, the asset management company for the REIT, during the interim period.

### [Portfolio Distribution]

#### Based on balance



#### Based on number of properties



\*Because the decimal figures of the above percentages are rounded off, the total is not necessarily 100%.

## Launch of the New Flagship Fund

In November 2006, we closed fund-raising and started acquisition and management of properties for a large-scale value-added real estate private fund to manage capital from global investors for a medium-to-long term by investing in small-to-medium sized properties. The launch of the fund, we believe, proves that the leading global investors recognized our real estate expertise and track records to increase the value of properties that have been poorly managed and thus do not generate the optimal cash flow. We will accumulate the assets for the fund as quickly as possible and prepare for launching a series of similar funds.

### Overview of Creed Real Estate Partners

- Basic concept : To provide global institutional investors with opportunities to invest in small-to-medium sized properties in Japan
- Investors : Major pension funds, sovereign funds and financial institutions from Europe, the Middle East and Asia (the total of nine investors excluding the Creed Group)
- Total equity : Approximately 56.5 billion yen (including the Creed Group's investment of approximately 5% of the total equity)
- Total asset : Approximately 230 billion yen
- Target properties : Small-to-medium sized properties in Japan
- Management style : Value-added
- Management period : 7 years

## Real Estate Development

Taking advantage of the Group's real estate expertise, we will constantly supply high-quality properties that meet the needs of tenants and investors. We expect to complete properties aggregately worth of over ¥40 billion yen during this fiscal year, and over ¥60 billion a year from next fiscal year on.



Building complex in Minato-ward, Tokyo    Office building in Nagoya

## Real Estate Investment in Germany

We are accelerating investments in residential properties in Berlin, Germany. By the end of January 2007, we have closed deals for 42 properties worth of approximately ¥9.3 billion.\*

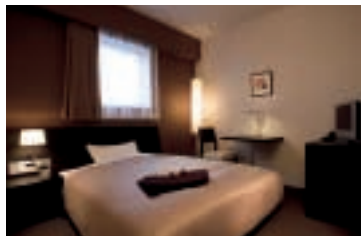
\*1 EUR=157.74 JPY (Rate as of January 31, 2007)



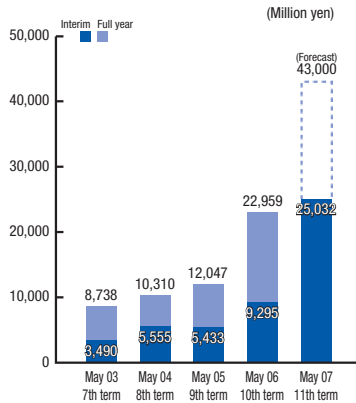
## Launch of Hotel Business

In July 2005, we established Creed Hotel Management and entered the hotel development and management business. We are preparing to open CANDEO HOTELS, the original brand roadside lodging-only hotel, nationwide. We have secured land for twelve hotels and are about to open the first CANDEO HOTEL in Kitakami, Iwate in February 2007.

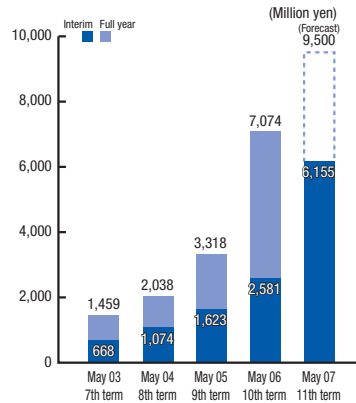
For information on CANDEO HOTELS, please visit:  
<http://www.candeohotels.com/>



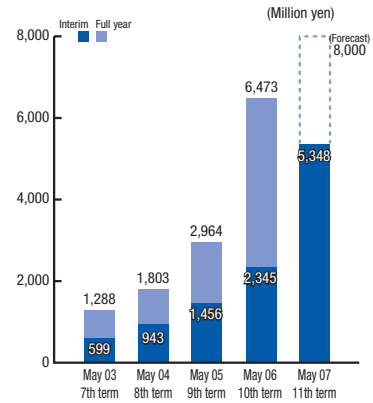
## Consolidated sales



## EBIT

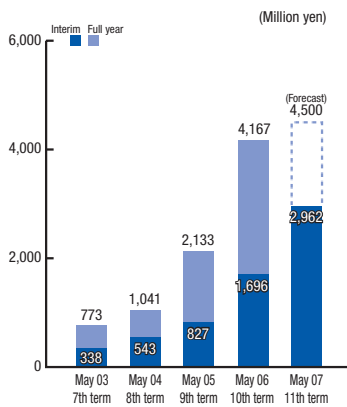


## Consolidated ordinary profit

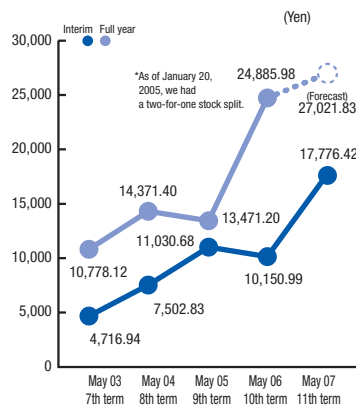


\*EBIT (earnings before interest and taxes) is calculated by adding non-operating incomes (excluding interest received) to and subtracting non-operating expenses (excluding interests paid) from operating profit.

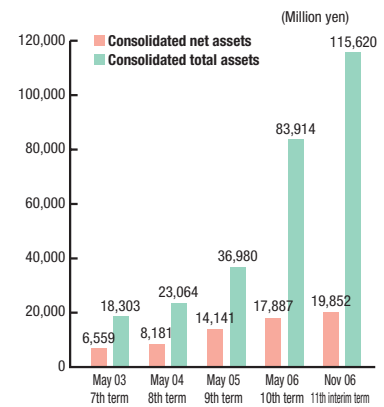
## Consolidated net profit



## Net profit per share



## Consolidated net assets/ consolidated total assets



# Consolidated Financial Statements

Consolidated Balance Sheets	(Thousand yen)		(Thousand yen)	
	Interim 11th term (As of November 30, 2006)	Interim 10th term (As of November 30, 2005)	Interim 11th term (As of November 30, 2006)	Interim 10th term (As of November 30, 2005)
<b>Assets</b>	<b>115,620,528</b>	<b>47,978,792</b>	<b>Liabilities</b>	<b>95,768,422</b>
<b>Current assets</b>	<b>100,685,214</b>	<b>33,496,398</b>	<b>Current liabilities</b>	<b>71,461,020</b>
Cash and deposits	6,132,475	3,751,353	Accounts payable	358,591
Accounts receivable	803,025	670,513	Short-term borrowings	62,461,896
Securities	798,805	—	Commercial paper	3,900,000
Operating investment securities	1,863,629	—	Corporate bond current portion	—
Inventory assets	38,769,062	16,625,100	Accrued corporation tax, etc.	1,937,058
Deferred tax assets	340,286	247,577	Reserve for bonuses	116,372
Advanced properties	43,195,193	9,424,561	Other current liabilities	2,687,101
Other assets	8,790,525	2,796,369	<b>Fixed liabilities</b>	<b>24,307,402</b>
Allowance for doubtful accounts	-7,790	-19,077	Corporate bonds	2,600,000
<b>Fixed assets</b>	<b>14,935,314</b>	<b>14,482,394</b>	Long-term borrowings	16,715,619
<b>Tangible fixed assets</b>	<b>3,022,966</b>	<b>971,913</b>	Deferred tax liabilities	552,188
<b>Intangible fixed assets</b>	<b>127,909</b>	<b>113,617</b>	Guarantee deposits	2,828,277
<b>Investment and other assets</b>	<b>11,784,438</b>	<b>13,396,864</b>	Long-term deposits	1,602,221
Investment securities	10,259,570	12,638,503	Other fixed liabilities	9,094
Investment in anonymous associations	—	484,155	<b>Minority interest</b>	<b>—</b>
Other fixed assets	1,524,867	274,206	<b>Minority interest</b>	<b>—</b>
<b>Total assets</b>	<b>115,620,528</b>	<b>47,978,792</b>	<b>Shareholders' equity</b>	<b>—</b>
			<b>Capital stock</b>	<b>—</b>
			<b>Capital surplus</b>	<b>—</b>
			<b>Retained earnings</b>	<b>—</b>
			Valuation gains/losses of securities	<b>916,591</b>
			Total liabilities, minority interest and shareholders' equity	<b>47,978,792</b>
			<b>Net assets</b>	<b>19,852,105</b>
			<b>Shareholders' equity</b>	<b>18,870,690</b>
			<b>Capital stock</b>	<b>4,301,259</b>
			<b>Capital surplus</b>	<b>4,363,771</b>
			<b>Retained earnings</b>	<b>10,883,309</b>
			<b>Treasury stock</b>	<b>-677,650</b>
			Valuation gains/losses and translation adjustments	<b>872,830</b>
			Valuation gains/losses of securities	<b>809,347</b>
			Foreign currency translation adjustments	<b>63,482</b>
			<b>Minority interest</b>	<b>108,585</b>
			<b>Total liabilities and net assets</b>	<b>115,620,528</b>

Consolidated Statements of Income	(Thousand yen)	
	Interim 11th term (June 1, 2006, through November 30, 2006)	Interim 10th term (June 1, 2005, through November 30, 2005)
<b>Sales</b>	<b>25,032,847</b>	<b>9,295,725</b>
<b>Cost of sales</b>	<b>15,791,527</b>	<b>5,004,089</b>
<b>Gross profit on sales</b>	<b>9,241,319</b>	<b>4,291,635</b>
Sales, general and administrative expenses	2,787,858	1,539,417
<b>Operating profit</b>	<b>6,453,461</b>	<b>2,752,218</b>
<b>Non-operating profit</b>	<b>167,658</b>	<b>28,326</b>
<b>Non-operating expenses</b>	<b>1,272,672</b>	<b>435,240</b>
<b>Ordinary profit</b>	<b>5,348,447</b>	<b>2,345,304</b>
<b>Extraordinary profit</b>	<b>415,841</b>	<b>600,702</b>
<b>Extraordinary loss</b>	<b>—</b>	<b>2,562</b>
Income before anonymous associations dividends, income taxes and others	5,764,288	2,943,444
Anonymous associations dividends	478,737	—
Income before income taxes and others	5,285,551	2,943,444
Income taxes—current	2,219,747	1,201,721
Income taxes—deferred	96,827	52,296
Minority income	6,318	-7,220
<b>Net profit</b>	<b>2,962,658</b>	<b>1,696,646</b>

Consolidated Statements of Cash Flow	(Thousand yen)	
	Interim 11th term (June 1, 2006, through November 30, 2006)	Interim 10th term (June 1, 2005, through November 30, 2005)
Cash Flow from Operating Activities	-6,183,902	-10,852,580
Cash Flow from Investing Activities	141,226	-3,174
Cash Flow from Financing Activities	7,038,921	10,011,521
Translation adjustments in cash and cash equivalents	-22,563	—
Increase (decrease) in cash and cash equivalents	973,682	-844,234
Cash and cash equivalents at the beginning of the term	4,628,386	4,595,587
Increase in cash and cash equivalents due to increase of consolidated subsidiaries	530,406	—
Cash and cash equivalents at the end of the interim term	6,132,475	3,751,353

Appropriation of Consolidated Retained Earnings	(Thousand yen)	
	Interim 10th term (June 1, 2005, through November 30, 2005)	
<b>Capital surplus</b>		
Capital surplus at the beginning of the term		4,219,349
<b>Increase in capital surplus</b>		<b>66,487</b>
Issuance of new shares due to exercise of stock options		66,487
<b>Capital surplus at the end of the interim term</b>		<b>4,285,837</b>
<b>Retained earnings</b>		
Retained earnings at the beginning of the term		4,424,981
<b>Increase in retained earnings</b>		<b>1,696,646</b>
Net income		1,696,646
<b>Decrease in retained earnings</b>		<b>193,751</b>
Dividends		166,816
Decrease in retained earnings due to change in the scope of application of the equity method		26,935
<b>Retained earnings at the end of the interim term</b>		<b>5,927,876</b>

### Consolidated Statements of Changes in Shareholders' Equity Interim 11th term (June 1, 2006, through November 30, 2006) (Thousand yen)

	Shareholders' equity				Valuation gains/losses and translation adjustments			Minority interest	Total net assets	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation gains/losses of securities	Foreign currency translation adjustments			Total valuation gains/losses and translation adjustments
Balance as of May 31, 2006	4,231,540	4,294,054	8,408,160	—	16,933,754	859,770	7,369	867,139	86,147	17,887,042
Fluctuations during the interim term										
Issuance of new shares (exercise of stock options)	69,718	69,717	—	—	139,436	—	—	—	—	139,436
Dividends	—	—	-335,726	—	-335,726	—	—	—	—	-335,726
Net profit	—	—	2,962,658	—	2,962,658	—	—	—	—	2,962,658
Acquisition of treasury stock	—	—	—	-677,650	-677,650	—	—	—	—	-677,650
Bonuses for directors and auditors	—	—	-8,000	—	-8,000	—	—	—	—	-8,000
Decrease due to an increase of consolidated subsidiaries	—	—	-143,782	—	-143,782	—	—	—	—	-143,782
Fluctuations (net) in items other than shareholders' equity	—	—	—	—	—	-50,422	56,112	5,690	22,437	28,127
Total fluctuations during the interim term	69,718	69,717	2,475,149	-677,650	1,936,935	-50,422	56,112	5,690	22,437	1,965,063
Balance as of November 30, 2006	4,301,259	4,363,771	10,883,309	-677,650	18,870,690	809,347	63,482	872,830	108,585	19,852,105

# Nonconsolidated Financial Statements

Nonconsolidated Balance Sheet	(Thousand yen)	
	Interim 11th term	Interim 10th term
	(As of November 30, 2006)	(As of November 30, 2005)
<b>Assets</b>		
Current assets	80,048,265	32,104,176
Fixed assets	20,210,768	14,669,394
Tangible fixed assets	1,072,063	946,520
Intangible fixed assets	125,932	111,857
Investment and other assets	19,012,771	13,611,017
<b>Total assets</b>	<b>100,259,034</b>	<b>46,773,570</b>
<b>Liabilities</b>		
Current liabilities	71,056,556	18,904,802
Fixed liabilities	11,371,502	13,370,597
<b>Total liabilities</b>	<b>82,428,058</b>	<b>32,275,399</b>
<b>Shareholders' equity</b>		
Capital stock	—	4,223,324
Capital surplus	—	4,285,837
Retained earnings	—	5,072,417
Valuation gains/losses of securities	—	916,591
<b>Total shareholders' equity</b>	<b>—</b>	<b>14,498,171</b>
Total liabilities and shareholders' equity	—	46,773,570
<b>Net assets</b>		
Shareholders' equity	17,830,975	—
Capital stock	4,301,259	—
Capital surplus	4,363,771	—
Retained earnings	9,034,247	—
Treasury stock	-677,650	—
Valuation gains/losses and translation adjustments	809,347	—
Valuation gains/losses of securities	809,347	—
<b>Total net assets</b>	<b>17,830,975</b>	<b>—</b>
<b>Total liabilities and net assets</b>	<b>100,259,034</b>	<b>—</b>

Nonconsolidated Statements of Income	(Thousand yen)	
	Interim 11th term	Interim 10th term
	(June 1, 2006, through November 30, 2006)	(June 1, 2005, through November 30, 2005)
Sales	9,862,503	8,427,633
Cost of sales	5,326,362	5,498,812
<b>Gross profit on sales</b>	<b>4,536,141</b>	<b>2,928,820</b>
Sales, general and administrative expenses	1,396,183	896,215
<b>Operating profit</b>	<b>3,139,958</b>	<b>2,032,605</b>
<b>Non-operating profit</b>	<b>1,281,582</b>	<b>627,244</b>
<b>Non-operating expenses</b>	<b>1,058,969</b>	<b>427,721</b>
<b>Ordinary profit</b>	<b>3,362,571</b>	<b>2,232,128</b>
<b>Extraordinary profit</b>	<b>396,022</b>	<b>599,423</b>
<b>Extraordinary loss</b>	<b>—</b>	<b>2,562</b>
<b>Income before income taxes</b>	<b>3,758,593</b>	<b>2,828,989</b>
Income taxes—current	985,456	909,509
Income taxes—deferred	113,918	26,410
<b>Net profit</b>	<b>2,659,218</b>	<b>1,893,070</b>
Profit carried forward from the previous term	—	3,177,847
Unappropriated retained earnings for this interim term	—	5,070,917

## Nonconsolidated Statements of Changes in Shareholders' Equity Interim 11th term (June 1, 2006, through November 30, 2006) (Thousand yen)

	Shareholders' equity							Valuation gains/losses of securities	Total net assets
	Capital stock	Capital surplus	Retained earnings			Treasury stock	Total shareholders' equity		
			Capital reserve	Legal reserve	Other retained earnings Retained earnings brought forward				
Balance as of May 31, 2006	4,231,540	4,294,054	1,500	6,709,254	6,710,754	—	15,236,349	859,770	16,096,120
Fluctuations during the interim term									
Issuance of new shares (exercise of stock options)	69,718	69,717	—	—	—	—	139,436	—	139,436
Dividends	—	—	—	-335,726	-335,726	—	-335,726	—	-335,726
Net profit	—	—	—	2,659,218	2,659,218	—	2,659,218	—	2,659,218
Acquisition of treasury stock	—	—	—	—	—	-677,650	-677,650	—	-677,650
Fluctuations (net) in items other than shareholders' equity	—	—	—	—	—	—	—	-50,422	-50,422
Total fluctuations during the interim term	69,718	69,717	—	2,323,492	2,323,492	-677,650	1,785,278	-50,422	1,734,855
Balance as of November 30, 2006	4,301,259	4,363,771	1,500	9,032,747	9,034,247	-677,650	17,021,628	809,347	17,830,975

## Outline of the Company

(As of November 30, 2006)

- Company name Creed Corporation
- Established June 11, 1996
- Location 20F, Kasumigaseki Building, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo
- Incorporated Capital ¥4,301 million
- Number of employees 210 (including 7 contract employees)
- License Building Lots and Building Transaction Business, Minister of Land, Infrastructure and Transport (2) 6083
- Registration Dealer of Beneficial Interests, Director of Kanto Local Financial Bureau Registration (Baishin) No. 109
- Permission Fudosan-Tokutei Kyodo Jigyou, Governor of Tokyo, No. 41
- Offices
  - Headquarters 20F, Kasumigaseki Building, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo  
TEL: +81-3-3500-3300, FAX: +81-3-3500-3310
  - Osaka Branch 7F, Midousuji-Mitsui Building, 1-5, Bingo-cho 4-chome, Chuo-ku, Osaka  
TEL: +81-6-4707-1461, FAX: +81-6-4707-1464
- Subsidiaries Creed Real Estate Investment Advisors, Inc.  
Creed REIT Advisors, Inc.  
Creed Hotel Management, Inc.  
Creed Deutschland GmbH, and others

## Directors and Auditors

(As of November 30, 2006)

- |                         |                     |
|-------------------------|---------------------|
| President and CEO       | Toshihiko Muneyoshi |
| Representative Director | Hitoshi Hasegawa    |
| Director                | Kazuhiro Okabe      |
| Director                | Takeshi Sugahara    |
| Director                | Masayoshi Nakamura  |
| Statutory Auditor       | Ryuichi Okuyama     |
| Auditor                 | Fuminari Hakou      |
| Auditor                 | Masateru Yoshida    |
| Auditor                 | Hideto Fujino       |

## Shares

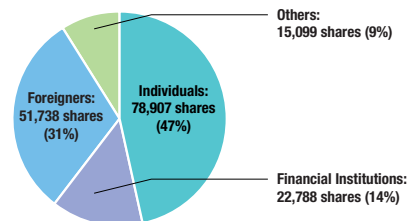
As of November 30, 2006

- Number of Shares Authorized to be Issued: 381,696 shares
- Number of Outstanding Shares: 168,532 shares
- Number of Shareholders: 14,765
- 10 Largest Shareholders

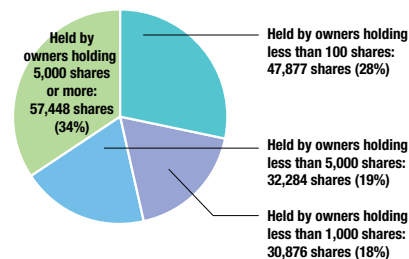
Shareholder	Number of shares held	
	Shares	Ratio %
Toshihiko Muneyoshi	21,666	12.85
Hitoshi Hasegawa	9,649	5.72
Japan Trustee Services Bank, Ltd. (Trust account)	7,858	4.66
State Street Bank and Trust Company	7,196	4.26
Morgan Stanley & Co. International Limited	5,817	3.45
Goldman Sachs International	5,262	3.12
Bank of New York GCM Client Accounts E ISG	3,232	1.91
Japan Securities Finance Co., Ltd.	3,178	1.88
The Master Trust Bank of Japan, Ltd. (Trust account)	3,147	1.86
Morgan Stanley and Company Inc.	2,409	1.42

## Distribution of Shares

### ● By Owner Profile:



### ● By Number of Shares Held:



## Stock Information

■Date of closing accounts	May 31
■Ordinary general meeting of shareholders	Late August
■Custodian of the register of shareholders	The Chuo Mitsui Trust and Banking Company, Limited 33-1, Shiba 3-chome, Minato-ku, Tokyo
■Handling office of the custodian of the register of shareholders	Head Office, The Chuo Mitsui Trust and Banking Company, Limited 33-1, Shiba 3-chome, Minato-ku, Tokyo
■Agency	Stock Transfer Agency Division The Chuo Mitsui Trust and Banking Company, Limited 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063 TEL: 0120-78-2031 (Toll free)
■Distributing agencies	Each nationwide branch of the Chuo Mitsui Trust and Banking Company, Limited Japan Securities Agents, Ltd., Head Office and each nationwide branch
■Media for public notice	<a href="http://www.creed.co.jp/">http://www.creed.co.jp/</a>

Please visit our Web site.

URL of our Web site:

<http://www.creed.co.jp>



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