

## Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 2007

Company name:	Shinoken Co., Ltd.	Stock code: 8909
(URL: <a href="http://www.shinoken.com">http://www.shinoken.com</a> )		Stock Exchange listing: JASDAQ
Representative:	Hideaki Shinohara, Representative Director and President	
Contact:	Junichi Tsurukawa, Board Director and Division Chief	Tel: +81-(92)-477-0040

### 1. Matters Related to the Preparation of Quarterly Financial Statements

(1) Adoption of the simplified principles for accounting: Yes

We have adopted the simplified method for booking corporate taxes and other items.

We have adopted some simplified methods for booking reserves.

(2) Changes in accounting principles from the recent consolidated fiscal years: None

(3) Changes in scope of consolidation and application of equity method: None

### 2. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2007

(April 1, 2006 – June 30, 2006)

(1) Consolidated Results of Operations

(All amounts are rounded down to the nearest million yen)

	Revenues		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
1Q ended June 2006	2,352	(39.9)	88	(65.0)	9	(95.7)	3	(97.8)
1Q ended June 2005	3,913	80.0	251	1,791.5	213	-	143	-
(For reference) FY ended March 2006	18,563		1,320		1,017		(632)	

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
1Q ended June 2006	85.00	83.89
1Q ended June 2005	7,126.90	-
(For reference) FY ended March 2006	(22,358.86)	-

Notes: 1. Percentages in revenues, operating income and other item represent change from the same quarter of the previous fiscal year.

2. Average number of outstanding shares during the period (consolidated)

1Q ended June 2006: 37,219 shares

FY ended March 2006: 28,270 shares

### Qualitative Information Regarding Consolidated Business Results

Group revenues in the first quarter (April 1, 2006 – June 30, 2006) of the current fiscal year totaled 2,352 million yen (-39.9% year-over-year), ordinary income 9 million yen (-95.7%), and net income 3 million yen (-97.8%).

We delivered 1 high-rise rental apartment building in the first quarter (3 in the same period of the previous fiscal year), 15 low-rise rental apartment buildings (14), 15 land plots (20), and 24 one-room rental apartment units (16). However, revenues fell 1,809 million yen year-over-year, and operating income, ordinary income, and net income fell as well, primarily because deliveries of high-rise rental apartment buildings declined by 2 compared with the same period of the previous fiscal year. However, earnings generally trended in line with initial plans, as the aforementioned year-over-year declines in sales and profits were essentially the result of a temporary shift in the delivery dates of high-rise apartment buildings.

In the industry in which we operate, most apartment building construction finishes around March, the season when demand for apartments is strongest; as a result, sales and profits in our rental apartment building sales operations tend to concentrate in the fourth quarter.

## Consolidated Financial Position

(All amounts are rounded down to the nearest million yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of Yen	Millions of Yen	%	Yen
1Q ended June 2006	18,928	3,462	18.3	93,032.54
1Q ended June 2005	13,109	2,235	17.1	81,302.31
(For reference) FY ended March 2006	21,203	3,459	16.3	92,947.54

## [Consolidated Cash Flow Position]

(All amounts are rounded down to the nearest million yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
1Q ended June 2006	(1,135)	252	(905)	547
1Q ended June 2005	(2,598)	(300)	2,015	1,432
(For reference) FY ended March 2006	(9,016)	(168)	9,204	2,335

## Qualitative Information Regarding Consolidated Financial Position

Our financial position at the end of the first quarter, as compared with the end of the previous consolidated fiscal year, changed as follows:

Total assets decreased 2,275 million yen to 18,928 million yen, mainly due to declines in cash and deposits, real estate operation accounts due and accounts receivable.

Liabilities decreased 2,278 million yen to 15,466 million yen, due to declines in real estate operation unpaid accocunts and accounts payable, and long-term borrowings.

Shareholders' equity totaled 3,462 million yen from net income.

## Cash Flow Position

Cash and cash equivalents (hereinafter called 'net cash') at the end of the current first quarter were 547 million yen, a decrease of 885 million yen over the end of the first quarter of previous fiscal year.

## Operating activities

Net cash used in operating activities totaled 1,135 million yen (down 1,463 million yen from a year earlier). Positive factors included a 1,132 million yen decline in accounts receivable, while negative factors included an 889 million yen increase in inventories, and a 1,114 million yen decline in accounts payable.

## Investing activities

Net cash from investing activities totaled 252 million yen (up 553 million yen from a year earlier). Positive factors included 300 million yen in income from the sale of tangible fixed assets, and 165 million yen in income from the cancellation of time deposits, while negative factors included 178 million yen in security deposit payments.

## Financing activities

Net cash used in financing activities totaled 905 million yen (down 2,921 million yen from a year earlier). Negative factors included 1,223 million yen in repayment of short and long-term borrowings, and 64 million yen in interest payments, while positive factors included a 377 million yen increase in long-term borrowings.

### 3. Estimated Business Performance for the Fiscal Year Ending March 2007 (April 1, 2006 - March 31, 2007)

	Revenues	Ordinary income	Net income
	Millions of Yen	Millions of Yen	Millions of Yen
Interim	8,100	115	100
Full year	21,500	1,100	690

Reference: Estimated net income per share (full year): 18,538.92 yen

### Qualitative Information Regarding Earnings Forecasts

We maintain the forecasts for the fiscal year ending March 2007 we previously announced on May 19, 2006.

\* The estimated values above have been prepared based on information available as of the announcement date of the summary. Actual results of operations may differ from the estimated values depending on various factors.

### Additional Materials

Quarterly Consolidated Balance Sheet (summary); Quarterly Consolidated Statements of Income (summary), etc.

[Additional Materials]

1. Quarterly Consolidated Balance Sheet (summary)

(Thousands of yen)

Items	As of Jun. 30, 2006	As of Jun. 30, 2005	Change		As of Mar. 31, 2006
	Amount	Amount	Amount	%	Amount
<b>Assets</b>					
<b>I Current assets</b>					
1. Cash and deposits	638,534	1,869,868	(1,231,333)		2,515,784
2. Real estate operation accounts due and accounts receivable	432,184	1,575,424	(1,143,240)		1,564,733
3. Operating loans receivable	1,749,361	1,569,761	179,600		1,689,665
4. Real estate for sale	2,161,908	2,060,812	101,096		1,782,093
5. Real estate operation outlays	10,531,105	3,612,500	6,918,605		10,021,939
6. Other inventories	36,782	25,775	11,007		36,262
7. Income tax refund -receivable	110,960	-	110,960		110,960
8. Deferred tax assets	394,396	30,450	363,945		394,398
9. Others	335,466	145,065	190,401		589,568
Allowance for doubtful accounts	(25,818)	(23,721)	(2,096)		(24,189)
Total current assets	16,364,882	10,865,936	5,498,946	50.6	18,681,216
<b>II Fixed assets</b>					
1. Tangible fixed assets					
(1) Buildings and structures	683,623	556,709	126,914		689,821
(2) Land	1,199,439	1,090,831	108,607		1,199,439
(3) Others	227,116	212,781	14,334		233,322
Total tangible assets	2,110,180	1,860,323	249,857	13.4	2,122,584
2. Intangible assets					
(1) Consolidated adjustment accounts	118,475	125,827	(7,351)		120,313
(2) Others	2,964	2,964	-		2,964
Total intangible assets	121,440	128,791	(7,351)	(5.7)	123,278
3. Investments and other assets					
(1) Investments in securities	20,278	14,823	5,455		21,394
(2) Deferred tax assets	26,538	65,915	(39,377)		26,538
(3) Others	325,535	180,569	144,966		260,041
Allowance for doubtful accounts	(39,899)	(7,261)	(32,638)		(31,058)
Total investments and other assets	332,453	254,047	78,405	30.9	276,915
Total fixed assets	2,564,073	2,243,162	320,910	14.3	2,522,777
Total assets	18,928,956	13,109,098	5,819,857	44.4	21,203,994

Note: All amounts are rounded down to the nearest thousand yen.

(Thousands of yen)

Items	As of Jun. 30, 2006	As of Jun. 30, 2005	Change		As of Mar. 31, 2006
	Amount	Amount	Amount	%	Amount
<b>Liabilities</b>					
<b>I Current liabilities</b>					
1. Real estate operation unpaid accounts and accounts payable	196,484	335,819	(139,335)		1,310,577
2. Short-term borrowings	5,712,118	4,677,452	1,034,666		4,938,104
3. Corporate bonds due within one year	340,000	40,000	300,000		340,000
4. Accrued income taxes	5,990	76,871	(70,881)		17,369
5. Real estate operation advances payable	120,778	128,182	(7,404)		111,043
6. Deposits received	341,206	209,697	131,508		430,791
7. Accrued employees' bonuses	26,922	24,502	2,419		12,976
8. Allowance for construction compensation	1,227	1,094	133		1,227
9. Reserves for losses related to the earthquake-resistance data falsification scandal	103,306	-	103,306		207,330
10. Others	267,722	288,713	(20,990)		406,568
Total current liabilities	7,115,756	5,782,333	1,333,423	23.1	7,775,989
<b>II Long-term liabilities</b>					
1. Bonds	1,220,000	1,090,000	130,000		1,220,000
2. Long-term borrowings	6,630,637	3,498,970	3,131,667		8,250,791
3. Accrued employees' retirement benefits	16,473	12,620	3,852		15,687
4. Accrued officers' severance benefits	220,490	168,689	51,800		203,990
5. Others	263,019	321,159	(58,139)		278,121
Total long-term liabilities	8,350,621	5,091,439	3,259,181	64.0	9,968,590
Total liabilities	15,466,378	10,873,773	4,592,604	42.2	17,744,580
<b>Minority interest</b>					
Minority interests	-	-	-	-	-
<b>Shareholders' equity</b>					
I Common stock	-	567,420	-		1,567,159
II Capital surplus	-	499,304	-		1,499,564
III Retained earnings	-	1,310,324	-		535,037
IV Treasury stock	-	(141,723)	-		(142,347)
Total shareholders' equity	-	2,235,325	-	-	3,459,414
Total liabilities, minority interests and shareholders' equity	-	13,109,098	-	-	21,203,994
<b>Net assets</b>					
<b>I Shareholders' equity</b>					
1. Common stock	1,567,159	-	-	-	-
2. Capital surplus	1,499,564	-	-	-	-
3. Retained earnings	538,201	-	-	-	-
4. Treasury stock	(142,347)	-	-	-	-
Total shareholders' equity	3,462,578	-	-	-	-
<b>II Minority interests</b>	-	-	-	-	-
Total net assets	3,462,578	-	-	-	-
Total liabilities and net assets	18,928,956	-	-	-	-

Note: All amounts are rounded down to the nearest thousand yen.

## 2. Quarterly Consolidated Statements of Income (summary)

(Thousands of yen)

Items	April 1, 2006 – June 30, 2006	April 1, 2005 – June 30, 2005	Change		April 1, 2005 – March 31, 2006
	Amount	Amount	Amount	%	Amount
<b>I Revenues</b>	2,352,360	3,913,655	(1,561,295)	(39.9)	18,563,990
<b>II Cost of revenues</b>	1,723,599	3,214,880	(1,491,281)	(46.4)	15,353,951
Gross profit	628,760	698,775	(70,014)	(10.0)	3,210,038
<b>III Selling and general administrative expenses</b>	540,630	447,186	93,444	20.9	1,889,271
Operating income	88,130	251,589	(163,458)	(65.0)	1,320,766
<b>IV Non-operating income</b>	4,515	7,553	(3,038)	(40.2)	29,036
<b>V Non-operating expenses</b>	83,489	46,064	37,424	81.2	332,641
Ordinary income	9,156	213,077	(203,921)	(95.7)	1,017,162
<b>VI Extraordinary gains</b>	-	-	-	-	403,325
<b>VII Extraordinary losses</b>	-	-	-	-	2,354,014
Net income before income taxes	9,156	213,077	(203,921)	(95.7)	(933,526)
Income taxes	5,993	69,885	(63,892)	(91.4)	(301,431)
Net income	3,163	143,192	(140,028)	(97.8)	(632,094)

Note: All amounts are rounded down to the nearest thousand yen.

### 3. Quarterly Consolidated Statements of Cash Flows (summary)

(Thousand of yen)

	April 1, 2006 – June 30, 2006	April 1, 2005 – June 30, 2005	April 1, 2005 – March 31, 2006
Accounts	Amount	Amount	Amount
<b>I Cash flows from operating activities</b>			
1. Net income before income taxes	9,156	213,077	(933,526)
2. Depreciation	18,289	16,932	70,912
3. Amortization of consolidated adjustment accounts	1,837	1,837	7,351
4. Losses related to the earthquake-resistance data falsification scandal	-	-	2,290,000
5. Gains on sales of land	-	-	(403,325)
6. Interest expenses	66,635	37,783	218,795
7. Interest income	(100)	(244)	(178)
8. Decrease (increase) in accounts receivable	1,132,549	(397,125)	(412,100)
9. Decrease (increase) in inventories	(889,502)	(931,258)	(7,525,370)
10. Increase (decrease) in accounts payable	(1,114,093)	(1,206,086)	(231,328)
11. Payment of increase in operating loans receivable	(113,222)	(76,500)	(425,100)
12. Proceeds from collection of operating loans receivable	53,526	61,898	290,594
13. Decrease in real estate operation advances payable	(208,002)	(261,253)	(1,417,927)
14. Increase in real estate operation advances payable	217,736	260,125	1,399,661
15. Others	(188,466)	(149,989)	216,227
Subtotal	(1,013,654)	(2,430,800)	(6,855,315)
16. Payment for losses related to the earthquake-resistance data falsification scandal	(104,024)	-	(1,876,563)
17. Income taxes paid	(17,369)	(167,274)	(284,435)
Net cash used in operating activities	(1,135,048)	(2,598,075)	(9,016,314)
<b>II Cash flows from investing activities</b>			
1. Payment for acquisition of tangible fixed assets	(4,955)	(361,939)	(1,400,999)
2. Proceeds from sale of tangible fixed assets	300,000	-	987,365
3. Payment for time deposits	(76,502)	(75,500)	(218,305)
4. Proceeds from cancellation of time deposits	165,702	99,000	498,600
5. Payment for increase in security deposits	(178,837)	(329)	(25,178)
6. Proceeds from decrease of security deposits	100,057	652	1,352
7. Others	(53,134)	37,216	(11,017)
Net cash provided by (used in) investing activities	252,329	(300,900)	(168,181)
<b>III Cash flows from financing activities</b>			
1. Net increase (decrease) in short-term borrowings	(663,485)	722,900	578,400
2. Proceeds from long-term borrowings	377,177	1,740,000	8,280,626
3. Repayment of long-term borrowings	(559,831)	(856,611)	(2,240,264)
4. Proceeds from new issues of corporate bonds	-	478,575	964,896
5. Proceeds from issuance of bonds with stock acquisition rights	-	-	1,988,204
6. Payment for redemption of corporate bonds	-	-	(40,000)
7. Payment for acquisition of treasury stock	-	-	(624)
8. Dividends paid	-	(22,338)	(22,338)
9. Interests paid	(64,817)	(37,628)	(223,863)
10. Others	5,626	(8,955)	(80,861)
Net cash provided by (used in) financing activities	(905,330)	2,015,941	9,204,174
<b>IV Increase in cash and cash equivalents</b>	(1,788,049)	(883,033)	19,677
<b>V Cash and cash equivalents at the beginning of period</b>	2,335,571	2,315,894	2,315,894
<b>VI Cash and cash equivalents at the end of period</b>	547,522	1,432,860	2,335,571

Note: All amounts are rounded down to the nearest thousand yen.

#### 4. Segment Information

##### Operating Segment Information

First quarter ended June 30, 2006 (April 1, 2006 – June 30, 2006)

(Thousand of yen)

	Rental apartment building sales operations	Real estate rental management operations	Finance operations	Other operations	Total	Elimination or corporate	Consolidated
Revenues							
(1) External sales	1,725,950	392,835	31,587	201,986	2,352,360	-	2,352,360
(2) Inter-segment sales and transfers	-	646	-	-	646	[646]	-
Total	1,725,950	393,481	31,587	201,986	2,353,006	[646]	2,352,360
Operating expenses	1,682,715	305,167	23,100	149,627	2,160,611	103,618	2,264,229
Operating income	43,234	88,314	8,487	52,358	192,395	[104,264]	88,130

Note: All amounts are rounded down to the nearest thousand yen.

First quarter ended June 30, 2005 (April 1, 2005 – June 30, 2005)

(Thousand of yen)

	Rental apartment building sales operations	Real estate rental management operations	Finance operations	Other operations	Total	Elimination or corporate	Consolidated
Revenues							
(1) External sales	3,365,279	339,427	19,763	189,186	3,913,655	-	3,913,655
(2) Inter-segment sales and transfers	-	650	-	-	650	[650]	-
Total	3,365,279	340,078	19,763	189,186	3,914,306	[650]	3,913,655
Operating expenses	3,162,663	238,122	15,349	153,731	3,569,866	92,200	3,662,066
Operating income	202,615	101,955	4,413	35,454	344,440	[92,851]	251,589

Note: All amounts are rounded down to the nearest thousand yen.