

## Overview of Consolidated Results for First Quarter of Term Ending May 2003

|                        |  |
|------------------------|--|
| Company Name           | CREED Corporation<br>(Ticker code: 8888)                         |
| Address of Head Office | 3-4, 2-chome, Akasaka<br>Minato-ward, Tokyo                      |
| Contact Person         | Position: Vice-President & Board Director<br>Name: Kohei Matsuki |
| Tel                    | ( 03 ) 5575 - 2010   |

### 1. Results for the Group

#### (1) Results for the First Quarter of the Term ending May 2003 (from June 1, 2002 to August 31, 2002)

|                  | 1 <sup>st</sup> quarter of term ending<br>May 2002<br>(quarter under review) | Percentage<br>increase/decrease from<br>year-ago<br>level | 1 <sup>st</sup> quarter of term ending<br>May 2002<br>(the same quarter in the<br>previous year) | Reference<br>Previous Term<br>(full-year) |
|------------------|--|---|--|---|
|                  | A million yen  | %   | A million yen  | A million yen                             |
| Sales            | 1,324  | 44.6  | 916  | 4,691                                     |
| Gross profit     | 599  | 74.8  | 343  | 1,933                                     |
| Operating profit | 283  | 204.4   | 92   | 828                                       |
| Ordinary profit  | 245  | 259.2   | 68   | 713                                       |

(Note) The numbers for the quarter under review have not been audited by a certified public accountant or an audit firm.

#### (2) Breakdown of sales by division

|                                  | 1 <sup>st</sup> quarter of term<br>ending May 2002<br>(quarter under review) |                     | Percentage<br>increase/decrease from<br>year-ago<br>level | 1 <sup>st</sup> quarter of the term<br>ending May 2002 (the<br>same quarter in the<br>previous year) |                     | Reference<br>Previous Term<br>(full-year) |                     |
|----------------------------------|--|---------------------|---|--|---------------------|---|---------------------|
|                                  | Amount   | Percent<br>of total |   | Amount   | Percent<br>of total | Amount                                    | Percent<br>of total |
|                                  | A million<br>yen   | %                   | %   | A million<br>yen   | %                   | A million<br>yen                          | %                   |
| Principal Investment<br>Business | 872  | 65.9                | 141.4   | 361  | 39.5                | 2,574                                     | 54.9                |
| Fund Business                    | 205  | 15.5                | 50.4  | 413  | 45.1                | 1,531                                     | 32.6                |
| Solution Business                | 107  | 8.1                 | 1,201.7   | 8  | 0.9                 | 223                                       | 4.8                 |
| Due Diligence Business           | 139  | 10.5                | 4.9   | 133  | 14.5                | 361                                       | 7.7                 |
| <b>Total of Sales</b>            | <b>1,324</b>   | <b>100.0</b>        | <b>44.6</b>   | <b>916</b>   | <b>100.0</b>        | <b>4,691</b>                              | <b>100.0</b>        |

(Note) 1. The numbers for the quarter under review have not been audited by a certified public accountant or an audit firm.

2. Prior to the quarter under review, the Company had classified its business segments into the Investment Business, Real Estate Solution Business, Due Diligence Business, and Asset Management Business. Starting from the first quarter under review, the Company has changed its business segments, which now consist of the Principal Investment Business, Fund Business, Solution Business, and Due Diligence Business.

### (3) Major changes in assets/liabilities

|                         | End of 1 <sup>st</sup> quarter of the term | Increase/decrease | End of previous term |
|-------------------------|--|-------------------|----------------------|
| (Assets)                | A million yen                              | A million yen     | A million yen        |
| Inventory asset         | 6,282                                      | 333               | 5,949                |
| (Liabilities)           |  |                   |                      |
| Long-term loans payable | 3,531                                      | 597               | 2,934                |

(Note) 1. The numbers for the quarter concerned have not been audited by a certified public accountant or an audit firm.

2. Only an item whose range of change exceeds 1% of aggregate asset is listed above.

## 2. Overview for the Group

During the quarter (from June 1, 2002 to August 31, 2002), the Japanese economy benefited from the beginnings of a recovery in manufacturing, centering on exports, and a number of economic indices showed signs of a bottoming out of the economy. Nonetheless, capital investment and consumer spending remained weak and unemployment continued to be severe.

At the point between the real estate industry comes in contact with the financial industry, which is the sphere of operations for the Company, demand in the corporate sector for the disposal of properties or the shifting of properties off the balance sheet has been grown. This was a result both of the introduction of the market price valuation accounting system for financial products and of the impending introduction of the accounting system requiring a company to post losses on the valuation of fixed assets such as land and plants in its financial statements. And accompanying the accelerated writing off of non-performing loans by financial institutions and the growth of markets where real estate investment trusts are listed, domestic and overseas investors alike have become more willing to invest in profitable real estate. In that sense, business opportunities for the Company grew during the quarter.

In this environment, the Company has endeavored to aggressively develop its businesses and realize a synergy from its divisions, which are namely the principal investment business, the fund business, the solution business, and the due diligence business.

The operating conditions for the quarter under review are as follows:

#### (1) Sales

Sales of the Company Group for the quarter under review were 1,324 million yen (up 44.6% from the year-ago level). The business result for each division is as follows:

##### (1) Principal Investment Business

The Principal Investment Business invests in real estate and real estate-related assets based on its own judgment.

Sales for the quarter were 872 million yen, an increase of 141.4% from the year-ago level.

##### (2) Fund Business

The Fund Business has been engaged in asset management, which regularly makes investment and reviews/executes a strategy for maximization of returns being consigned by a real estate fund, etc.,

has been engaged in property management, which implements management operations of buildings, etc. and has implemented investments in real estate funds, etc.

Sales in the quarter under review were 205 million yen, a decrease of 50.4% from the year-ago level. The decrease reflected the fact that funds started to directly purchase real estate for management, and no real estate property was transferred to the fund after tentative holding by the Company.

### (3) Solution Business

The Solution Business has been engaged in real estate advisory operations, providing advice to individual investors on the acquisition and/or sale of real estate, centering on a real estate brokerage service. The division also provides corporate consulting, giving advice on real estate strategies and a management/financial strategies, etc. from the aspect of maximizing corporate value.

Sales in the quarter under review were 107 million yen, an increase of 1,201.7% from the year-ago level.

### (4) Due Diligence Business

The Due Diligence Business evaluates real estate and associated debt and develops disposal strategies through a multifarious approach designed to meet the customers' objectives, developing unique expertise based on a basic policy of viewing real estate from a rational, scientific perspective.

Sales in the quarter under review were 139 million yen, up 4.9% from the year-ago level.

## (2) Operating expenses

### (1) Cost of sales/gross profit

The Company posted a cost of sales of 724 million yen for the quarter under review (up 26.5% from the year-ago level). The primary item was the amount of items purchased in relation to the sale of real estate owned in the principal investment business.

Gross profit on sales was 539 million yen (up 79.8% from the year-ago level), and the gross profit rate was 45.3%.

### (2) Selling and general administrative costs

Selling and general administrative costs for the quarter under review were 316 million yen (up 26.6% from the year-ago level). In addition to labor costs, primary items included the rent account and advertising cost.

The ratio of labor costs in selling and administrative costs was 59.4%. Further the ratio of selling and administrative costs to sales was 24.1%.

## (3) Operating profit/ordinary profit

### (1) Operating profit

The operating profit for the quarter under review was 283 million yen (up 204.4% from the year-ago level) and the rate of operating profit to sales was 21.4%.

### (2) Ordinary profit

Ordinary profit for the quarter under review was 245 million yen (up 259.2% from the year-ago level) and the rate of ordinary profit to sales was 18.5%.

### 3. Outlook for the Term under Review

Because of the acceleration of the disposal of real estate as part of the restructuring of assets by business corporations and the write-off of non-performing loans by financial institutions, the Group's business opportunities are expected to expand further. Given this business environment, the Company aims to further improve its business results, continuing to expand the outstanding balance of assets under management.

Looking to the term under review, given that the progress of business results in the quarter in question was in line with the plan, no revision has been made to the forecast results mentioned in the summary report on the consolidated account closing or the overview of individual financial statements announced on July 16, 2002.

### 4. Others

#### Changes in business segments

Prior to the consolidated accounting period under review, the Company had classified its business segments into four segments, namely Investment Business, Real Estate Solution Business, Due Diligence Business, and Asset Management Business. However, starting from the consolidated accounting period concerned, the Company changed its business segments into the following four segments: Principal Investment Business, Fund Business, Solution Business, and Due Diligence Business. This change was made to disclose information that more appropriately reflects the condition of each business, following the review of the organization and its subsequent revision into one in which the role and business responsibility of each division is clearly set out for the purposes of profit and risk management.

## 5. Consolidated Financial Statements for the First Quarter

### (1) Consolidated Balance Sheet for the First Quarter

(Unit : A million yen)

|  | End of 1 <sup>st</sup> quarter of term<br>ending May 2003<br>(as of August 31, 2002) | End of previous<br>consolidated accounting<br>period<br>(as of May 31, 2002) | End of 1 <sup>st</sup> quarter of term<br>ending May 2002<br>(as of August 31, 2001) |
|--|--|--|--|
| Cash                                     | 2,969  | 3,365  | 769  |
| Account receivable                       | 230  | 64   | 109  |
| Inventory asset                          | 6,282  | 5,949  | 3,160  |
| Other current assets                     | 674  | 215  | 249  |
| Total Current Assets                     | 10,156   | 9,594  | 4,289  |
| Total tangible fixed assets              | 73   | 75   | 77   |
| Total intangible fixed assets            | 15   | 15   | 9  |
| Total investments, etc.                  | 2,921  | 2,840  | 787  |
| Total Fixed Assets                       | 3,009  | 2,932  | 874  |
| Total Deferred Assets                    | 10   | 11   | 3  |
| Total Assets                             | 13,176   | 12,538   | 5,167  |
| Account payable                          | 80   | 56   | 55   |
| Short-term loans payable                 | 2,345  | 2,255  | 1,639  |
| Total Current Liabilities                | 2,711  | 2,795  | 1,869  |
| Total Fixed Liabilities                  | 4,649  | 4,054  | 1,834  |
| Total Liabilities                        | 7,360  | 6,850  | 3,703  |
| Minority Interest                        | 0  | 207  | -  |
| Capital stock                            | 2,472  | 1,362  | 564  |
| Amount paid for new stock                | -  | 2,220  | -  |
| Capital surplus                          | 2,534  | -  | -  |
| Capital reserve                          | -  | 1,424  | 626  |
| Legal reserve                            | 797  | -  | -  |
| Consolidated reserve                     | -  | 665  | 279  |
| Other appraisal gap in securities        | 10   | 15   | 6  |
| Total Shareholders' Equity               | 5,815  | 5,688  | 1,463  |
| Total Liabilities, Minority Interest and | 13,176   | 12,538   | 5,167  |

(2) Profit and Loss Statement for the First Quarter

(Unit : A million yen)

|                                  | 1 <sup>st</sup> quarter of term ending May 2003<br><br>( From June 1, 2002<br>To August 31, 2002 ) | 1 <sup>st</sup> quarter of term ending<br>May 2002<br><br>( From June 1, 2001<br>To August 31, 2001 ) |
|----------------------------------|--|---|
| Sales                            | 1,324  | 916   |
| Cost of sales                    | 724  | 573   |
| Gross profit                     | 599  | 343   |
| Selling and administrative costs | 316  | 250   |
| Operating profit                 | 283  | 92  |
| Non-operating income             | 12   | 3   |
| Non-operating expenses           | 50   | 27  |
| Ordinary Profit                  | 245  | 68  |