

## Consolidated Financial Statements for the First Nine Months of the Fiscal Year Ending March 31, 2007

Company name: Shinoken Co., Ltd.

Stock code: 8909

(URL: <http://www.shinoken.com>)

Stock Exchange listing: JASDAQ

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### 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: Yes

Equity-method affiliates (Newly added): 2

### 2. Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2007

(April 1, 2006 – December 31, 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	%
3Q ended Dec. 2006	10,859	9.8	282	(49.0)	72	(79.7)	106	-
3Q ended Dec. 2005	9,889	38.5	553	116.9	357	114.9	(1,474)	-
(For reference) FY ended Mar. 2006	18,563		1,320		1,017		(632)	

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
3Q ended Dec. 2006	2,750.76	2,749.11
3Q ended Dec. 2005	(53,641.08)	-
(For reference) FY ended Mar. 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)

3Q ended Dec. 2006: 38,737 shares

FY ended Mar. 2006: 28,270 shares

### Qualitative Information Regarding Consolidated Business Results

Group revenues in the first three quarters (April 1, 2006 – December 31, 2006) of the current fiscal year totaled 10,859 million yen (+9.8% year-over-year), ordinary income 72 million yen (-79.7%), and net income 106 million yen (compared with a 1,474 million yen loss in the same period of the previous fiscal year).

We delivered 6 high-rise rental apartment buildings in this period (3 in the same period of the previous fiscal year), and 95 one-room rental apartment units (50). Revenues rose 969 million yen year-over-year.

Operating income as well as ordinary income declined due to the delivery of 66 low-rise apartment houses (87 in the same period of the previous fiscal year), 62 land plots (88). However, net income was positive while we posted net loss one year earlier. Business performance of the Group remains generally steady as planned.

In the industry in which we operate, most apartment building construction finishes around January to 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	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
3Q ended Dec. 2006	23,111	4,285	18.5	107,622.07
3Q ended Dec. 2005	22,576	617	2.7	22,453.11
(For reference) FY ended Mar. 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
3Q ended Dec. 2006	(4,577)	120	2,573	451
3Q ended Dec. 2005	(11,392)	(20)	11,703	2,605
(For reference) FY ended Mar. 2006	(9,016)	(168)	9,204	2,335

**Qualitative Information Regarding Consolidated Financial Position**

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

Total assets increased 1,907 million yen to 23,111 million yen, mainly due to increases of real estate for sale, and real estate operational outlays.

Liabilities increased 1,081 million yen to 18,825 million yen, due to increases in short- and long-term borrowings.

Net assets totaled 4,285 million yen from net income.

**Cash Flow Position**

Cash and cash equivalents (hereinafter called 'net cash') at the end of the third quarter were 451 million yen, a decrease of 2,153 million yen year over year.

**Operating activities**

Net cash used in operating activities totaled 4,577 million yen (down 6,815 million yen from a year earlier).

Positive factors included 132 million yen in net income before income taxes, a 197 million yen decline in accounts receivable, while negative factors included a 4,107 million yen increase in inventories, and a 583 million yen decline in accounts payable.

**Investing activities**

Net cash from investing activities totaled 120 million yen (up 141 million yen from a year earlier).

Positive factors included 521 million yen in income from the sale of tangible fixed assets, while negative factors included 145 million yen in outlays for acquisition of investment in securities, and 231 million yen in outlays for acquisition of tangible fixed assets.

**Financing activities**

Net cash provided by financing activities totaled 2,573 million yen (down 9,129 million yen from a year earlier).

Positive factors included 706 million yen proceeds from issuance of shares, and a 2,627 million yen net increase in long-term borrowings, while negative factors included a 460 million yen net decrease in short-term borrowings, and 120 million yen payment for redemption of corporate bonds.

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

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

Reference: Estimated net income per share (full year): 17,701.72 yen

#### Qualitative Information Regarding Earnings Forecasts

We maintain the forecasts for the fiscal year ending March 31, 2007 we previously announced on November 16, 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

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

[Additional Materials]

1. Consolidated Balance Sheets (summary)

(Thousands of yen)

Items	As of Dec. 31, 2006	As of Dec. 31, 2005	Change		As of Mar. 31, 2006
	Amount	Amount	Amount	%	Amount
<b>Assets</b>					
<b>I Current assets</b>					
1. Cash and deposits	539,938	2,693,407	(2,153,468)		2,515,784
2. Real estate operation accounts due and accounts receivable	1,361,989	196,429	1,165,560		1,564,733
3. Operating loans receivable	1,756,242	1,609,821	146,421		1,689,665
4. Real estate for sale	4,478,272	2,944,430	1,533,841		1,782,093
5. Real estate operation outlays	11,434,751	12,055,348	(620,597)		10,021,939
6. Other inventories	34,637	40,150	(5,513)		36,262
7. Income tax refund -receivable	-	-	-		110,960
8. Deferred tax assets	361,131	280,065	81,065		394,398
9. Others	255,324	246,004	9,319		589,568
Allowance for doubtful accounts	(33,467)	(15,579)	(17,887)		(24,189)
Total current assets	20,188,819	20,050,077	138,742	0.7	18,681,216
<b>II Fixed assets</b>					
1. Tangible fixed assets					
(1) Buildings and structures	687,842	552,798	135,043		689,821
(2) Land	1,325,018	1,090,161	234,856		1,199,439
(3) Others	226,804	219,510	7,294		233,322
Total tangible fixed assets	2,239,664	1,862,470	377,194	20.3	2,122,584
2. Intangible assets					
(1) Consolidated adjustment accounts	-	122,151	(122,151)		120,313
(2) Goodwill	114,799	-	114,799		-
(3) Others	2,964	2,964	-		2,964
Total intangible assets	117,764	125,116	(7,351)	(5.9)	123,278
3. Investments and other assets					
(1) Investments in securities	113,261	16,010	97,250		21,394
(2) Deferred tax assets	47,981	286,850	(238,869)		26,538
(3) Others	444,613	262,107	182,506		260,041
Allowance for doubtful accounts	(40,773)	(26,470)	(14,302)		(31,058)
Total investments and other assets	565,082	538,497	26,584	4.9	276,915
Total fixed assets	2,922,512	2,526,084	396,427	15.7	2,522,777
Total assets	23,111,331	22,576,162	535,169	2.4	21,203,994

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

(Thousands of yen)

Items	As of Dec. 31, 2006	As of Dec. 31, 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	727,514	317,002	410,512		1,310,577
2. Short-term borrowings	5,490,370	7,138,587	(1,648,217)		4,938,104
3. Corporate bonds due within one year	910,000	40,000	870,000		340,000
4. Accrued income taxes	16,827	15,608	1,219		17,369
5. Real estate operation advances payable	112,850	268,283	(155,433)		111,043
6. Deposits received	247,729	272,159	(24,430)		430,791
7. Accrued employees' bonuses	-	14,345	(14,345)		12,976
8. Allowance for construction compensation	1,017	1,237	(220)		1,227
9. Reserves for losses related to the earthquake-resistance data falsification scandal	29,047	1,034,404	(1,005,357)		207,330
10. Others	376,478	344,732	31,745		406,568
Total current liabilities	7,911,834	9,446,361	(1,534,526)	(16.2)	7,775,989
<b>II Long-term liabilities</b>					
1. Bonds	530,000	1,540,000	(1,010,000)		1,220,000
2. Convertible bonds	-	2,000,000	(2,000,000)		-
3. Long-term borrowings	9,866,396	8,452,650	1,413,746		8,250,791
4. Accrued employees' retirement benefits	18,769	15,493	3,275		15,687
5. Accrued officers' severance benefits	221,920	209,698	12,222		203,990
6. Others	276,752	294,632	(17,880)		278,121
Total long-term liabilities	10,913,838	12,512,474	(1,598,636)	(12.8)	9,968,590
Total liabilities	18,825,673	21,958,836	(3,133,162)	(14.3)	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	-	(307,675)	-		535,037
IV Treasury stock	-	(141,723)	-		(142,347)
Total shareholders' equity	-	617,325	-	-	3,459,414
Total liabilities, minority interests and shareholders' equity	-	22,576,162	-	-	21,203,994
<b>Net assets</b>					
<b>I Shareholders' equity</b>					
1. Common stock	1,922,159	-	-	-	-
2. Capital surplus	1,854,564	-	-	-	-
3. Retained earnings	641,594	-	-	-	-
4. Treasury stock	(142,347)	-	-	-	-
Total shareholders' equity	4,275,971	-	-	-	-
<b>II Valuation and translation adjustments</b>					
1. Unrealized holding gain (loss) on other securities	(1,330)	-	-	-	-
Total valuation and translation adjustments	(1,330)	-	-	-	-
<b>III Stock acquisition rights</b>	11,017	-	-	-	-
<b>IV Minority interests</b>	-	-	-	-	-
Total net assets	4,285,658	-	-	-	-
Total liabilities and net assets	23,111,331	-	-	-	-

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

## 2. Consolidated Statements of Income (summary)

(Thousands of yen)

Items	Apr. 1, 2006 – Dec. 31, 2006	Apr. 1, 2005 – Dec. 31, 2005	Change		Apr. 1, 2005 – Mar. 31, 2006
	Amount	Amount	Amount	%	Amount
<b>I Revenues</b>	10,859,647	9,889,856	969,791	9.8	18,563,990
<b>II Cost of revenues</b>	8,845,432	7,923,476	921,955	11.6	15,353,951
Gross profit	2,014,214	1,966,379	47,835	2.4	3,210,038
<b>III Selling and general administrative expenses</b>	1,732,025	1,412,789	319,235	22.6	1,889,271
Operating income	282,189	553,589	(271,400)	(49.0)	1,320,766
<b>IV Non-operating income</b>	17,546	17,746	(200)	(1.1)	29,036
<b>V Non-operating expenses</b>	227,137	213,656	13,481	6.3	332,641
Ordinary income	72,598	357,679	(285,081)	(79.7)	1,017,162
<b>VI Extraordinary gains</b>	60,109	-	60,109	-	403,325
<b>VII Extraordinary losses</b>	-	2,290,000	(2,290,000)	-	2,354,014
Net income (loss) before income taxes	132,707	(1,932,320)	2,065,027	-	(933,526)
Income taxes	26,150	(457,512)	483,663	-	(301,431)
Net income (loss)	106,556	(1,474,807)	1,581,364	-	(632,094)

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

### 3. Consolidated Statements of Change in Shareholders' Equity (summary)

Apr. 1, 2006 – Dec. 31, 2006

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	1,567,159	1,499,564	535,037	(142,347)	3,459,414
Changes in the current period					
Issuance of new share	355,000	355,000			710,000
Net income			106,556		106,556
Changes (net) in items other than shareholders' equity					
Total changes in the current period	355,000	355,000	106,556	-	816,556
Balance as of December 31, 2006	1,922,159	1,854,564	641,594	(142,347)	4,275,971

	Valuation and translation adjustments	Stock acquisition rights	Minority interests	Total net assets
	Unrealized holding gain (loss) on other securities			
Balance as of March 31, 2006	-	-	-	3,459,414
Changes in the current period				
Issuance of new share				710,000
Net income				106,556
Changes (net) in items other than shareholders' equity	(1,330)	11,017	-	9,687
Total changes in the current period	(1,330)	11,017	-	826,243
Balance as of December 31, 2006	(1,330)	11,017	-	4,285,658

#### 4. Consolidated Statements of Cash Flows (summary)

(Thousand of yen)

	Apr. 1, 2006 – Dec. 31, 2006	Apr. 1, 2005 – Dec. 31, 2005	Apr. 1, 2005 – Mar. 31, 2006
Accounts	Amount	Amount	Amount
<b>I Cash flows from operating activities</b>			
1. Net income (loss) before income taxes	132,707	(1,932,320)	(933,526)
2. Depreciation	54,990	53,386	70,912
3. Amortization of consolidated adjustment accounts	-	5,513	7,351
4. Amortization of goodwill	5,513	-	-
5. Losses related to the earthquake-resistance data falsification scandal	-	2,290,000	2,290,000
6. Gains on sales of land	(49,128)	-	(403,325)
7. Interest expenses	187,003	138,922	218,795
8. Interest income	(718)	(256)	(178)
9. Decrease (increase) in accounts receivable	197,609	971,952	(412,100)
10. Increase in inventories	(4,107,365)	(10,297,874)	(7,525,370)
11. Decrease in accounts payable	(583,062)	(1,224,903)	(231,328)
12. Payment of increase in operating loans receivable	(242,222)	(241,100)	(425,100)
13. Proceeds from collection of operating loans receivable	175,645	186,438	290,594
14. Decrease in real estate operation advances payable	(1,864,446)	(856,368)	(1,417,927)
15. Increase in real estate operation advances payable	1,866,252	995,340	1,399,661
16. Others	(252,893)	(60,959)	216,227
Subtotal	(4,480,114)	(9,972,226)	(6,855,315)
17. Payment for losses related to the earthquake-resistance data falsification scandal	(191,973)	(1,255,596)	(1,876,563)
18. Income taxes paid	(16,481)	(165,135)	(284,435)
19. Income taxes refund	110,960	-	-
Net cash used in operating activities	(4,577,608)	(11,392,957)	(9,016,314)
<b>II Cash flows from investing activities</b>			
1. Payment for acquisition of tangible fixed assets	(231,693)	(362,460)	(1,400,999)
2. Proceeds from sale of tangible fixed assets	521,210	-	987,365
3. Payment for time deposits	(4,504)	(120,102)	(218,305)
4. Proceeds from cancellation of time deposits	96,700	492,600	498,600
5. Payment for acquisition of investment in securities	(145,948)	-	-
6. Proceeds from sale of investment in securities	50,420	-	-
7. Payment for increase in security deposits	(169,183)	(24,567)	(25,178)
8. Proceeds from decrease of security deposits	11,513	1,240	1,352
9. Others	(8,078)	(7,333)	(11,017)
Net cash provided by (used in) investing activities	120,436	(20,622)	(168,181)
<b>III Cash flows from financing activities</b>			
1. Net increase (decrease) in short-term borrowings	(460,075)	2,758,900	578,400
2. Proceeds from long-term borrowings	4,040,692	10,040,000	8,280,626
3. Repayment of long-term borrowings	(1,412,746)	(3,777,796)	(2,240,264)
4. Proceeds from new issues of corporate bonds	-	964,896	964,896
5. Proceeds from issuance of bonds with stock acquisition rights	-	2,000,000	1,988,204
6. Payment for redemption of corporate bonds	(120,000)	(20,000)	(40,000)
7. Proceeds from new issues of shares	706,923	-	-
8. Payment for acquisition of treasury stock	-	-	(624)
9. Dividends paid	-	(22,338)	(22,338)
10. Interests paid	(184,671)	(140,751)	(223,863)
11. Others	3,399	(99,827)	(80,861)
Net cash provided by financing activities	2,573,522	11,703,082	9,204,174
<b>IV Increase in cash and cash equivalents</b>	(1,883,649)	289,503	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>	451,922	2,605,397	2,335,571

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



## 5. Segment Information

### Operating Segment Information

Apr. 1, 2006 – Dec. 31, 2006

(Thousand of yen)

	Rental apartment building sales business	Real estate rental management business	Finance business	Other businesses	Total	Elimination or corporate	Consolidated
Revenues							
(1) External sales	9,036,522	1,181,386	91,121	550,616	10,859,647	-	10,859,647
(2) Inter-segment sales and transfers	-	1,963	-	-	1,963	[1,963]	-
Total	9,036,522	1,183,350	91,121	550,616	10,861,611	[1,963]	10,859,647
Operating expenses	8,717,180	967,996	71,051	453,071	10,209,299	368,158	10,577,458
Operating income	319,342	215,354	20,070	97,545	652,311	[370,122]	282,189

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

Apr. 1, 2005 – Dec. 31, 2005

(Thousand of yen)

	Rental apartment building sales business	Real estate rental management business	Finance business	Other businesses	Total	Elimination or corporate	Consolidated
Revenues							
(1) External sales	8,257,085	1,031,889	68,152	532,728	9,889,856	-	9,889,856
(2) Inter-segment sales and transfers	-	1,959	-	81	2,041	[2,041]	-
Total	8,257,085	1,033,848	68,152	532,810	9,891,897	[2,041]	9,889,856
Operating expenses	7,737,259	773,312	49,101	453,613	9,013,286	322,980	9,336,266
Operating income	519,826	260,536	19,051	79,196	878,611	[325,021]	553,589

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