



The 9th Term
Business Report

June 1, 2004, through May 31, 2005

A large, light blue, stylized graphic of the number "9" is positioned in the center of the page. It has a thick, rounded stroke and a decorative flourish at the top.

CREED REPORT 2005

Security Code : 8888



To Our Shareholders

We truly appreciate your continuing support. We hereby present our business report for the 9th fiscal term (June 1, 2004, through May 31, 2005) of Creed Corporation (hereinafter “the Company”).

It seems that the Company enjoyed steady business results for the 9th term.

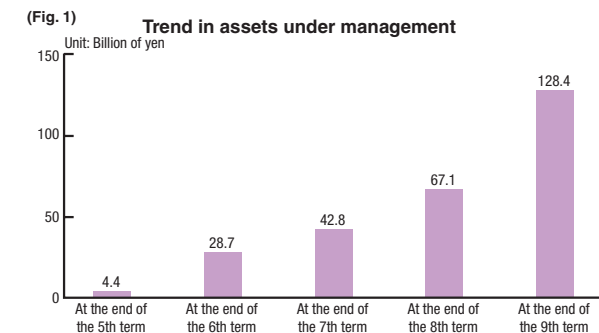
During the 9th term, we achieved increases in revenue and profits: Sales rose 16.8% year over year to ¥12,047 million, ordinary profit jumped 64.4% to ¥2,964 million and net profit surged 104.8% to ¥2,133 million. Every business segment recorded solid advances: Operating profit rose 4.4% year over year to ¥1,548 million in the Principal Investment Business, increased 89.6% to ¥1,937 million in the Fund Business; improved 39.8% to ¥224 million in the Due Diligence Business and soared 229.3% to ¥662 million in the Solutions Business.

Regarding the balance sheets, total assets increased ¥13.9 billion to ¥36.9 billion year over year, with increases in capital subscriptions to real estate funds operated by anonymous associations and in acquisitions of properties by the Principal Investment Business.

What were the key factors of these good results?

The business environment in which the Company operates was favorable due to increased inflows of investment funds into the real estate investment and management market backed by sluggish increases in land prices and rents as well as increases in the liquidity of real estate and transparency of transactions and continued overall difficulty in investment.

In such a business environment, the 9th term again recorded increased revenue and profits in every business of the Company. In particular, the Funds Business actively developed business leading to future expansion by significantly increasing assets under management to ¥128.4 billion for the 9th term from ¥67.1 billion for the 8th term (Fig. 1), expanding the investor base, diversifying investment strategies and starting the REIT business. Subsequently, the management fee, etc., increased and that leveraged the results of the whole Company.

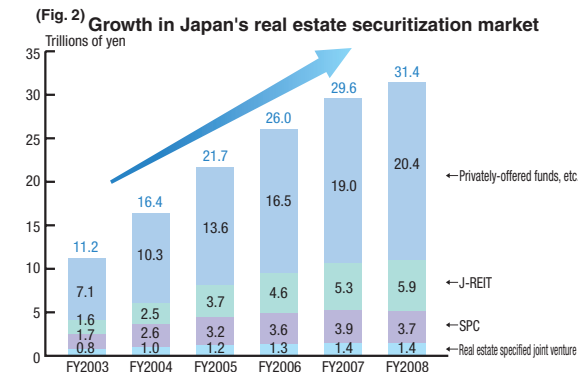


Note: Assets under Management are the total sum of the balance of investments managed integral to the capital of investors, the balance of assets managed only with the investors' capital and the balance of assets held and managed by the Company and its 100%-owned subsidiaries.

How do you think the real estate market will change in the future?

I anticipate the medium- and long-term expansion of the market to continue, reflected by progress in the sales of real estate held by companies subsequent to the application of impairment accounting and the establishment of real estate as a basic asset in investors portfolio.

Japan's real estate securitization market is expected to exceed ¥30 trillion, including privately-offered funds, and REITs, by FY2008 according to the Company's estimate based on results released by the related ministry and outside research institutes.



Source: Estimate made by the Company based on the “Survey of the Real Estate Securitization Market” conducted by the Urban Research Institute Corporation (March 2005) and the “Fact-Finding Survey of the Securitization of Real Estate” conducted by the Land, Infrastructure and Transportation Ministry (June 2005)

I understand that the Company achieved the profit goal of its medium-term management plan a year ahead of schedule.

Exactly. At the end of the 7th term, we developed a three-year plan begun in the 8th term that set a target of improving ordinary profit to ¥3 billion in the 10th term from ¥1.288 billion at the end of the 7th term. We regarded the profit goal as rather aggressive at that time, yet we almost attained this figure at the end of the 9th term, which was the second year of the three-year plan. Ordinary profit for the term was ¥2.964 billion.

Therefore, we will implement a new medium-term plan and strive for even higher growth.

Please explain about your new corporate philosophy and your new medium-term plan.

Our new corporate philosophy consists of vision, value and commitment. Our vision is “to create a global market of real estate investment/management and continue to strive for its development.” Please refer to Fig. 1 for details. To realize those vision, we intend to increase the entire Group's corporate value by defining “sincerity,” “Assessment of true worth” and “originality” as the Company's distinct basic values and clarifying our commitment to our customers, shareholders and society.

Based on this new corporate philosophy, our new three-year medium-term business plan will begin in the 10th term as the first step toward creating a global market of real estate investment/management with new goals for ordinary profit of ¥7 billion in the 12th term and the Group's assets under management of ¥800 billion to make our Group Japan's leader in real estate investment/management.

To realize those goals, we intend to implement a new business model centering on three businesses—asset management, real estate services and real estate utilization. For details, please refer to Fig. 1. As these businesses ultimately seek to augment revenue and profits to each customer and to realize maximum synergies, we will establish a sturdy revenue base and sustained high growth.

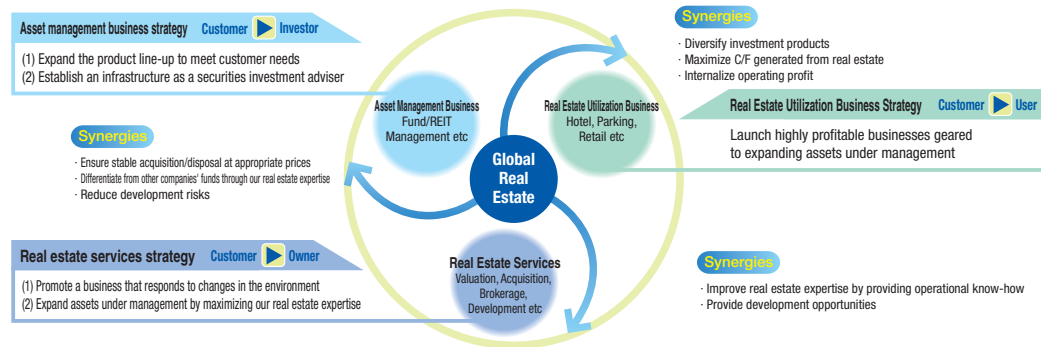
Essence of the new medium-term business plan (the 10th to 12th terms)

	(Billions of yen)		
	The 10th term	The 11th term	The 12th term
Ordinary profit	5	6	7
Assets under management	300	550	800

Fig. 1

New Business Model to Be Japan's Leading Real Estate Investment/Management Group

Centered on the asset management business, real estate services and real estate utilization, the Company will achieve its vision by creating synergies.



Vision Creed Corporation is committed to the creation and realization of the global market for real estate investment/management and continuously striving for development.

We, Creed Corporation, will create a global market of investment/management as a trailblazer providing worldwide real estate investment opportunities for investors throughout the world, overcoming business impediments including the low liquidity of real estate, differences in trading customs by region and high individuality.

We will also keep striving to develop the new global market through our efforts, pride and capabilities.

Please explain about the “Real Estate Utilization Business,” which we hear for the first time is in the new medium-term plan.

The Real Estate Utilization Business provides facility management with high added value for industries such as hotels and shopping malls in which real estate is critical to the infrastructure of the business. We established Creed Hotel Management Corporation, which is 100% owned by the Company, to plan, develop and manage highly profitable hotels for businesspeople.

The Real Estate Utilization Business has the potential to contribute to funds under management of the whole Group and create synergies with the Real Estate Service Business. In the

long run, we will nurture this business as one of the important core businesses in our business portfolio that creates profits regardless of fluctuations in the real estate market.

What competitive strength does Creed Corporation have through its never-ending expansion?

I believe that our competitive strength lies in our real estate expertise, that is, our ability to determine the value of distinct and incomparable real estate, to acquire, upgrade and develop real estate, which is important in real estate investment/management.

As a pioneer of Due Diligence Business in Japan, the Company has researched more than 11,000 sites through its Due Diligence

Business and has an unmatched capability to determine the appropriate value of real estate. The Construction Management Division established in June this year also contributes to upgrading the value of real estate and development.

Our comprehensive real estate expertise will be an essential advantage in our ultimate survival amid increasingly fierce competition among real estate fund management companies.

*Cumulative total as of May 2005

What are your views on returns to shareholders?

We intend to return our profits to shareholders by distributing stable dividends and continuously increasing corporate value. Based on such a policy, we decided to pay a dividend of profit for the 9th term of ¥1,000 per share (Note), after a stock split was exercised as of January 20, 2005, a substantial increase from the previous year. We would like to continue distributing stable dividends.

The Company is a 10-year-old developing entity and it emphasizes internal retained earnings for future reinvestment to increase corporate value in the market. By preparing for business development based on a long-term perspective, we will strive to increase the corporate value of the entire Group.

Note: The ordinary dividend per share after the stock split exercised on January 20, 2005 at the end of 8th term was ¥750.

Finally, the Company was assigned to the First Section in May 2005. Please talk about your management policy and your perspective as a listed company on the First Section of the Tokyo Stock Exchange?

In February 2001, the Company listed on NASDAQ (now the Osaka Securities Exchange Co., Ltd., Hercules Market) and in April 2004 listed on the Second Section of the Tokyo Stock Exchange, and was transferred and assigned to the First Section in May 2005. In July 2005, the listing on Hercules was discontinued and the Company is now listed solely on the First Section of the Tokyo Stock Exchange.

Being listed on the First Section of the Tokyo Stock Exchange was an impressive and honorable event in our Company's history. We deeply appreciate our stakeholders regarding this event for your support.

However, listing on the First Section of the Tokyo Stock Exchange is merely a passing point in our progress and not a final achievement. We are committed to active corporate activities that seek future challenges and rapid progress under our distinct corporate philosophy, as well as promoting corporate governance based on strict compliance with rules and regulations. We sincerely appreciate your continuous support.

May 2005

Toshihiko Muneyoshi, CEO and President

Toshihiko Muneyoshi (born on February 25, 1965)

March 1989: Graduated from Architecture Department, School of Science and Engineering, Waseda University.

April 1989: Employed by Itochu Corporation.

June 1996: Established Creed Corporation and took office of CEO (current position).

Terms

- *1. REIT (Real Estate Investment Trust)** Companies and trusts that acquire leased real estate such as rental office and apartment buildings using investment funds widely collected from investors and distribute to investors the profits from rental revenue and sales of such properties minus maintenance and management expenses as well as interest payable.
- *2. Privately-offered real estate fund** A real estate scheme to acquire leased real estate using funds consisting of borrowings and assets widely collected from particular institutional investors or fewer than 49 minority investors, distribute rental revenue to investors as a dividend during rental periods and gains on sales generated from those properties.

Implemented capital increase through a public offering and stock split

As of October 26, 2004, the Company carried out a public offering for a capital increase of 10,000 shares of common stock defining the use of the assets as an appropriation for capital subscriptions to anonymous associations including real estate funds that the company Group manages. Paid-in capital after the issuance of new shares increased to ¥4.15 billion from ¥2.507 billion. (¥4.15 billion at the end of the 9th term)

As of January 20, 2005, the common stock was split 2 for 1 for shares held by shareholders registered in the list of shareholders as of November 30, 2004, and in the list of actual shareholders to increase the liquidity of the Company's stock and expand the number of shareholders. As a result, the number of shares issued and outstanding after the stock split was 166,554. (166,816 shares at the end of the 9th term)

Participated in REIT business

In the 9th term, we fully engaged in the REIT business through which a wide range of individual investors can join to "expand the investor base" as an important fund strategy.

One of them, Japan Single-residence REIT Inc. (8970) was listed on the Tokyo Stock Exchange as of July 13, 2005. It is the joint REIT business among the Company, Darwin Inc., and Lehman Brothers Investments Japan Inc., that invests in apartment buildings for singles, service apartments and hotels for businesspeople with the concept of providing nice residences that meet the diversified needs of singles, reflecting a substantial increase in the number of people living alone.

In addition to the above business, in December 2004 the Company founded Creed REIT Advisors Inc., a REIT investment company specializing in small to medium-sized buildings, which is an area of our expertise, and preparation for listing is under way, with an aim of IPO during the 10th term.

Company name: Creed REIT Advisors Inc.	
Established:	December 15, 2004
Paid-in capital:	¥4 million (as of May 31, 2005)
Shareholders:	Creed Corporation 80%
	Itochu Corporation 5%
	The Chuo Mitsui Trust and Banking Company, Limited 5%
	Sumitomo Mitsui Banking Corporation 5%
	Morgan Stanley Properties Japan KK 5%
Representative:	Hideya Yamanaka, CEO and President

Implemented an organizational change

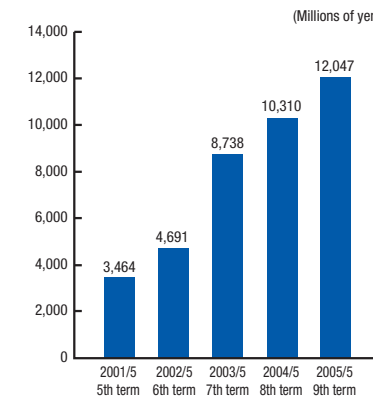
As of June 1, 2005, the Company reorganized to further reinforce business competitiveness, optimize the assigning of increasingly specialized tasks and strengthen compliance and risk management subsequent to business expansion.

Specifically, we implemented an organizational change from the Business Development and Marketing Division to the Strategic Investment Division to reinforce the promotion of strategic business such as new business and overseas business and strategic investments/loans, newly established the Construction Management to improve the real estate expertise of the entire Group, changed the Investment Division to the Portfolio Management Division to reinforce management of the Company's balance sheet and established the Risk Management Division to further refine governance based on reinforced risk control function and compliance.

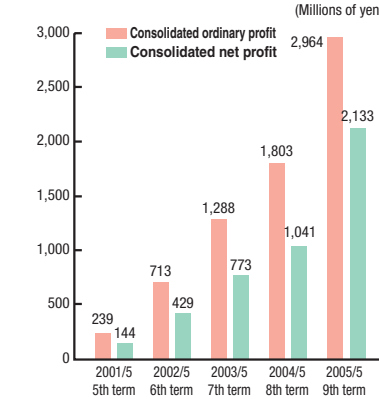
Addressed changes such as the revised Securities Exchange Law

Pursuant to the amended Article 2, Paragraph 2, of the Securities Exchange Law, capital subscriptions to anonymous associations, which are formerly posted as deemed securities, are regulated by this law. Along with revision of the Trust Business Law, registration was necessitated for selling, selling agent, and intermediary services of trust beneficiary rights. The Company defined the Company as the place for registration of dealership of trust beneficiary interests and our subsidiary Creed Real Estate Investment Advisors, Inc., as the place for registration of investment advisers and dealership of trust beneficiary interests, based on our understanding of the reasons for such amendments to laws such as protecting investors and securing transparency.

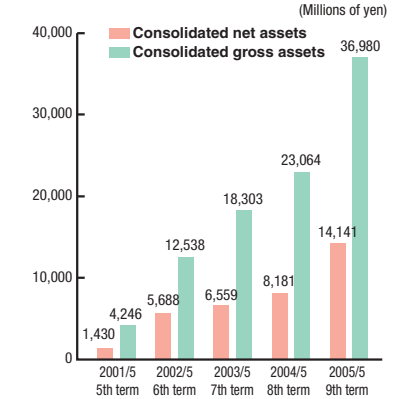
Consolidated sales



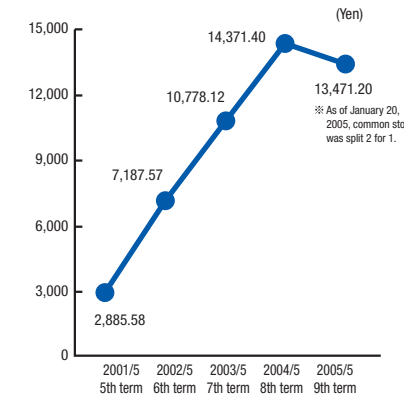
Consolidated ordinary profit/consolidated net profit



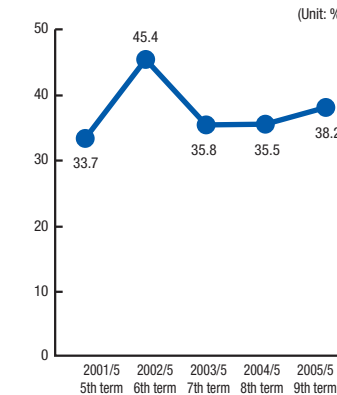
Consolidated net assets/consolidated gross assets



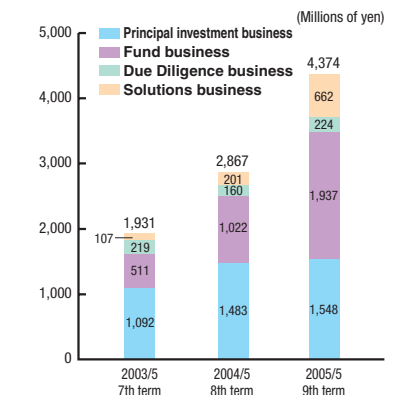
Net profit per share



Consolidated equity ratio



Consolidated operating profit composition ratio by segment



*As a change in business segmentation was carried out during the first quarter of the 7th term, the composition ratios of operating profit for the 5th and 6th terms are not indicated here.
*The above figures indicate the percentages and amounts before deducting unallocated operating expenses.

Consolidated Balance Sheets	(Thousands of yen)		(Thousands of yen)	
	9th term end (As of May 31, 2005)	8th term end (As of May 31, 2004)	9th term end (As of May 31, 2005)	8th term end (As of May 31, 2004)
Assets	36,980,207	23,064,326	Liabilities	22,838,975
Current assets	24,904,500	14,986,341	Current liabilities	11,540,341
Cash and deposits	4,595,587	2,513,056	Accounts payable	280,176
Accounts receivable	275,667	174,602	Short-term borrowings	5,962,730
Purchased receivables	—	247,938	Commercial paper	900,000
Inventory assets	17,632,589	11,472,246	Straight bond current portion	2,396,000
Deferred tax assets	300,714	158,189	Accrued corporation tax, etc.	1,283,904
Advanced properties	612,839	—	Deferred tax liabilities	913
Deposit payment	666,771	—	Reserve for bonuses	240,000
Other assets	839,912	422,361	Other current liabilities	476,615
Allowance for doubtful accounts	-19,581	-2,052	Fixed liabilities	11,298,633
Fixed assets	12,075,707	7,987,977	Corporate bonds	3,210,000
Tangible fixed assets	962,138	982,302	Long-term borrowings	6,256,861
Intangible fixed assets	98,902	90,292	Deferred tax liabilities	917,631
Investment and other assets	11,014,665	6,915,382	Guarantee deposits	882,839
Investment securities	10,091,511	1,703,011	Other fixed liabilities	31,301
Long-term loans	—	67,954	Minority interest	—
Investments in capital	—	109,800	Minority interest	824
Investment in anonymous associations	653,429	4,798,331	Shareholders' equity	14,141,232
Other fixed assets	269,724	236,656	Capital stock	4,156,835
Allowance for doubtful accounts	—	-371	Capital surplus	4,219,349
Deferred assets	—	90,007	Retained earnings	4,424,981
Total assets	36,980,207	23,064,326	Gaps in appraisal of securities	1,340,065
			Total liabilities, minority interest and shareholders' equity	36,980,207
				23,064,326

Consolidated Statements of Income	(Thousands of yen)	
	9th term (June 1, 2004, through May 31, 2005)	8th term (June 1, 2003, through May 31, 2004)
Sales	12,047,634	10,310,556
Cost of sales	5,817,081	6,141,271
Gross profit on sales	6,230,552	4,169,285
Sales, general and administrative expenses	2,717,224	1,976,054
Operating profit	3,513,328	2,193,230
Non-operating profit	35,196	55,973
Non-operating expenses	584,309	445,812
Ordinary profit	2,964,215	1,803,391
Extraordinary profit	848,586	144,214
Extraordinary loss	112,228	215,045
Income before income taxes and others	3,700,573	1,732,560
Income taxes—current	1,681,107	811,477
Income taxes—deferred	-113,563	-120,439
Minority loss	—	30
Net income	2,133,029	1,041,552

Consolidated Statements of Cash Flow	(Thousands of yen)	
	9th term (June 1, 2004, through May 31, 2005)	8th term (June 1, 2003, through May 31, 2004)
Cash Flow from Operating Activities	-7,976,738	-3,033,144
Cash Flow from Investing Activities	525,710	-236,478
Cash Flow from Financing Activities	9,577,528	2,452,252
Increase (decrease) in cash and cash equivalents	2,126,500	-817,370
Cash and cash equivalents at the beginning of the term	2,513,056	3,330,427
Decrease in cash and cash equivalents due to exclusion from consolidation	-43,968	—
Cash and cash equivalents at the end of the term	4,595,587	2,513,056

Appropriation of Consolidated Retained Earnings	(Thousands of yen)	
	9th term (June 1, 2004, through May 31, 2005)	8th term (June 1, 2003, through May 31, 2004)
(Capital surplus)		
Capital surplus at the beginning of the term	2,570,316	2,543,517
Increase in capital surplus	1,649,033	26,798
Issuance of new shares due to capital increase	1,623,800	—
Issuance of new shares due to exercise of stock options	25,233	26,798
Capital surplus at the end of the term	4,219,349	2,570,316
(Retained earnings)		
Retained earnings at the beginning of the term	2,408,376	1,438,971
Increase in retained earnings	2,136,761	1,041,552
Net income	2,133,029	1,041,552
Increase in retained earnings due to a decrease of consolidated subsidiaries	3,732	—
Decrease in retained earnings	120,156	72,147
Dividends	109,365	72,147
Decrease in retained earnings due to a decrease of consolidated subsidiaries	10,791	—
Retained earnings at the end of the term	4,424,981	2,408,376

Nonconsolidated Balance Sheets	(Thousands of yen)	
	9th term (As of May 31, 2005)	8th term (As of May 31, 2004)
Assets	35,294,327	21,341,350
Current assets	22,625,848	10,323,990
Fixed assets	12,668,478	10,929,426
Tangible fixed assets	960,494	972,333
Intangible fixed assets	98,126	89,204
Investment and other assets	11,609,858	9,867,889
Deferred assets	—	87,933
Total assets	35,294,327	21,341,350
Liabilities	22,231,913	13,774,677
Current liabilities	10,933,279	4,607,674
Fixed liabilities	11,298,633	9,167,002
Total liabilities	22,231,913	13,774,677
Shareholders' equity	13,062,414	7,566,673
Capital stock	4,156,835	2,507,801
Capital surplus	4,219,349	2,570,316
Retained earnings	3,346,163	1,793,164
Gaps in appraisal of securities	1,340,065	695,390
Total shareholders' equity	13,062,414	7,566,673
Total liabilities and shareholders' equity	35,294,327	21,341,350

Nonconsolidated Statements of Income	(Thousands of yen)	
	9th term (June 1, 2004, through May 31, 2005)	8th term (June 1, 2003, through May 31, 2004)
Net sales	9,895,338	7,709,313
Cost of sales	5,811,371	4,884,017
Gross profit on sales	4,083,967	2,825,296
Sales, general and administrative expenses	1,668,978	1,283,304
Operating profit	2,414,988	1,541,991
Non-operating profit	142,436	240,895
Non-operating expenses	577,060	391,953
Ordinary profit	1,980,364	1,390,933
Extraordinary profit	848,586	113,285
Extraordinary loss	111,111	184,099
Income before income taxes	2,717,840	1,320,118
Income taxes—current	1,145,374	588,687
Income taxes—deferred	-29,060	-95,955
Net profit	1,601,526	827,386
Profit carried forward from the previous term	1,682,299	964,277
Provision of unappropriated earnings due to merging consolidated subsidiaries	60,837	—
Unappropriated retained earnings for this term	3,344,663	1,791,664

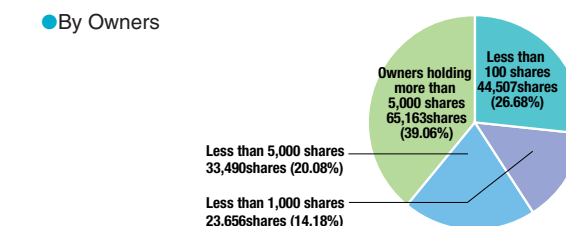
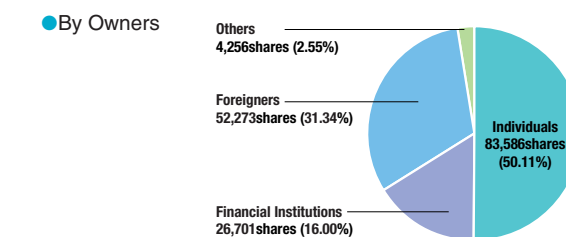
Appropriation of Retained Earnings	(Thousands of yen)	
	9th term Scheduled date of the general shareholders' meeting August 26, 2005	9th term Date when the general shareholders' meeting approved the appropriation August 27, 2004
Unappropriated retained earnings	3,344,663	1,791,664
Appropriated retained earnings		
Dividends	166,816	109,365
	(¥1,000 per share)	(¥1,500 per share)
Retained earnings brought forward to the next term	3,177,847	1,682,299

Outline of the Company		(As of May 31, 2005)
Company name	Creed Corporation	
Representative	Toshihiko Muneyoshi	
Established	On June 11, 1996	
Location	20F, Kasumigaseki Building, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo	
Incorporated Capital	¥4,156 million	
Number of employees	132 (Excluding outside auditors, including directors)	
License	Building Lots and Building Transaction Business, Minister of Land, Infrastructure and Transport (1) 6083	
Registration	Real Estate Appraisal, Governor of Tokyo (1) 1726 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, 1-3, 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 Real Estate Appraisal, Inc., and others	

Directors		(As of August 26, 2005)
Executive President	Toshihiko Muneyoshi	
Executive President	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 May 31, 2005)
Number of Authorized Shares:		381,696 shares
Number of Outstanding Shares:		166,816 shares
Number of Shareholders:		9,643
Major Shareholders:		Top 10
Shareholder	Number of shares held	Ratio
Toshihiko Muneyoshi	31,932Shares	19.14%
Japan Trustee Services Bank, Ltd. (Trust account)	9,559Shares	5.73%
The Chase Manhattan Bank, NA London SL Omnibus Account	6,990Shares	4.19%
State Street Bank and Trust Company	6,141Shares	3.68%
Kohei Matsuki	5,512Shares	3.30%
State Street Bank and Trust Company 505019	5,029Shares	3.01%
The Master Trust Bank of Japan, Ltd. (Trust account)	4,497Shares	2.69%
Nikko Citi Trust and Banking Corporation (Investment trusts account)	3,502Shares	2.09%
The Chase Manhattan Bank 380560	2,769Shares	1.65%
CBNY Principal Life Insurance Company	2,539Shares	1.52%

Distribution of Shares by Owners



Stock Information

■Date of closing accounts	May 31
■Ordinary general meeting of shareholders	Late August
■Reference date	May 31 (If necessary, another day can be designated with prior public notice.)
■Transfer agent	The Chuo Mitsui Trust and Banking Company, Limited 33-1, Shiba 3-chome, Minatoku, Tokyo
■Agency	Stock Transfer Agency Division The Chuo Mitsui Trust and Banking Company, Limited 8-4, Izumi 2-chome, Suginami-ku, Tokyo TEL: +81-3-3323-7111
■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	Nihon Keizai Shimbun
■Release of financial statements	http://www.creed.co.jp/kessan/index.html

Please visit our Web site.

Address of our Web site:

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



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