



The | 0th Term
Business Report

June 1, 2005, through May 31, 2006

A large, light blue, stylized graphic element resembling a thick, cursive letter 'C' or a similar flourish, positioned in the center of the page. It has a soft, glowing effect.

BUSINESS REPORT 2006

Stock Code : 8888



Greetings

We truly appreciate your continuing support. We hereby report on our business for the 10th fiscal term (June 1, 2005, through May 31, 2006) of Creed Corporation.

The environment for real estate investment and management business for the fiscal year was characterized by turnaround of land prices and rents, development of real estate transactions, and 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 real estate 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 initiatives during the term for future growth include increasing assets under management, expanding investor base, diversifying real

estate investment products, launching two REITs, establishing a hotel management company, and starting up a local subsidiary for overseas investment.

As a result, sales rose 90.6% year over year to ¥22,959 million, ordinary profit jumped 118.4% to ¥6,473 million and net profit surged 95.4% to ¥4,167 million.

By segment, operating profit soared 167.0% year over year to ¥4,134 million in the Principal Investment Business and increased 126.4% to ¥4,387 million in the Fund Business. However, we posted operating losses of ¥50 million in the Due Diligence Business (compared with operating profit of ¥224 million a year earlier) and ¥15 million in the Solutions Business (compared with operating profit of ¥662 million a year earlier). These losses were mainly due to decreased customer needs as the disposal of nonperforming loans had already passed the peak. Assets under management, which is an important management index for Creed Group, increased dramatically to ¥302.2 billion from ¥128.4 billion at the previous year-end.

As a basic management policy, for the future we will endeavor to increase Earnings before Interest and Taxes (EBIT), Earnings per Share (EPS) and Assets under Management (AUM), which are important management indices, over the medium to long term by fully utilizing our real estate expertise, which is our core value, to promote the asset management business.

Future business development




11th fiscal term targets

Consolidated ordinary profit

¥7 billion

Assets under management

¥500 billion

- | | |
|--|--|
|  Reinforce Fund Business | Targeting global investors
Larger fund scale
Medium- to long-term management |
|  Expand development businesses | Development of offices, apartment buildings, hotels and commercial facilities |
|  Diversify real estate types for investment and strengthen overseas real estate investment | Acquire and develop hotels and commercial facilities in full scale and establish operational capacity if necessary
Full-scale investments in Germany
Consider investments in other areas |

The first strategic pillar is to launch a large-scale private real estate fund. We will manage such a fund for the medium to long term in value-added style, investing funds collected from global investors in small to medium-sized real estate, which is an area of our expertise and where we can optimize the Group's competitive edge.

The second strategic pillar is to reinforce our development business using the Group's know-how and skills, and supply high-quality offices, apartment buildings, hotels, commercial facilities that satisfy the needs of markets and investors.

The third pillar is to diversify real estate types for investments and to strengthen investments in overseas real estate. In addition to the offices and residences in which we have mainly

invested, we have started and will 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.

We will continue to grow with our Group Vision “Building Global Markets for Real Estate Investment and Management” based on our corporate ethics and compliance.

Your continuing support is highly appreciated.

Toshihiko Muneyoshi

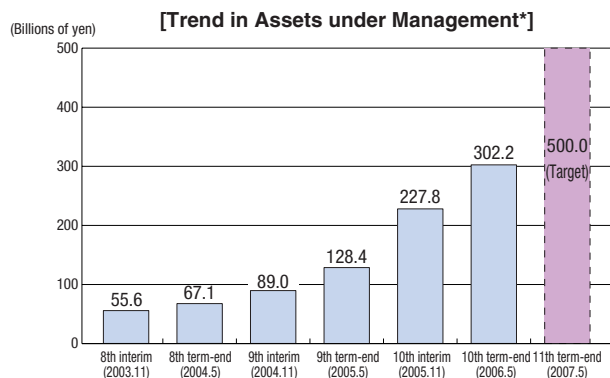
CEO and President
Creed Corporation



Terms

Private real estate fund A private real estate fund is a scheme to purchase office buildings and condominiums using funds consisting of capital of particular institutional investors of 49 or fewer minority investors and loans, distribute rental revenue to investors during the management period, and collect the funds by selling the properties after the management is terminated.

Trend in Assets under Management and Portfolio Distribution

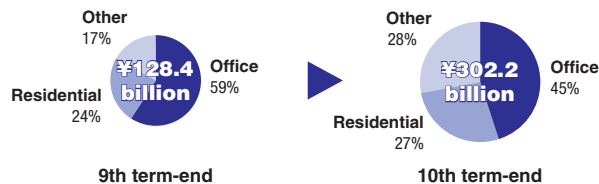


*Assets under Management is the sum of the balance of investments managed integral to the capital of investors, the balance of assets managed only with the investors' capital and the balance of assets held and managed by the Company and its 100%-owned subsidiaries.

Note: The indicated amounts are based on the purchase price of each property.

[Portfolio Distribution Chart]

Based on the balance



Based on the number of properties

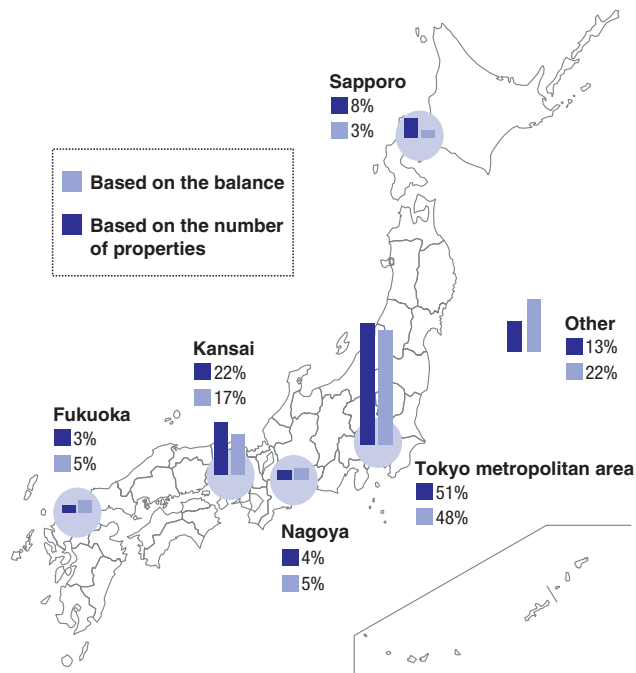


Large expansion of assets under management

For the fiscal year under review, the 10th term, assets under management, which is an important management index for the Group, increased ¥173.8 billion to ¥302.2 billion from ¥128.4 billion for the previous fiscal year (the 9th term).

The ratios of suburban commercial facilities, major local cities and overseas properties increased. For details, please see the charts below.

Our target for the next term, the 11th, is ¥500 billion.



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

Expansion and Diversification of Asset Management Business

Asset Management Business

Private real estate fund

Structured a residential fund in November 2005

For Japanese institutional investors, we established an income gain-based fund mainly for investment in family condominiums (total assets: ¥5.2 billion).

Completed the sales of properties incorporated into Creed Real Estate Revival Fund I

We sold out all the properties incorporated into the Creed Real Estate Revival Fund I, which we established for Japanese institutional investors in 2003.

REITs

Listing of Japan Single-Residence REIT Inc.

Japan Single-Residence REIT Inc. went public in July 2005. Managed by Japan Single-Residence Asset Management Corp. (about 33% owned by the Company), Japan Single-Residence REIT Inc. mainly invests in apartment buildings for singles and hotels.

Assets under management for this REIT as of May 31, 2006, were ¥31.2 billion (24 properties).

Listing of Creed Office Investment Corporation

In March 2006, Creed Office Investment Corporation, a REIT managed by Creed REIT Advisors Inc. (80% owned by the Company) that specializes in small to medium-sized buildings, went public. Assets under management for this REIT as of May 31, 2006, were ¥84.7 billion (43 properties).

Others

Actively promoting asset management of commercial facilities

We won an asset management contract for the securitization project of supermarket complexes with SEIYU as the tenant (¥31.3 billion, nine properties as of November 2005). We also engaged in the development of large-scale shopping malls.

Full-Scale Investment in Overseas Real Estate

Acquisition of Hotel Nikko Guam

As our first overseas deal, in December 2005, the Company acquired all shares of a company that owned the land and buildings of Hotel Nikko Guam.



Hotel Nikko Guam

Started investment in Berlin, Germany

In March 2006, we launched Creed Deutschland GmbH, a local company, for easier access to the real estate market in Berlin, Germany, which is a promising investment market, and started our full-scale investment activities. As of May 31, 2006, we have completed contracts for 14 properties.



Residential real estate in Berlin

Strengthening Development Business

Active real estate development

Under the situation where supply of small to medium-sized buildings has been stagnant after the burst of the bubble economy, we have taken full advantage of our real estate know-how and expertise to expend our real estate development business; namely designing buildings that are suitable for investment. During the 10th term, we completed office buildings, condominiums and commercial facilities worth of ¥35.9billion. To

address full-scale growth of our real estate development business, we established a specialized team in April 2006.



Area: Osaka
Use: Retail apartment complex
Completion: January 2006
Occupancy: Full (as of July 2006)
Features:
-Highly flexible space design that even accommodates small/home offices
-Stylish interior
-Security system

In addition to acquiring existing real estate, we intend to reinforce our property acquisition capabilities by developing competitive high-quality real estate for future expansion of assets under management. As a medium-term target, we aim to construct properties that amount to ¥60 billion or more annually.

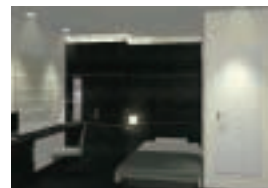
Area: Yokohama
Use: Retail apartment complex
Completion: February 2006
Occupancy: Full (As of July 2006)
Features:
-Unique design concept based on meticulous market analyses
-Appealing interior that offers comfortable living
-Highly competitive property in the neighborhood



Launching Hotel Business

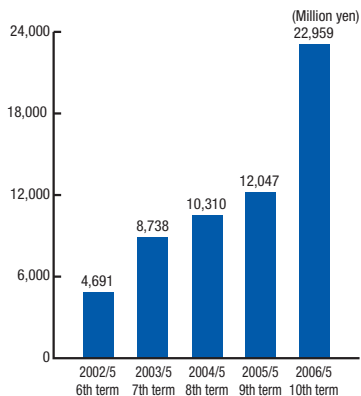
Our initiatives

In July 2005, we established Creed Hotel Management Inc. and entered into the hotel development and management business. Our objective is the nationwide development of self-branded roadside business hotels. As of May 31, 2006, we already procured five sites for development in Tohoku, Tokai and Kyushu and are preparing to open the first hotel in fiscal 2007.

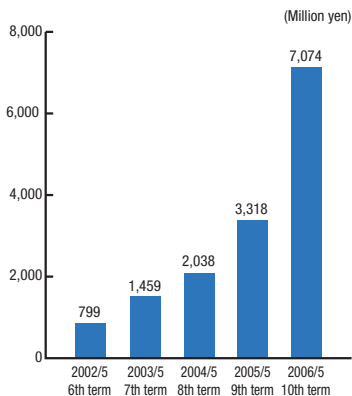


Images of hotels under development
*These pictures are images, and completed exteriors and interiors may differ.

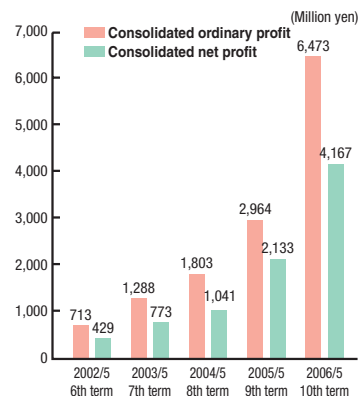
Consolidated sales



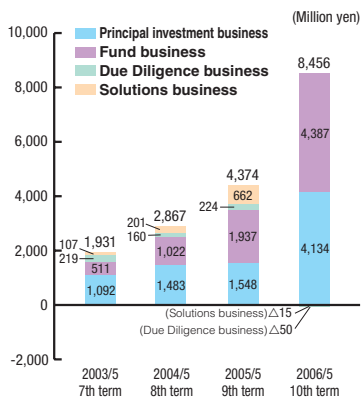
EBIT



Consolidated ordinary profit/ consolidated net profit



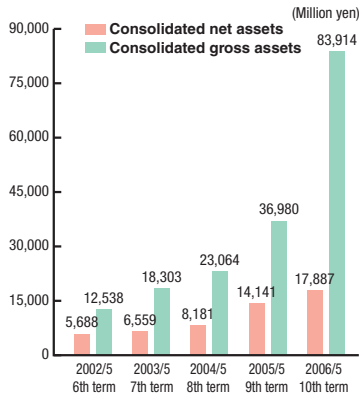
Consolidated operating profit breakdown ratio by segment



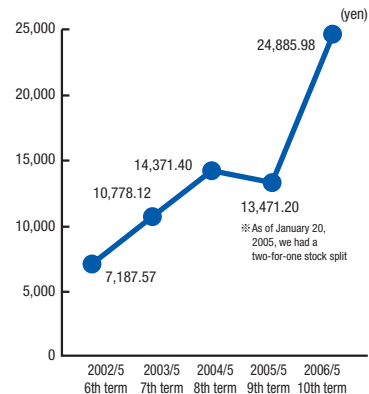
*As a change in business segmentation was carried out during the first quarter of the 7th term, the breakdown ratios of operating profit for the 6th term is not indicated here.

*The above figures indicate the percentages and amounts before deducting unallocated operating expenses.

Consolidated net assets/ consolidated gross assets



Net profit per share



※ As of January 20, 2005, we had a two-for-one stock split

Consolidated Financial Statements

Consolidated Balance Sheet	(Thousand yen)		(Thousand yen)	
	10th term-end (As of May 31, 2006)	9th term-end (As of May 31, 2005)	10th term-end (As of May 31, 2006)	9th term-end (As of May 31, 2005)
Assets	83,914,099	36,980,207	Liabilities	66,027,057
Current assets	66,355,062	24,904,500	Current liabilities	45,733,605
Cash and deposits	4,628,386	4,595,587	Accounts payable	485,107
Accounts receivable	443,022	275,667	Short-term borrowings	40,196,861
Operating investment securities	1,910,437	—	Commercial paper	900,000
Inventory assets	24,181,968	17,632,589	Corporate bond current portion	610,000
Advance payment	1,869,038	—	Accrued corporation tax, etc.	2,087,160
Deferred tax assets	436,727	300,714	Deferred tax liabilities	—
Consumption taxes receivable	939,146	—	Reserve for bonuses	186,729
Advanced properties	30,208,332	612,839	Other current liabilities	1,267,746
Other deposits	1,403,226	666,771	Fixed liabilities	20,293,452
Other assets	349,801	839,912	Corporate bonds	2,600,000
Allowance for doubtful accounts	-15,025	-19,581	Long-term borrowings	15,181,289
Fixed assets	17,559,037	12,075,707	Deferred tax liabilities	586,429
Tangible fixed assets	1,117,854	962,138	Guarantee deposits	1,911,692
Intangible fixed assets	140,903	98,902	Other fixed liabilities	14,041
Investment and other assets	16,300,279	11,014,665	Shareholders' equity	—
Investment securities	14,671,437	10,091,511	Capital stock	—
Investment in anonymous associations	455,588	653,429	Capital surplus	—
Other fixed assets	1,173,253	269,724	Retained earnings	—
Total assets	83,914,099	36,980,207	Valuation gains/losses of securities	—
			Total liabilities, minority interest and shareholders' equity	—
			Net Assets	17,887,042
			Shareholders' equity	16,933,754
			Capital stock	4,231,540
			Capital surplus	4,294,054
			Retained earnings	8,408,160
			Valuation gains/losses and translation adjustments	867,139
			Valuation gains/losses of securities	859,770
			Foreign currency translation adjustments	7,369
			Minority interest	86,147
			Total liabilities and net assets	83,914,099

Consolidated Statement of Income	(Thousand yen)	
	10th term (June 1, 2005, through May 31, 2006)	9th term (June 1, 2004, through May 31, 2005)
Sales	22,959,208	12,047,634
Cost of sales	11,566,050	5,817,081
Gross profit on sales	11,393,158	6,230,552
Sales, general and administrative expenses	3,968,798	2,717,224
Operating profit	7,424,359	3,513,328
Non-operating profit	68,508	35,196
Non-operating expenses	1,019,581	584,309
Ordinary profit	6,473,286	2,964,215
Extraordinary profit	830,289	848,586
Extraordinary loss	2,762	112,228
Income before income taxes and others	7,300,813	3,700,573
Income taxes—current	3,045,615	1,681,107
Income taxes—deferred	-138,418	-113,563
Prior-year income taxes—current	218,940	—
Minority income	6,921	—
Net profit	4,167,753	2,133,029

Consolidated Statement of Cash Flow	(Thousand yen)	
	10th term (June 1, 2005, through May 31, 2006)	9th term (June 1, 2004, through May 31, 2005)
Cash Flow from Operating Activities	-39,050,774	-7,976,738
Cash Flow from Investing Activities	-1,691,087	525,710
Cash Flow from Financing Activities	40,765,663	9,577,528
Translation adjustments in cash and cash equivalents	7,611	—
Increase in cash and cash equivalents	31,414	2,126,500
Cash and cash equivalents at the beginning of the term	4,595,587	2,513,056
Increase in cash and cash equivalents due to an increase of consolidated subsidiaries	1,384	—
Decrease in cash and cash equivalents due to a decrease of consolidated subsidiaries	—	-43,968
Cash and cash equivalents at the end of the term	4,628,386	4,595,587

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

Consolidated Statement of Changes in Shareholders' Equity 10th term (June 1, 2005, through May 31, 2006) (Thousand yen)

	Shareholders' equity				Valuation gains/losses and translation adjustments			Minority interest	Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Valuation gains/losses of securities	Foreign currency translation adjustments	Total valuation gains/losses and translation adjustments		
Balance as of May 31, 2005	4,156,835	4,219,349	4,424,981	12,801,167	1,340,065	—	—	—	14,141,232
Fluctuations during the consolidated fiscal term									
Issuance of new shares (exercise of stock options)	74,704	74,704	—	149,409	—	—	—	—	149,409
Dividends	—	—	-166,816	-166,816	—	—	—	—	-166,816
Net income	—	—	4,167,753	4,167,753	—	—	—	—	4,167,753
Increase due to an increase of consolidated subsidiaries	—	—	9,177	9,177	—	—	—	—	9,177
Decrease due to an increase of equity method affiliates	—	—	-26,935	-26,935	—	—	—	—	-26,935
Fluctuations (net) in items other than shareholders' equity	—	—	—	—	-480,294	7,369	—	86,147	-386,777
Total fluctuations during the consolidated fiscal year	74,704	74,704	3,983,178	4,132,587	-480,294	7,369	—	86,147	3,745,809
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

Nonconsolidated Financial Statements

Nonconsolidated Balance Sheet	(Thousand yen)	
	10th term (As of May 31, 2006)	9th term (As of May 31, 2005)
Assets	80,695,057	35,294,327
Current assets	61,695,008	22,625,848
Fixed assets	19,000,048	12,668,478
Tangible fixed assets	1,094,291	960,494
Intangible fixed assets	138,615	98,126
Investment and other assets	17,767,141	11,609,858
Total assets	80,695,057	35,294,327
Liabilities	64,598,937	22,231,913
Current liabilities	44,305,484	10,933,279
Fixed liabilities	20,293,452	11,298,633
Total liabilities	64,598,937	22,231,913
Shareholders' equity	—	13,062,414
Capital stock	—	4,156,835
Capital surplus	—	4,219,349
Retained earnings	—	3,346,163
Valuation gains/losses of securities	—	1,340,065
Total shareholders' equity	—	13,062,414
Total liabilities and shareholders' equity	—	35,294,327
Net assets	16,096,120	—
Shareholders' equity	15,236,349	—
Capital stock	4,231,540	—
Capital surplus	4,294,054	—
Retained earnings	6,710,754	—
Valuation gains/losses and translation adjustments	859,770	—
Valuation gains/losses of securities	859,770	—
Total net assets	16,096,120	—
Total liabilities and net assets	80,695,057	—

Nonconsolidated Statement of Income	(Thousand yen)	
	10th term (June 1, 2005, through May 31, 2006)	9th term (June 1, 2004, through May 31, 2005)
Sales	19,640,755	9,895,338
Cost of sales	12,239,448	5,811,371
Gross profit on sales	7,401,307	4,083,967
Sales, general and administrative expenses	2,261,525	1,668,978
Operating profit	5,139,781	2,414,988
Non-operating profit	663,277	142,436
Non-operating expenses	1,010,562	577,060
Ordinary profit	4,792,496	1,980,364
Extraordinary profit	850,155	848,586
Extraordinary loss	2,762	111,111
Income before income taxes	5,639,889	2,717,840
Income taxes—current	2,014,263	1,145,374
Prior-year income taxes—current	218,940	—
Income taxes—deferred	-124,723	-29,060
Net profit	3,531,407	1,601,526
Profit carried forward from the previous term	—	1,682,299
Increase in unappropriated retained earnings due to merging consolidated subsidiaries	—	60,837
Unappropriated retained earnings for this term	—	3,344,663

Appropriation of Retained Earnings	(Thousand yen)	
	9th term Date when the general shareholders' meeting approved the appropriation August 26, 2005	
Unappropriated retained earnings	3,344,663	
Appropriated retained earnings	—	
Dividends	166,816	
	(¥1,000 per share)	
Retained earnings brought forward to the next term	3,177,847	

Statement of Changes in Shareholders' Equity 10th term (June 1, 2005, through May 31, 2006) (Thousand yen)

	Shareholders' equity					Valuation gains and losses and translation adjustments		Total net assets
	Capital stock	Capital surplus	Retained earnings		Total shareholders' equity	Valuation gains/losses of securities	Total valuation gains/losses and translation adjustments	
		Capital reserve	Legal reserve	Other retained earnings Retained earnings brought forward				
Balance as of May 31, 2005	4,156,835	4,219,349	1,500	3,344,663	11,722,349	1,340,065	—	13,062,414
Fluctuations during the fiscal term								
Issuance of new shares (exercise of stock options)	74,704	74,704	—	—	149,409	—	—	149,409
Dividends	—	—	—	-166,816	-166,816	—	—	-166,816
Net profit	—	—	—	3,531,407	3,531,407	—	—	3,531,407
Fluctuations (net) in items other than shareholders' equity	—	—	—	—	—	-480,294	—	-480,294
Total fluctuations during the fiscal year	74,704	74,704	—	3,364,591	3,514,000	-480,294	—	3,033,705
Balance as of May 31, 2006	4,231,540	4,294,054	1,500	6,709,254	15,236,349	859,770	859,770	16,096,120

Outline of the Company

(As of May 31, 2006)

- Company name Creed Corporation
- Established June 11, 1996
- Location 20F, Kasumigaseki Building, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo
- Incorporated Capital ¥4,231 million
- Number of employees 186 (Including contract employees)
- License Building Lots and Building Transaction Business, Minister of Land, Infrastructure and Transport (2) 6083
- Registration Real Estate Appraisal, Governor of Tokyo (2) 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, 1-5, 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 Real Estate Appraisal, Inc., and others

Directors

(As of May 31, 2006)

- | | |
|-------------------------|---------------------|
| CEO and President | 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

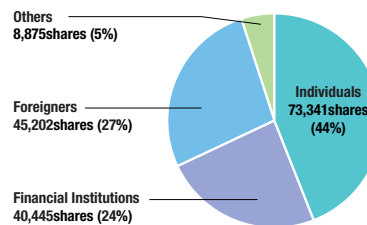
(As of May 31, 2006)

- Number of Shares Authorized to be Issued: 381,696 shares
- Number of Outstanding Shares: 167,863 shares
- Number of Shareholders: 12,946
- 10 Largest Shareholders

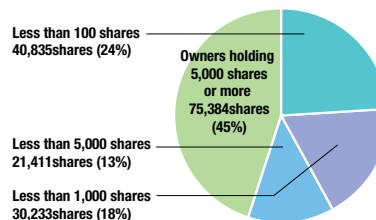
Shareholder	Number of shares held	Ratio
Toshihiko Muneyoshi	31,232Shares	18.60%
Japan Trustee Services Bank, Ltd. (Trust account)	11,664Shares	6.94%
The Master Trust Bank of Japan, Ltd. (Trust account)	7,948Shares	4.73%
Japan Securities Finance Co., Ltd.	7,111Shares	4.23%
State Street Bank and Trust Company	6,372Shares	3.79%
Morgan Stanley & Co. International Limited	5,548Shares	3.30%
Trust & Custody Services Bank, Ltd.	5,509Shares	3.28%
JPMorgan Chase Bank, 385043	2,291Shares	1.36%
Morgan Stanley and Company Inc.	1,983Shares	1.18%
Luxemburg Offshore Jasdec Lending Account	1,895Shares	1.12%

Distribution of Shares by Owners

● By Owner Profile



● By Number of Shares



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

Please visit our Web site.

Address of our Web site:

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



Creed Corporation

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R100
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