



Growing *Better*

JOINT CORPORATION **ANNUAL REPORT 2007**

for the year ended March 31, 2007



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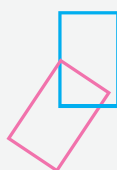
FORWARD-LOOKING STATEMENTS

Plans regarding future operating results, discussions of strategies and statements of assumptions are forward-looking statements based on management's judgment in light of information available at the time such statements were prepared. As such, these statements are subject to unlimited risks and uncertainties. The general economic conditions in the markets in which the Joint Group operates pose potential risks and uncertainties. Risks include, but are not limited to, consumption trends, interest rates, taxation and the company's ability to continuously provide successful products and services in the real estate market; a sector where competition is intense; and the constant launch of new products and services from other companies.

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Seeking Steady Expansion through Diversification

Established in 1986, Joint Corporation has grown steadily as a real estate firm originally specializing in condominium development in the popular central and southern Tokyo area. Joint was listed on the First Section of the Tokyo Stock Exchange in 2001. Over the years, the company has evolved and extended itself by flexibly adapting its operations to changing market trends and management objectives. Joint was among the first of its peers to move into real estate securitization development, whereby projects are created expressly for sale *en bloc* to institutional investors such as J-REITs and real estate funds. As Japan's securitization market has taken off, so has Joint's securitization development business, which now accounts for approximately 70% of profits.

Seeking growth and market diversification, the company is gradually shifting beyond Tokyo to promising regional markets throughout Japan. In these endeavors, Joint is ideally positioned to combine high returns from securitization development and the longer-term stability of condominium development operations. Going forward, the Joint Group will continue to pursue steady growth with these tandem core businesses by adapting to market changes as they emerge.

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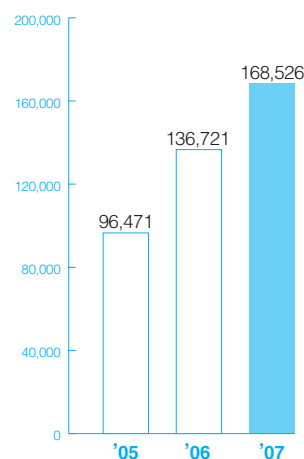
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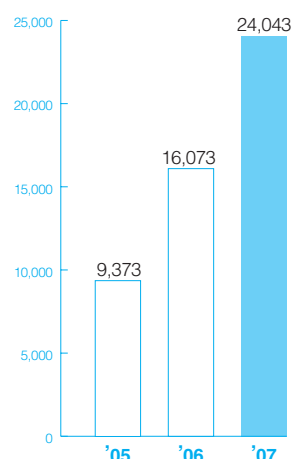
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NET SALES

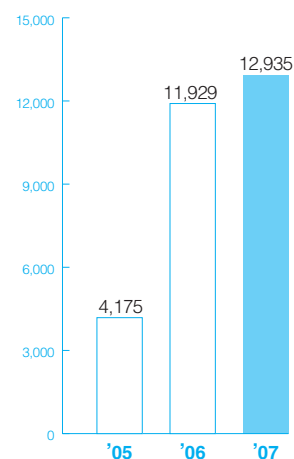
(Millions of yen)

**OPERATING INCOME**

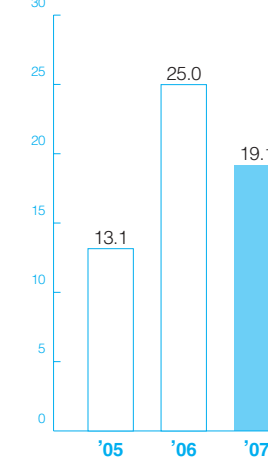
(Millions of yen)

**NET INCOME**

(Millions of yen)

**ROE**

(%)

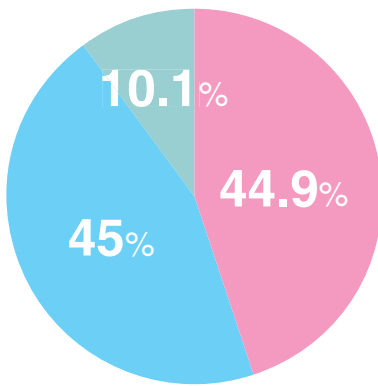
**Consolidated Financial Highlights**

Years ended March 31, 2005, 2006 and 2007

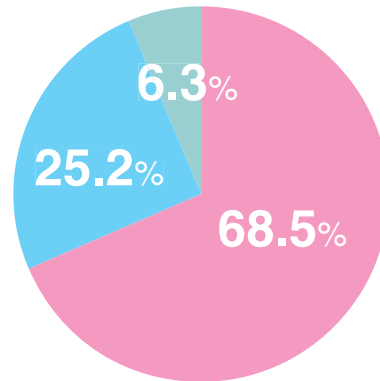
	2007 Millions of yen	2006	2005	2007 Thousands of U.S. dollars
FOR THE YEAR:				
Net sales	¥168,526	¥136,721	¥96,471	\$1,427,582
Operating income	24,043	16,073	9,373	203,668
Income before income taxes	22,704	21,349	7,381	192,325
Net income	12,935	11,929	4,175	109,572
PER SHARE DATA (Yen / Dollar):				
Net income	¥296	¥295	¥222	\$2.5
Net income-diluted	295	292	220	2.5
Cash dividends	27.5	25.0	25.0	0.2
AT YEAR-END:				
Net assets	¥74,879	¥61,585	¥33,670	\$634,299
Total assets	291,818	217,626	182,840	2,471,986
Ratio of net assets to total assets (%)	25.4	28.3	18.4	

Note: The U.S. dollar amounts represent translations of Japanese yen, solely for convenience, at the rate of ¥118.05=US\$1.00, the approximate exchange rate prevailing on March 31, 2007.

NET SALES BY SEGMENT

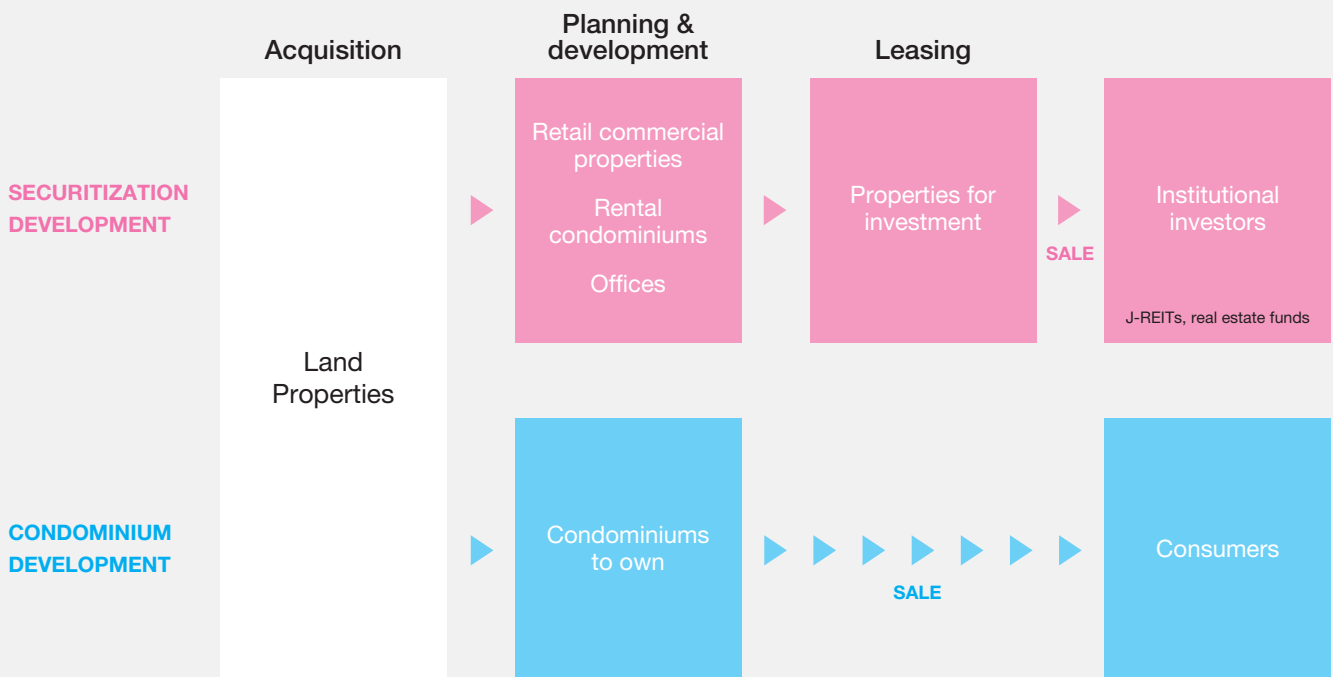


OPERATING INCOME BY SEGMENT



■ Securitization development ■ Condominium development ■ Real estate-related businesses

Business flow of Joint's core businesses





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Yoshinobu Shoji
President

Joint Corporation's greatest asset is a head's-up flexibility that keeps it perpetually ready for the changes it sees ahead—and positions it for superior earnings. We have grown at a recent annual rate of 40 to 50 percent. Shareholders invariably ask me, "Will this growth continue?" My answer is always, "Yes" but I add, "for our growing size." The law of diminishing returns says no company can expand at a high percentage rate year after year—or it would soon be as large as the whole Japan market. But, we do see steady growth ahead, and it will continue to be at a minimum of 14 to 15 percent, which is the approximate industry average.

Not to belittle or underestimate our competition, because there are some very sharp people in our industry, but the secret to steady growth is "keen listening"—to the market as a whole and to the individual customers that make up the market. Listening well shows us the market trends in demand and in supply, especially the emerging trends that have the potential for high growth. When the J-REIT made its debut in September 2001, business was slow to realize its potential, but we had been listening, and saw the possibilities. That insight six years ago brought us ¥76.0 billion in additional sales revenue above our condominium development business in fiscal 2007 and growth of securitization development drove us to upgrade the forecast for 2007 results and 2008 results in August 2007.

Recent listening market analysis tells us there is a finite availability of good land suitable for development in Tokyo and that, in addition to our business commitment here, higher profits may come from two new directions. One is from extending condominium development into strong regional cities beyond the greater Tokyo area, and another is into areas of business where we can add value to the kinds of

Moving from High Growth to High-Quality Growth

business we do now, such as into securitization development of retail commercial spaces. The remainder of this report is dedicated to showing you how we intend to grow in this way by turning our attention more and more to the quality of our earnings.

Business Results

We were blessed in fiscal 2007 (the year ended March 31, 2007), with a real-estate business in Japan that continued its robust pace of the previous year. Most of our business areas performed at a high level. It augured well that Japan Credit Rating Agency (JCR) raised our long-term credit rating from BBB- to BBB in May 2007. The Tokyo Stock Exchange REIT Index set a record high. In the greater Tokyo area, the current center of our operations, sales of condominium units dropped below 80,000 for the first time in about eight years, but this was still a strong level historically. The Joint Group was not caught off guard and kept up a steady flow of development properties to profitably meet real-estate investors' demands. At the same time, we continued to supply condominiums that satisfied customers' diversified needs, by keeping our ear close to the market.

TO OUR SHAREHOLDERS

CONDOMINIUM DEVELOPMENT LOCATIONS

- Central & southern Tokyo: Shinagawa, Setagaya, Meguro, Ota, Chiyoda, Chuo, Minato, Bunkyo, Shibuya (wards)
- Other parts of Tokyo
- Greater Tokyo: Kanagawa, Chiba, Saitama (prefectures)
- Other



As a result, the Joint Group again posted record-high consolidated net sales and ordinary income for fiscal 2007. The performance of the securitization development business, our growth driver, shot well beyond our expectations and solidified its position as a mainstay business of the Joint Group alongside the condominium development business.

In fiscal 2007, we made further progress in securing a future of quality and steadfast growth by increasing our land bank to a level of ¥650 billion in prospective sales. This equates to about three to four years worth of land bank, roughly two years more than the industry average and a noteworthy accomplishment. Given how difficult it is for many developers to secure a land bank, you might ask, what was Joint's secret to its success? We like to believe that it comes from our fast and flexible agent network. Our diversified network wastes no time in gathering and analyzing the latest market information. When the time comes to place a bid or walk away, Joint is poised to respond; when we see an opportunity we grab it. We are also pursuing growth through expansion of our base business network to areas outside the greater Tokyo area, such as a condominium project in Osaka that

commenced sales in April 2007. From now forward, we intend to strengthen our business in key regional cities.

Trends in the Market Environment

Securitization market

Joint focuses on developing retail, residential, office and warehouse properties for sale to institutional investors. Over the last six years, the ratio of residential development has decreased as our business has diversified into the other properties. Projects to meet demand beyond greater Tokyo account for nearly 50 percent of our securitization development activities for the next three years.

Since their debut on the Tokyo Stock Exchange in 2001, the number of J-REITs has grown to 41. They generate an average yield of 3.3 to 3.5 percent. Japan has a positive yield differential, in contrast to the U.S. or U.K., which is attracting growing numbers of overseas investors.

Joint entered the securitization development market six years ago with an eye to diversifying its operational risk with a promising alternative to retail/condominium development. This segment supplied nearly 50 percent of sales revenues in the year under review.

Condominium market

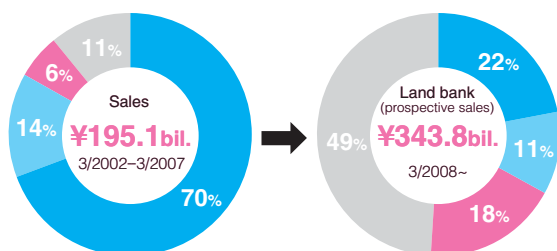
In central Tokyo market, the preferred properties are large, luxurious condominiums for wealthy people, and here, the pricing power belongs to developers, as the supply of such suitable condominiums is shrinking. Prices here are growing at 20 to 30 percent per year in the center, and wealthy buyers are willing to pay any price for a good location. Prices in the suburban market surrounding Tokyo are now growing at 10 percent per year. We are confident that within the greater Tokyo area, Joint can forecast demand for 80,000 condominium units through the foreseeable future.

Condominium prices continue to rise, and consumers are rushing to purchase in the belief that prices will soar. With prices increasing faster than incomes, questions emerge about how long consumers will be willing or able to afford to purchase. There is little secondary market turnover; most buyers are young adults in their 30s who select a neighborhood for life.

Lately, more attention is being paid to the condominium market in Tokyo by the press and investors, for the reasons I have just outlined. It is clear that the market volume in Tokyo is shrinking due to lack of available land for condominiums, particularly in central

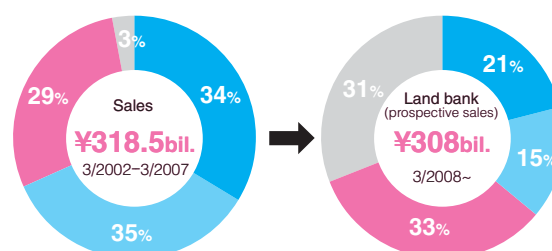
SECURITIZATION DEVELOPMENT

Regional breakdown of sales/land bank



CONDOMINIUM DEVELOPMENT

Regional breakdown of sales/land bank



■ Central & southern Tokyo ■ Other parts of Tokyo ■ Greater Tokyo ■ Other

Tokyo. To face this situation, Joint is looking at other regions for additional quality growth.

Industry Outlook, the Patchwork Picture

The real-estate market in Japan has a patchwork quality, with some sectors hotter than others. Some, like large-scale office property development in central Tokyo, are dominated by a few very large players; others, like single-family home construction are flooded with competitors. Joint chooses its projects carefully in sectors where its know-how can assure higher profits.

The patchwork structure applies to regional markets, as well. Some are experiencing strong demand growth and favorable potential supply availability. Furthermore, competition is lower and there remains a good supply of land for potential development. Joint is cautiously entering these markets to acquire local knowledge and insight before making a large commitment. Already we are finding some early success—in Atami and Osaka, for example.

Our typical approach is to enter new areas without much fanfare, gaining understanding and experience, while limiting risk until we can confidently scale them up as a major commitment.

Management Strategies

Immediate outlook: slowing, but substantial growth

By basing our decisions on what is happening on the ground, not what worked last year, we were able to turn a string of opportunities into some spectacular years of 40 to 50 percent growth. Looking at the short-term horizon, we see that level of growth slowing as we bump up against a prudent interest-bearing debt ratio and as competition grows for land bank acquisition in the greater Tokyo area. That is the general outlook. Turning to specifics, our land bank is already 90 percent filled toward our needs for the next three years, and we have prepared to move into new areas of high growth. For example, a capitalization rate of six percent for securitization development projects outside of Tokyo (compared to three to four percent in Tokyo) makes them increasingly appealing. And, given the high prices for Tokyo condominiums, it makes sense to develop new projects in regional cities, where we can still provide housing at a reasonable price.

Unchanged commitment to growth

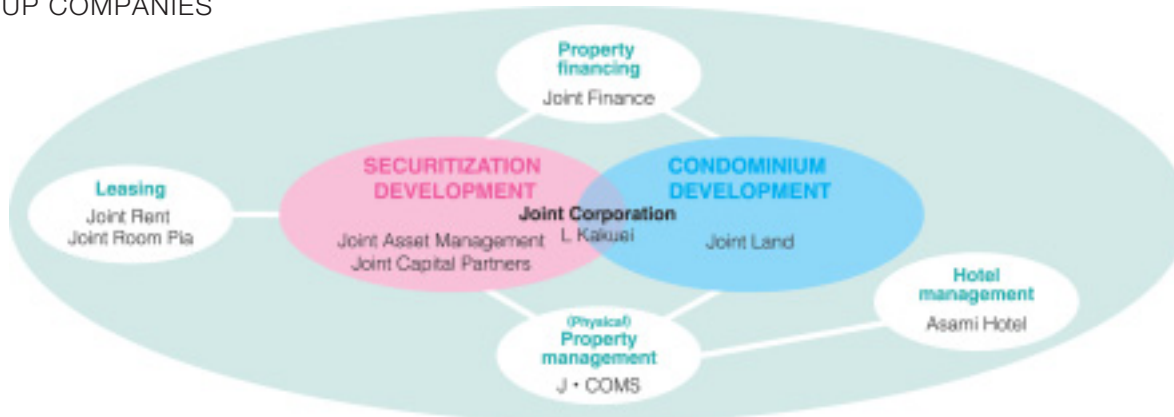
Growth is slowing, but, if you follow baseball, it means we are shifting our game from hitting only home runs to getting consistent doubles and triples. Joint is committed to steady growth, and if the environment limits high growth, then we will opt for quality earnings instead. Either way, we aim to outperform market expectations.

Strengthening the quality of growth

We are already defining an optimum balance between securitization development and condominium development based on the risk and reward dynamics of the market—the former for high growth and the latter for relative stability and market visibility. To enhance stability further, as an addition to our newly named real estate-related business segment (formerly “other”), we are closely studying the establishment of a leasing business that would provide stable income to offset the potentially volatile income from securitization development. That is, rather than selling developed properties for securitization, we might hold them over an indefinite period for lease income.

TO OUR SHAREHOLDERS

GROUP COMPANIES



Regional market development

A regional market strategy for condominium development and securitization development is one of the key elements of our business plan. We are focusing on areas such as Okinawa, Osaka, Nagoya, Kyoto, Karuizawa and Niigata as we expand the scope of our development projects outside of Tokyo. The keys to success here, as in Tokyo, are to build a brand name for quality and reliability and develop a strong information network. We intend to patiently address these objectives.

Build-to-own property development

Joint is also looking hard at exploiting the potential to use its well-proven securitization development expertise as a springboard into development and leasing of retail properties for retention under our name as owner/manager. This business, which is already under way on a limited scale, requires a very different approach than our previous development business, and we are still working out our own strategies to optimize our chances of success.

Medium-term Business Plan

The medium-term business plan was revised upward in the previous fiscal year to reflect early achievement of targets. We progressed comfortably toward our targets in 2007 and saw fit to revise the targets upward again on August 8, 2007 on the growing strength of the securitization development business. To re-summarize, the plan identifies securitization development as the core driver of growth. As an additional step, we are seeking to deliver steady gains in the future by serving markets nationwide and diversifying our property mix. The plan also calls for increasing the size of our condominium development projects and a deliberate avoidance of projects in the ultra-suburbs of the greater Tokyo, which do not appeal to commuters. Instead, we see much more promise in regional cities. For the year ending March 31, 2008, the newly revised plan calls for net sales of ¥191.0 billion, operating income of ¥30.0 billion and net income of ¥14.4 billion.

Ever-ready for Change

Joint has built its success on gauging markets and moving into profitable areas ahead of the herd. It is an entrenched part of our culture NOT to expect what works now to work tomorrow. We acknowledge the reality of our situation and are devoting much of our resources to developing new paths to assure continued superior and dependable growth. Situations change, and we change to take the best advantage of them. One option is expansion into overseas markets. We are studying possibilities now and identifying conditions under which such a move might be advantageous—to be prepared for any positive opportunities when they arise. Shareholders can count on us to deliver the highest gains commensurate with stable performance. As we move ahead, and beyond the borders of Tokyo, we will continue to seek and utilize the best quality information in search of returns that exceed expectations.

Yoshinobu Shoji
President

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SOURCES OF REVENUE FOR JOINT'S BUSINESSES

SECURITIZATION DEVELOPMENT

Companies involved: Joint Corporation, L Kakuei, Joint Asset Management, Joint Capital Partners

Type of business	Type of revenue	Contribution
Develop properties	Development revenue	Produces largest share of revenue for securitization development
Leasing (leasing revenue from developed properties until they are sold)	Leasing revenue	Though revenue share is still small, income contribution is growing because of high growth and higher profitability
AM/PM (asset management, property management)	Management fees	Though revenue share is still small, income contribution is growing because of higher profitability
Dividend from off-balance SPCs	Dividend revenue	As Joint doesn't use off-balance SPCs often, the contribution is small

CONDOMINIUM DEVELOPMENT

Companies involved: Joint Corporation, L Kakuei, Joint Land

Type of business	Type of revenue	Contribution
Develop condominiums	Development revenue	Produces almost all of such revenue

REAL ESTATE-RELATED BUSINESSES

Companies involved: Joint Rent, Joint Room Pia, J • COMS, Joint Finance, Asami Hotel

Company	Type of business	Type of revenue
Joint Rent	Lease management	Management fees
Joint Room Pia	Rental brokerage	Brokerage fees
J • COMS	Physical property management	Management revenues
Joint Finance	Property finance	Interest revenues
Asami Hotel	Hotel management	Hotel revenues

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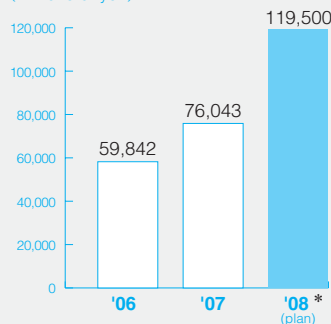
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SECURITIZATION DEVELOPMENT

Growth Driver

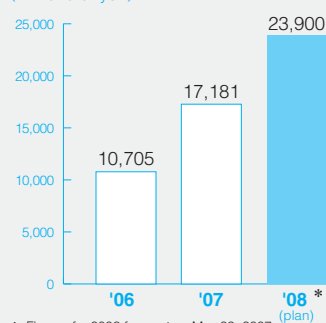
NET SALES

(Millions of yen)



OPERATING INCOME

(Millions of yen)



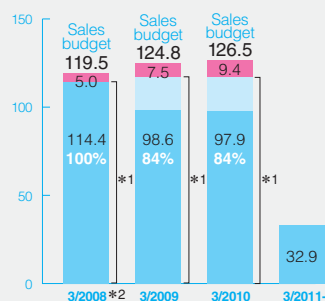
* Figures for 2008 forecast on May 29, 2007.

LAND BANK

Securitization development

(Billions of yen)

■ Fee, dividend ■ Property sales budget
 ■ Land bank acquired



*1 Property sales budget: ¥114.4 bil.(3/2008), ¥117.2 bil.(3/2009), ¥117.1 bil.(3/2010),

*2 Figures for 2008 forecast on May 29, 2007.

The securitization development business primarily involves the development of retail commercial properties, rental condominiums and other properties for eventual sale to institutional investors such as J-REITs and real estate funds. Because we sell directly to companies whom we know and who know us, this business has a much lower overhead than retail condominium development. As such, it is not only the fastest growing area of our business, it is also our most profitable, contributing 68.5% of operating income in fiscal 2007.

Market Conditions

This segment benefited from the high-level demand for properties by real estate funds and J-REITs, which account for 93.5% of segment sales. Land bank acquisitions for securitization development continued at a strong pace, with Joint having acquired 89% of the land needed to complete its medium-term plan sales target as of March 31, 2007. As sales increase, the operating margin continues to climb. In the year ended March 31, 2007, segment sales increased by 27.1%, operating profit ballooned by 60.5%, and operating margin increased by 4.7 percentage points to 22.6%.

Strategies and Outlook

In securitization development, Joint's strategies are twofold. First, we diversify the types of properties to meet new demand and maintain a more flexible portfolio. Second, and for similar reasons, we acquire land bank properties in strong regional markets with a higher capitalization rate relative to Tokyo. The outlook for the year ending March 31, 2008, calls for continued strong sales, particularly in retail commercial properties.

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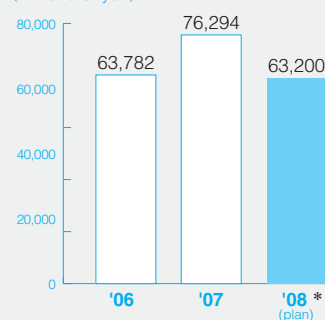
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CONDOMINIUM DEVELOPMENT

Revenue Stability

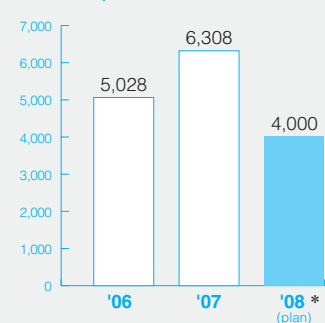
NET SALES

(Millions of yen)



OPERATING INCOME

(Millions of yen)



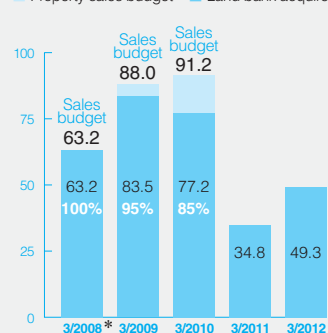
* Figures for 2008 forecast on May 29, 2007.

LAND BANK

Condominium development

(Billions of yen)

■ Property sales budget ■ Land bank acquired



* Figures for 2008 forecast on May 29, 2007.

This business involves the planning, development and retail sale of condominiums and single-family houses primarily in the greater Tokyo region, but also increasingly in carefully selected regional markets. A well-filled land bank and a good grasp of the market means this core business will continue to deliver quality, stable revenues. Joint's operations are fully integrated—from acquisition of target land to planning, development and retail sales—enabling it to monitor market changes in real time and develop properties that match customer needs.

Market Conditions

Sales of condominiums and houses to individuals and families grew at nearly 20% in the year under review, the overwhelming bulk of which came from sales in the greater Tokyo region. Our land bank for condominium development grew faster than sales during the year, and acquisitions held now account for 92% of the sales target in our medium-term plan.

Strategies and Outlook

Within the greater Tokyo region, Joint continues to seek and acquire suitable sites that meet the needs of potential customers. While a healthy number of affluent buyers are willing to pay any price for prime Tokyo locations, the rising cost of land and the growing scarcity of suitable locations near the city center constrain most customers' search for a condominium that is affordable and within reasonable commuting distance from the city. To help them cope, Joint is gradually shifting to larger-scale projects like high-rise buildings that accommodate more units within a given land area, and also looking at sites near stations that are farther from the city center. We are consciously avoiding, however, the so-called ultra suburban areas that are two or more hours from central Tokyo.

A second strategy is to seek out promising development in regional cities, where the cost of land is lower and good opportunities abound so that Joint can create housing that meets the needs of a greater number of families. Although in the foreseeable future the Tokyo market should be a favorable one, as land scarcity increases and condominium prices become unaffordable for many, we expect a growing percentage of sales in regional cities.

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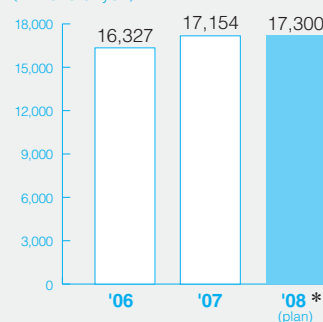
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REAL ESTATE-RELATED BUSINESSES

Added Flexibility

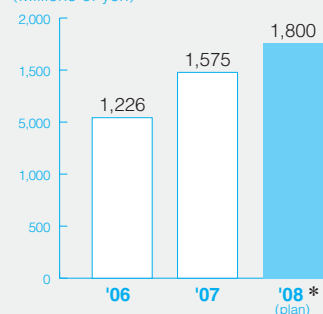
NET SALES

(Millions of yen)



OPERATING INCOME

(Millions of yen)



* Figures for 2008 forecast on May 29, 2007.

This area of business serves primarily to support our two core lines of business by enhancing their value. Yet, it also comprises new and potential business opportunities that give added flexibility to face the inevitable flux in the market environment, and may eventually even grow into a core business on its own.

Market Conditions

Together, real estate leasing, real estate management and other activities contributed ¥17,154 million in revenues in the year ended March 31, 2007, a rise of 5.1%. For investor relations purposes, these three support operations are now considered as a single segment.

Strategies and Outlook

Operations are expected to grow to support the business expansion of the two core businesses.

A source of power for the Joint Group is solution-oriented ancillary services that speak abundantly to the real needs of property owners and their tenants.

LEASING

Joint Rent

Joint Room Pia

- Real estate lease management/intermediation—Security and the examination of the tenant, contract procedures, rent collection

PHYSICAL PROPERTY MANAGEMENT

J・COMS

- Building administration, property cleaning, maintenance and inspection

PROPERTY FINANCING

Joint Finance

- Real estate finance, loan guarantees and structured finance

HOTEL MANAGEMENT

Asami Hotel

- Management and administration of budget hotels

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The Joint Group pursues long-term maximization of corporate value in the interest of shareholders and all other stakeholders. It strives to realize these basic policies: 1) speed in decision-making and business performance; 2) timely, appropriate and fair information disclosure; 3) transparency and soundness of business operations; 4) compliance with corporate ethics and laws; and 5) clear accountability.

Organizational Structure

Management Board—Directors

Joint has adopted the board of corporate auditors system, under which the Management Board and the Board of Auditors supervise and monitor the company's performance of business. The Management Board consists of nine Directors, one of which is an outside director as defined in Article 2, Paragraph 15 of the Company Law. The Management Board meets to discuss all material matters on a regular, monthly basis, and at such other times as may be needed. Within this framework of Directors and Corporate Auditors, in order to ensure the separation between monitoring and executive functions, Joint has introduced a corporate officer system, with the aim of expeditious decision-making and more efficient business conduct, by delegating authority to appointed Corporate Officers.

The Board of Auditors and Corporate Auditors

Joint has four Corporate Auditors, three of which are outside auditors as defined in Article 2, Paragraph 16 of the Company Law. Their role is to improve the transparency and ensure the objectivity in the business management.

The role of Corporate Auditors is to attend important meetings, hear reports from the Directors, etc., review any documents concerning material resolutions and investigate subsidiaries—as well as reviewing audit reports from the independent accountants on a regular basis. Based on alliance and cooperation, Joint's Corporate Auditors, the Internal Audit Office, and the independent accountants mutually strive to improve the quality of audits.

In addition, the Board of Auditors holds regular meetings with the President, exchanging opinions concerning material matters related to audits.

Internal Audit Office

Joint has established the Internal Audit Office to assure the appropriateness of the operational processes as well as the reasonable and efficient business management of the Joint Group, including affiliated companies.

The Internal Audit Office conducts audits in order to ensure legal, proper, and effective business operations, and makes proposals for improvement to any relevant department, as necessary. The Internal Audit Office reports audit results to the President as well as to the officers in charge (or, in the case of affiliated companies, to representatives), and also to the Management Board and the Board of Auditors.

In addition, the Internal Audit Office concurrently assists Corporate Auditors in their duties.

Independent Accountants

Joint has engaged KPMG Azsa & Co. as its independent accountants for accounting audits pursuant to the Company Law and accounting audits pursuant to the Securities and Exchange Law. The said audit corporation and its employees who engage in any audits of Joint have no specific conflict of interest with the company. Joint has entered into the audit agreement pursuant to the Company Law and the Securities and Exchange Law with the said audit corporation and pays fees under the agreement.

The names of the certified public accountants who performed the auditing services and the composition of personnel assisting in the accounting audits for this period are as follows:

The names of the certified public accountants who performed the auditing services: designated and engagement partners, Noriaki Watanabe and Toshiharu Asano

The consecutive years of auditing service are omitted as they number less than seven.

The composition of the assisting personnel involved in the accounting audits: certified public accountants: five; assistants to accountants: eight; and other: one

CORPORATE GOVERNANCE

Outline of the Relationships based on Personal Relationships, Capital, Transactions, and Other Interests between the company and Outside Director and Outside Auditors

Joint has selected one outside director and three outside auditors. At the present time, there are no specific conflicts of interest between the outside director or the outside auditors and the company.

Information Disclosure System

Joint is aware that it is important for the company to maintain a reasonable reputation in the markets by making prompt, appropriate, and fair disclosure of information. To that end, Joint carries out consistent investor-relation activities, mainly through the Public Relations & Investor Relations Office, and also has a clearly defined its internal information control system and an internal information disclosure system, both striving for proper disclosure of information.

Internal Controls and Risk Management

Joint has laid down its risk management rules and made specific departments responsible for managing risk in specific risk categories under the said rules. Joint has appointed the Director in charge of the Group Administrative Department as Chief Risk Management Officer, and charges the Group Administrative Department with exhaustive and comprehensive management of risk throughout the company. Furthermore, in the case any new risk arising, Joint shall immediately designate a department to take charge of that risk. The Group Auditing Office audits the status of risk management at the company, as well as at each of the Group companies, and reports the results to the Director in charge of the Group Administrative Department, in order that the company's and the Group companies' respective Management Boards may discuss

and resolve measures for improvement.

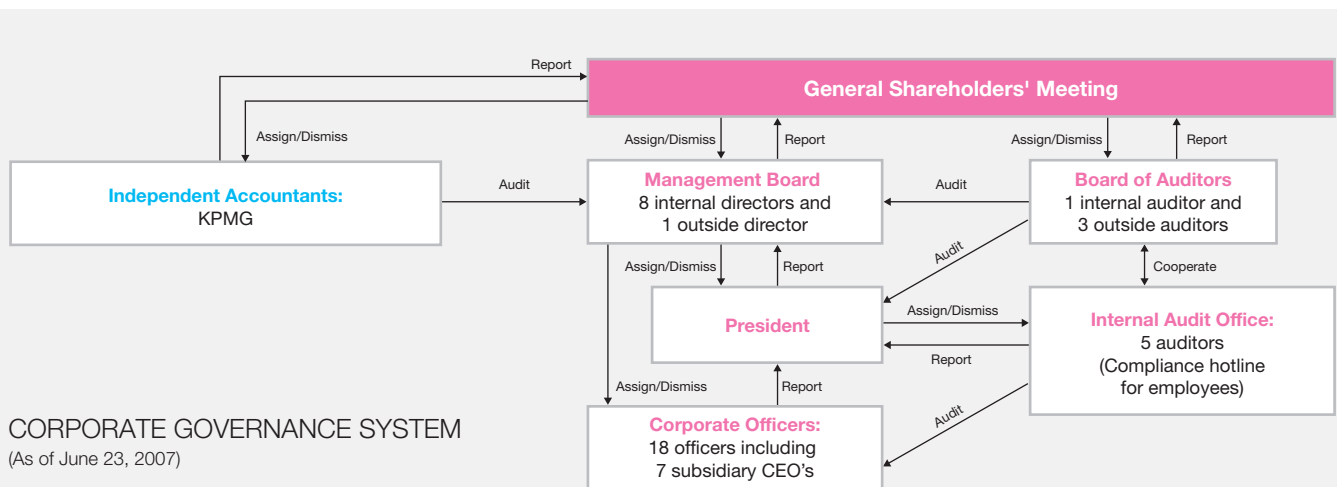
Meanwhile, when unforeseeable events do occur, Joint sets up a special taskforce team under the direction of the President to swiftly respond to the situation and establish a system to minimize the loss and damage.

Establishment of the Corporate Ethics and Ensuring of Compliance

Joint has laid down various rules to assure compliance, such as "The Joint Group Code of Conduct" under the Corporate Behavior Charter, and enforces these rules as the code of conduct for all officers and employees, through which they are to act in compliance with the laws and regulations as well as the Articles of Incorporation of the company.

At the same time, to ensure full compliance, Joint has appointed the Director in charge of the Group Legal Office as the Compliance Director, and assigns the Group Legal Office to oversee all inter-company compliance efforts throughout the Group. The Group Legal Office is responsible for compliance-related education and training for officers and employees. The Internal Audit Office audits the status of compliance in collaboration with the Group Legal Office. These activities shall be reported on a regular basis before the Management Board and the Board of Auditors.

Moreover, Joint has established and operates a Compliance hotline as a tool enabling employees to provide information directly on any suspicious conduct related to compliance. The Compliance hotline is controlled by the President, and the point of contact of the Compliance hotline is the Internal Audit Office.



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DIRECTORS, OFFICERS AND AUDITORS

(As of June 23, 2007)

PRESIDENT

Yoshinobu Shoji

DIRECTORS

Tatsuya Sekine

Hitoshi Suzuki

Koji Yamashita

Kenichiro Iwaya

Yusaku Katoh

Toshinobu Ohno

Hisashi Oribe

Komao Hirose

EXECUTIVE OFFICERS

Hideto Eguchi

Nobuo Kikuchi

Takeshi Matsumoto

Mamoru Taniguchi

Tomofumi Nakahata

Katsufumi Kawashima

Toshimi Sano

Takashi Yamazaki

Ichiro Tahara

Akinori Kawai

Toshiaki Naito

AUDITORS

Tadao Suzuki

Atsuo Taenaka

Tomio Takayama

Masaru Mizuno

CORPORATE DATA

(As of March 31, 2007)

CORPORATE NAME

JOINT CORPORATION

HEAD OFFICE

10-11, Meguro 2-chome, Meguro-ku, Tokyo 153-0063, Japan

OFFICES

Osaka

1-17, Tanimachi 3-chome, Chuo-ku, Osaka, Osaka 540-0012

Okinawa

20-5, Isa 2-chome, Ginowan, Okinawa 901-2221

Nagoya

3-3, Sakae 1-chome, Naka-ku, Nagoya, Aichi 460-0008

ESTABLISHED

September 1986

PAID-IN CAPITAL

¥15,821,747 thousand

EMPLOYEES

246 (Non-consolidated)

947 (Consolidated)

LISTING

Tokyo Stock Exchange, First Section

SHAREHOLDERS

3,780

TRANSFER AGENT

The Sumitomo Trust and Banking Company, Limited

5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

INDEPENDENT ACCOUNTANTS

KPMG AZSA & Co.

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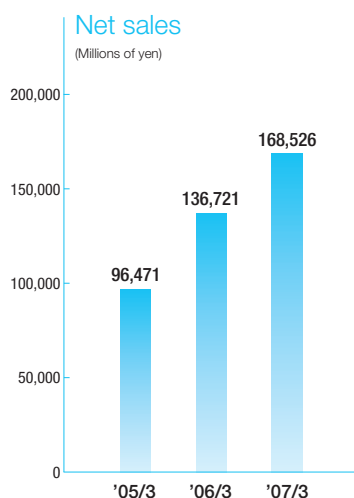
Joint Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen except per share data				
	2003/3	2004/3	2005/3	2006/3	2007/3
For the year:					
Net sales	¥ 93,893	¥ 97,022	¥ 96,471	¥ 136,721	¥ 168,526
Cost of sales	81,097	82,350	76,790	107,742	127,063
Selling, general and administrative expenses	7,596	8,474	10,308	12,906	17,420
Operating income	5,200	6,198	9,373	16,073	24,043
Income before income taxes	5,157	4,880	7,381	21,349	22,704
Net income	4,030	3,063	4,175	11,929	12,935
At year-end:					
Net assets	¥ 27,534	¥ 29,969	¥ 33,670	¥ 61,585	¥ 74,879
Total assets	137,468	135,124	182,840	217,626	291,818
Ratio of net assets to total assets	20.0%	22.2%	18.4%	28.3%	25.4%
Per share data:					
Net income	¥ 213	¥ 164	¥ 222	¥ 295	¥ 296
Net income-diluted		163	220	292	295
Cash dividends	25.0	25.0	25.0	25.0	27.5
Number of shares outstanding at year-end	18,915,000	18,915,000	18,915,000	43,812,400	43,848,200

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Joint Corporation and Consolidated Subsidiaries
Years ended March 31, 2006 and 2007



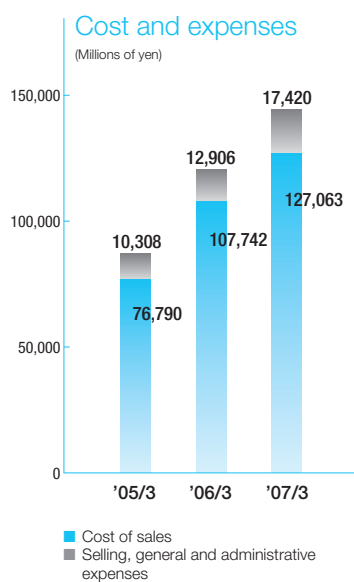
Management's Discussion and Analysis of Fiscal 2007

The real-estate business environment in fiscal 2007 (the year ended March 31, 2007) continued at the booming pace of fiscal 2006, fueled by the real-estate securitization market's historic high in the Tokyo Stock Exchange REIT Index and by a high level of supply in the condominium market, especially in the greater Tokyo area. Under these circumstances, the Joint Group steadily promoted the development of profitable properties to meet institutional investors' demands, and the supply of condominiums to satisfy consumers' diversified needs. As a result, the Joint Group again posted record-high consolidated net sales and ordinary income for fiscal 2007. There was an especially notable contribution from our growth-driving securitization development business, which performed beyond our expectations to become another mainstay business of the Joint Group, alongside the condominium development business.

The Joint Group also established in fiscal 2007 a framework for our continued growth, additional land bank procurement and expansion of our base business network to areas outside the greater Tokyo area. Starting from sales of condominiums in Osaka City in April 2007, we will strengthen our business in key regional cities.

Net Sales

In fiscal 2007, consolidated net sales surged 23.3% over the previous fiscal year to ¥168,526 million, supported by the growth of our two mainstay business segments.



Expenses and Net Income

Cost of sales increased 17.9% from fiscal 2006 to ¥127,063 million. However, its ratio to net sales improved by 3.4 percentage points to 75.4%, reflecting our continuous efforts toward cost cutting. Selling, general and administrative (SG&A) expenses also rose 35.0% to ¥17,420 million, resulting in a 0.9 percentage point increase in its ratio to net sales. This increase was mainly due to selling expenses which rose as net sales grew.

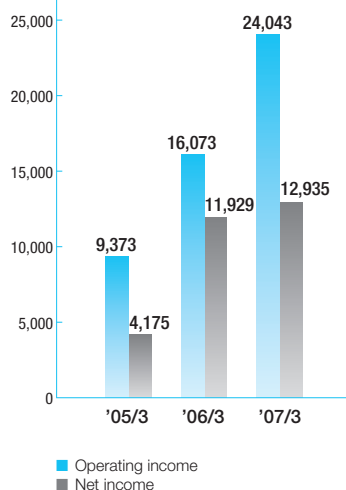
Operating income also jumped 49.6% to a record-high ¥24,043 million, with the operating margin 2.5 percentage points higher at 14.3% — primarily as a result of growth in the high-margin securitization development business.

Net income amounted to ¥12,935 million, 8.4% higher than the previous fiscal year. This growth was achieved without the substantial, one-time boost from a gain on early extinguishment of obligations under reorganized subsidiary L Kakuei Corporation of ¥8,122 million recorded in fiscal 2006. Not only did net income benefit from a steady growth in net sales in fiscal 2007, but also from a ¥2,029 million gain on sales of a business operated by L Kakuei Corporation, which supported the continuing growth in net income.

Net income per share in fiscal 2007 was ¥296, compared to ¥295 per share in fiscal 2006. As of March 31, 2007, treasury stock held by the company stood at 2,741 shares, with 43,848,200 shares issued and outstanding. Cash dividends attributable to the year were ¥27.5, an increase of ¥2.5 from the previous fiscal year.

Operating income and net income

(Millions of yen)



Business Segment Information

For accounting purposes, the company classifies its operations into five business segments: securitization development, condominium development, real estate leasing, real estate management, and other activities.

Securitization development

This business primarily involves the development and sale to J-REITs and real estate funds of retail commercial facilities, rental condominium blocks, and other properties. Revenue largely consists of proceeds from the sale of properties and other revenues such as fees from asset management and property management, leasing income from real estate inventories (such as rental condominiums), and dividends and other income from special purpose companies (SPCs). The revenues of this business segment generate high profit margins and therefore securitization development has become one of our mainstay businesses.

During fiscal 2007, sales of this segment (including intersegment sales and transfers) jumped 27.1% to ¥76,043 million. Sales of properties to real estate funds and J-REITs, which account for ¥71,016 million or 93.5% of the segment sales, increased by 32.9% year on year. Other revenues also increased by 3.9% to ¥4,914 million. Operating income attributable to securitization development also rose 60.5% to ¥17,181 million, reflecting high-level demand for properties by real estate funds and J-REITs. The operating margin within securitization development also improved by 4.7 percentage points to 22.6%.

Condominium development

Condominium development primarily comprises the planning, development and sale of condominiums and houses to customers.

Segment sales (including intersegment sales and transfers) for the fiscal year under review rose 19.6% to ¥76,294 million, mainly due to an increase in the number of condominium units sold, especially in the greater Tokyo area. Segment operating income also increased 25.5% to ¥6,308 million, as well as the operating margin which slightly improved by 0.4 percentage points to 8.3%.

Condominiums offered for sale, contracts received, contracts closed and contracts carried over

	2006/3		Fiscal 2007/3		Fiscal 2008/3* (Planned)	
	Units	Millions of yen	Units	Millions of yen	Units	Millions of yen
Offered for sale	1,966	¥70,552	1,230	¥48,102	2,855	¥105,657
Contracts received	1,670	62,034	1,454	53,171	1,978	72,760
Contracts closed	1,488	54,049	1,713	60,657	1,318	48,793
Contracts carried over	918	34,047	659	26,562	1,320	50,530

* Figures for 2008 forecast on May 29, 2007.

Real Estate-Related Businesses

• Real estate leasing

This business includes the sublease of condominiums, office buildings and other properties, rental brokerage, and rental property management. Segment sales (including intersegment sales and transfers) for fiscal 2007 increased 7.9% to ¥8,273 million, as a result of an increase in the number of properties leased and managed. Real estate leasing operating income however, decreased 11.1% to ¥774 million, resulting in a drop of 2.0 percentage points in the operating margin to 9.4%.

• Real estate management

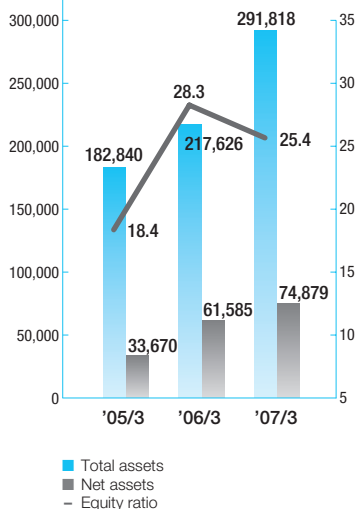
This business is largely responsible for physical property management, such as building administration, property cleaning, maintenance and inspection of the Joint Group's and other companies' condominiums and rental condominiums, office buildings and other properties sold to real estate funds. Although segment sales (including intersegment sales and transfers) fell 1.7% to ¥4,382 million, operating income soared 52.0% to ¥153 million, and the operating margin also rose 1.2 percentage points to 3.5%.

• Other activities

This business segment mainly conducts the property financing, subcontracting out of construction and remodeling and hotel management operations. Segment sales (including intersegment sales and transfers) rose 7.0% to ¥4,499 million, with operating income skyrocketing 154.5% to ¥648 million. The operating margin improved by 8.3 percentage points to 14.4%.

Total assets, net assets and ratio of net assets to total assets

(Millions of yen / %)



Financial Position

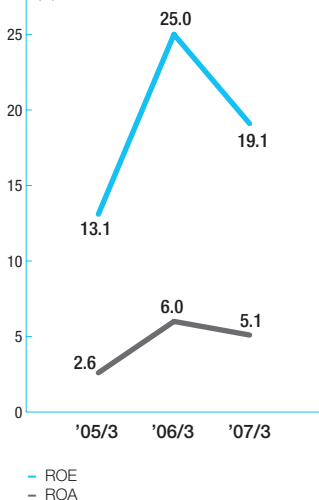
Total assets as of March 31, 2007 stood at ¥291,818 million, a significant increase of 34.1% from the previous fiscal year-end. Current assets, which accounted for 95.4% of total assets, rose by 35.7% to ¥278,422 million. Above all, inventories, which accounted for 74.1% of total assets, also showed a substantial increase of 38.0% to ¥216,276 million, due to aggressive building up of the company's land bank. This resulted in securing a land bank of sufficient size to cover nearly four years' sales. The securitization development business accounted for approximately 52% of inventories, while the condominium development business was responsible for the remaining 48%. Investments and other assets grew 8.7% to ¥8,283 million, mainly due to a ¥1,052 million increase in investment in securities. Property and equipment at cost amounted to ¥5,113 million, a 6.6% increase year on year.

Interest-bearing debt as of March 31, 2007 amounted to ¥173,684 million, a 55.4% or ¥61,893 million increase from the previous fiscal year. This is attributable to the increase in inventories and comprises an additional ¥37,468 million increase in short-term bank loans, ¥10,000 million in commercial paper, ¥6,085 million in bonds, including newly issued ¥11,000 million convertible bonds, and ¥11,816 million in long-term debt due after one year. Other liabilities edged up 0.1% to ¥43,255 million.

Net assets as of March 31, 2007 stood at ¥74,879 million. From fiscal 2007, Joint adopted a new accounting standard regarding presentation of net assets in the balance sheets. In accordance with this new standard, minority interests, which had been a separate component of balance sheets, should be included in net assets. The amount for fiscal 2007 equivalent to the former shareholders' equity was ¥73,985 million, resulting in a 20.1% increase on the previous fiscal year. However, as total liabilities rose significantly, the equity ratio (calculated based on net assets excluding minority interests) dropped by 2.9 percentage points to 25.4% as compared to 28.3% from the previous year.

ROE and ROA

(%)



Cash Flows

Net cash used in operating activities for the year ended March 31, 2007 increased to ¥60,340 million, compared with ¥18,852 million in the previous fiscal year. The major reason for this was a ¥65,645 million net increase in inventories.

Investing activities resulted in an ¥8,356 million net cash inflow, compared with a ¥2,698 million outflow in fiscal 2006. Proceeds of ¥9,780 million from the sale of a portion of our subsidiary, L Kakuei Corporation, contributed to this inflow.

Financing increased net cash to ¥58,343 million from ¥21,800 million in the previous fiscal year. This was primarily due to a ¥43,119 million net increase in short-term bank loans and long-term debt, and a ¥10,000 million net increase in commercial paper.

As a result, cash and cash equivalent as of March 31, 2007 amounted to ¥38,973 million, an increase of ¥6,977 million year on year.

Outlook

The Joint Group is continuously taking aggressive measures to build its land bank, not only in the greater Tokyo area, but also in key regional cities nationwide, to expand its operations by supplying more attractive products that match the needs in each area.

The robust securitization development business is expected to enjoy a favorable business environment for several years, such as the expanding real-estate securitization market. This growing market, however, is attracting many other players and thus ratcheting up the competition. The key success factors in the securitization development business, which supplies rental properties, include the strong capabilities to operate and manage those properties. The Joint Group will acquire better know-how pertaining to property operation and management, and utilize our existing property development expertise for further growth of the business. As regards to operation results of the segment for the fiscal year ending March 31, 2008, the company forecasts ¥119,500 million* in net sales, reflecting anticipated sales of properties already procured in the greater Tokyo, Osaka and Nagoya areas, and expected growth in leasing income.

On the other hand, as the project scale becomes larger, the condominium development business is facing longer property development cycles. The portion of L Kakuei Corporation sold during fiscal 2007 will also affect this segment. As such, it is expected that the net sales of this business will temporarily decrease, and the company forecasts ¥63,200 million* net sales for fiscal 2008.

For real estate-related business (real estate leasing, real estate management and other activities), the outlook for combined net sales is ¥17,300 million*, reflecting growth in the company's mainstay businesses of securitization development and condominium development.

Based on these forecasts for each business segment, the company expects the operation results for the year ended March 31, 2008 to be ¥191,000 million** consolidated net sales and ¥14,400 million** consolidated net income.

* Outlook figures are based on the May 29, 2007 forecast.

** These figures were revised upwards on August 8, 2007.

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Joint Corporation and Consolidated Subsidiaries
March 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006/3	2007/3	2007/3
ASSETS			
Current assets:			
Cash and time deposits (Notes 10 and 16)	¥ 32,731	¥ 39,108	\$ 331,283
Trade accounts receivable	1,407	1,553	13,155
Allowance for doubtful accounts	(97)	(115)	(974)
Inventories (Notes 4 and 10)	156,728	216,276	1,832,071
Investments in real estate held for sale (Notes 2 and 9)	2,301	1,335	11,309
Investments in joint venture	—	1,200	10,165
Advances paid for purchases (Note 5)	3,202	8,803	74,570
Deferred income taxes (Note 8)	1,015	1,213	10,275
Other current assets	7,922	9,049	76,655
Total current assets	205,209	278,422	2,358,509
Investment and other assets:			
Investment in securities (Notes 9 and 10)	4,189	4,414	37,391
Investment in non-consolidated subsidiaries and affiliates	—	827	7,006
Long-term loans receivable	285	239	2,025
Allowance for doubtful accounts	(33)	(151)	(1,279)
Deferred income taxes (Note 8)	163	10	85
Other assets (Notes 2 and 10)	3,018	2,944	24,937
	7,622	8,283	70,165
Property and equipment, at cost:			
Land (Note 10)	2,540	2,614	22,143
Buildings and structures (Note 10)	2,601	2,681	22,711
Other	601	548	4,642
Construction in progress	—	256	2,169
	5,742	6,099	51,665
Accumulated depreciation	(947)	(986)	(8,353)
Net property and equipment	4,795	5,113	43,312
Total assets	¥ 217,626	¥ 291,818	\$ 2,471,986

See accompanying notes to consolidated financial statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY / NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006/3	2007/3	2007/3
LIABILITIES			
Current liabilities:			
Short-term bank loans (Note 10)	¥ 10,161	¥ 47,629	\$ 403,465
Long-term debt due within one year (Note 10)	36,316	32,840	278,187
Bond due within one year	9,325	11,530	97,670
Commercial paper	—	10,000	84,710
Trade notes payable	6,758	7,949	67,336
Trade accounts payable	9,918	10,292	87,183
Accrued expenses	797	997	8,446
Income taxes payable (Note 8)	7,733	7,251	61,423
Advances and deposits received (Note 6)	4,613	5,350	45,320
Other current liabilities	4,747	4,905	41,550
Total current liabilities	90,368	138,743	1,175,290
Long-term liabilities:			
Retirement and severance benefits (Note 14)	116	103	873
Bond (Note 10)	9,630	13,510	114,443
Long-term debt due after one year (Note 10)	46,359	58,175	492,800
Long-term accrued amount payable	4,392	3,910	33,122
Other long-term liabilities	4,133	2,498	21,159
Total long-term liabilities	64,630	78,196	662,397
Minority interests in consolidated subsidiaries	1,043	—	—
Contingent liabilities (Note 12)			
SHAREHOLDERS' EQUITY (Note 11)			
Common stock			
Authorized — 75,660,000 shares			
Issued — 43,812,400 shares	15,800	—	—
Capital surplus	15,687	—	—
Retained earnings	30,231	—	—
Net unrealized holding gains (losses) on securities	(28)	—	—
	61,690	—	—
Treasury stock	(105)	—	—
Total shareholders' equity	61,585	—	—
Total liabilities, minority interests and shareholders' equity	¥ 217,626	—	—
NET ASSETS:			
Shareholders' equity (Note 11):			
Common stock			
Authorized — 75,660,000 shares			
Issued — 43,848,200 shares	—	15,822	134,028
Capital surplus	—	15,808	133,909
Retained earnings	—	41,974	355,561
Treasury stock	—	(2)	(17)
Total shareholders' equity	—	73,602	623,481
Valuation and translation adjustments			
Net unrealized holding gains (losses) on securities	—	395	3,346
Net deferred gains (losses) on hedge	—	(11)	(93)
Total evaluation and translation adjustments	—	384	3,253
Minority interests in consolidated subsidiaries	—	893	7,565
Total net assets	—	74,879	634,299
Total liabilities and net assets	—	¥ 291,818	\$ 2,471,986

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Joint Corporation and Consolidated Subsidiaries
Years ended March 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006/3	2007/3	2007/3
Net sales (Note 16)	¥ 136,721	¥ 168,526	\$ 1,427,582
Costs and expenses:			
Cost of sales	107,742	127,063	1,076,349
Selling, general and administrative expenses	12,906	17,420	147,565
Total costs and expenses (Note 16)	120,648	144,483	1,223,914
Operating income (Note 16)	16,073	24,043	203,668
Other income (expenses):			
Interest and dividend income	34	264	2,236
Interest expense	(2,080)	(2,471)	(20,932)
Commissions	(846)	(1,066)	(9,030)
Gain on early extinguishment of obligation under reorganization proceeding of subsidiaries	8,122	—	—
Gain on transfer of business	—	2,029	17,188
Other, net	46	(95)	(805)
	5,276	(1,339)	(11,343)
Income before income taxes	21,349	22,704	192,325
Income taxes (Note 8):			
Current	9,535	9,851	83,448
Deferred	(533)	(342)	(2,897)
	9,002	9,509	80,551
Minority interests	418	260	2,202
Net income	¥ 11,929	¥ 12,935	\$ 109,572

	Yen		U.S. dollars
	2006/3	2007/3	2007/3
Amounts per share of common stock (Note 2):			
Net income	¥ 295	¥ 296	\$ 2.5
Net income – diluted	292	295	2.5
Cash dividends applicable to the year	25.0	27.5	0.2

See accompanying notes to consolidated financial statements.

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Joint Corporation and Consolidated Subsidiaries
Years ended March 31, 2006

	Millions of yen						
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Foreign currency translation adjustment	Net unrealized holding gains (losses) on securities	Treasury stock
Balance at March 31, 2005	18,915	¥ 7,672	¥ 7,555	¥18,823	¥ 1	¥ 0	¥(381)
Net income				11,929			
Treasury stock							276
Cash dividends paid (¥25.0 per share)				(466)			
Bonuses to directors and corporate auditors				(59)			
Increase in retained earnings due to change of scope of consolidation				4			
Issuance of capital stock	2,991	8,128	8,122				
Stock split	21,906						
Gain from the sales of treasury stock			10				
Net unrealized holding losses on securities						(28)	
Foreign currency translation adjustments					(1)		
Balance at March 31, 2006	43,812	¥15,800	¥15,687	¥30,231	—	¥(28)	¥(105)

See accompanying notes to consolidated financial statements.

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Years ended March 31, 2007

	Millions of yen											
	Number of shares of common stock (Thousands)	Shareholders' equity (Note 11)				Evaluation and translation adjustments						Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustment	Net deferred losses on hedge	Total evaluation and translation adjustments	Minority interests in consolidated subsidiaries	
Balance at March 31, 2006	43,812	¥15,800	¥15,687	¥30,231	¥(105)	¥61,613	¥ (28)	—	—	¥ (28)	¥1,043	¥62,628
Net income				12,935		12,935				—		12,935
Decrease in treasury stock due to exercise of stock acquisition rights			99		104	203				—		203
Acquisition of treasury stock					(1)	(1)				—		(1)
Cash dividends paid (¥25.0 per share)				(1,093)		(1,093)				—		(1,093)
Bonuses to directors and corporate auditors				(115)		(115)				—		(115)
Increase in retained earnings due to change of scope of consolidation				16		16				—		16
Issuance of capital stock	36	22	22			44				—		44
Net unrealized holding gains on securities						—	423			423		423
Net deferred losses on hedge						—		(11)		(11)		(11)
Minority interests						—				—	(150)	(150)
Balance at March 31, 2007	43,848	¥15,822	¥15,808	¥41,974	¥ (2)	¥73,602	¥395	—	¥(11)	¥384	¥ 893	¥74,879

	Thousands of U.S. dollars (Note 1)											
	Common stock	Shareholders' equity (Note 11)				Evaluation and translation adjustments						Total net assets
		Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustment	Net deferred losses on hedge	Total evaluation and translation adjustments	Minority interests in consolidated subsidiaries		
Balance at March 31, 2006	\$133,842	\$132,884	\$256,086	\$(890)	\$521,922	\$ (237)	—	—	\$ (237)	\$ 8,836	\$530,521	
Net income			109,572		109,572				—		109,572	
Decrease in treasury stock due to exercise of stock acquisition rights		839		881	1,720				—		1,720	
Acquisition of treasury stock				(8)	(8)				—		(8)	
Cash dividends paid (\$0.21 per share)			(9,259)		(9,259)				—		(9,259)	
Bonuses to directors and corporate auditors			(974)		(974)				—		(974)	
Increase in retained earnings due to change of scope of consolidation			136		136				—		136	
Issuance of capital stock	186	186			372				—		372	
Net unrealized holding gains on securities					—	3,583			3,583		3,583	
Net deferred losses on hedge					—			(93)	(93)		(93)	
Minority interests					—				—	(1,271)	(1,271)	
Balance at March 31, 2007	\$134,028	\$133,909	\$355,561	\$ (17)	\$623,481	\$3,346	—	\$(93)	\$3,253	\$ 7,565	\$634,299	

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	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006/3	2007/3	2007/3
Cash flows from operating activities:			
Income before income taxes	¥ 21,349	¥ 22,704	\$ 192,325
Adjustments to reconcile income before income taxes to net cash used in operating activities:			
Depreciation	261	310	2,626
Allowance for doubtful accounts	(41)	136	1,152
Interest and dividend income	(34)	(264)	(2,236)
Interest expense	2,080	2,470	20,923
Gain on early extinguishment of obligation under reorganization proceeding of subsidiaries	(8,122)	—	—
Gain on transfer of business	—	(2,029)	(17,188)
Bonuses paid to directors and corporate auditors	(59)	(115)	(974)
Other, net	(78)	300	2,541
Net changes in operating assets and liabilities:			
Increase in trade accounts receivable	(277)	(146)	(1,237)
Increase in inventories	(33,457)	(65,645)	(556,078)
Decrease in investments in real estate held for sales	5,479	830	7,031
Increase in investments in joint venture	—	(1,200)	(10,165)
Increase in advances paid for purchases	(1,554)	(5,602)	(47,454)
Increase in trade notes and accounts payable	424	1,666	14,113
Increase in advances and deposits received	1,702	1,044	8,844
Other, net	(355)	(2,121)	(17,967)
Interest and dividends received	66	258	2,186
Interest paid	(2,123)	(2,584)	(21,889)
Income taxes paid	(4,113)	(10,352)	(87,692)
Net cash used in operating activities	(18,852)	(60,340)	(511,139)
Cash flows from investing activities:			
Net (increase) decrease in property and equipment	245	(552)	(4,676)
Net decrease (increase) in investment securities	(2,827)	546	4,625
Net decrease (increase) in investments other than securities	81	(1)	(8)
Increase in long-term loans receivable	(2,577)	(4,666)	(39,526)
Decrease in long-term loans receivable	3,271	4,129	34,977
Net decrease (increase) in time deposits	(723)	500	4,235
Proceeds from business transfer	—	9,780	82,846
Other, net	(168)	(1,380)	(11,689)
Net cash provided by (used in) investing activities	(2,698)	8,356	70,784
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	(1,040)	37,338	316,290
Net increase in commercial paper	—	10,000	84,710
Proceeds from long-term debt	61,737	74,368	629,970
Repayment of long-term debt	(45,215)	(68,587)	(581,000)
Net decrease in reorganization claims payable	(11,186)	—	—
Proceeds from issuance of bond	3,755	16,410	139,009
Payment for redemption of bond	(2,319)	(10,325)	(87,463)
Proceeds from issuance of common stock	16,250	48	407
Proceeds from sale of treasury stock	293	203	1,720
Payment for acquisition of treasury stock	(7)	(31)	(263)
Cash dividends paid	(466)	(1,091)	(9,242)
Other, net	(2)	10	85
Net cash provided by financing activities	21,800	58,343	494,223
Net increase (decrease) in cash and cash equivalents	250	6,359	53,868
Increase due to change in scope of consolidation	—	619	5,243
Decrease due to exclusion of consolidated subsidiaries	(2)	—	—
Cash and cash equivalents at beginning of year (Note 15)	31,747	31,995	271,029
Cash and cash equivalents at end of year (Note 15)	¥ 31,995	¥ 38,973	\$ 330,140

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Years ended March 31, 2006 and 2007

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure and the inclusion of the consolidated statement of changes in net assets for 2006) from the consolidated financial statements of the company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2007, which was ¥118.05 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation — The consolidated financial statements include the accounts of Joint Corporation (the "company") and 41 subsidiaries in accordance with the Securities and Exchange Law and related regulations of Japan.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the company acquired control of the respective subsidiaries.

The difference between the investment cost and the net assets acquired in consolidated subsidiaries at the date of acquisition is amortized over 5 years on a straight-line basis.

All significant intercompany accounts and transactions have been eliminated.

Cash and cash equivalents — Cash and cash equivalents include cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase.

Allowance for doubtful accounts — The company and its subsidiaries (the "companies") provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain individual accounts.

Securities — Available-for-sale securities, which fair values are readily determinable, are stated at fair values on the closing day of consolidated accounts, with unrealized gains and losses, net of applicable deferred income taxes, not reflected in earnings, but directly reported as a separate component of net assets. Realized gains and losses on sale of such securities are computed using the moving-average cost. Available-for-sale securities whose fair value is not readily determinable are stated primarily at moving-average cost. The companies have neither trading securities nor held-to-maturity debt securities.

Investments in real estate held for sale represent investments in special purpose companies (SPCs), which were established for the purpose of Securitization Development and sales. The companies have invested in these SPCs with the intent to sell the investments after the completion of real estate development.

Investments in real estate held for sale are stated at cost, cost being determined mainly by the specific-identification method.

Derivatives and hedge accounting — The companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Inventories, revenue and related costs — Inventories are stated at cost, cost being determined mainly by the specific-identification method. Costs do not include interest or administrative expenses incurred during or after development of real estate, which are charged to income when incurred.

Revenue from the leasing of office space is recognized on an accrual basis over the life of the lease.

Revenue from sale of land and apartment houses are recognized when they are delivered to and accepted by customers. Payment terms generally include a down-payment prior to delivery, a further payment upon delivery and a final payment shortly after delivery.

In the year ended March 31, 2007, inventories amounting to ¥4 million (\$35 thousand) was transferred to “land,” because of the change in the intent of owning them.

Property and equipment — Property and equipment are stated at cost. Depreciation is provided by the declining-balance method at rates based on the estimated useful lives of the respective assets except for the buildings, excluding building fixtures, acquired after March 31, 1998, which are depreciated by the straight-line method. The following is the estimated useful lives of the assets.

Buildings and structures 5–50 years

Impairment of long-lived assets — On August 9, 2002, the Business Accounting Council of Japan issued new accounting standards entitled “Statement of Opinion on the Establishment of Accounting Standards for Impairment of Fixed Assets.” Furthermore, on October 31, 2003, the Accounting Standards Board of Japan issued ASBJ Guidance No. 6 “Implementation Guidance on Accounting Standards for Impairment of Fixed Assets.” Effective April 1, 2005, the companies have adopted these new accounting standards for impairment of fixed assets.

As a result of adopting the new accounting standards, these had no effect on the financial statements for the fiscal year 2006.

Software costs — The companies depreciate software for their own use using the straight-line method over the estimated useful lives (five years).

Retirement and severance benefits — Under the terms of the company’s severance plan, eligible employees are entitled, under most circumstances, upon mandatory retirement or earlier voluntary severance, to severance payment based on compensation at the time of severance and years of service and certain other factors.

The company adopts a defined contribution pension plan for its employees’ retirement and severance benefits. Pursuant to the enactment of Defined Contribution Pension Law in Japan, the company has transferred its defined lump-sum benefit plan to the defined contribution pension plan effective January 1, 2006, to which the company applied “Accounting for Transition of Retirement Benefit Plan” (ASBJ

Guidance No. 1). The effect of this transition was immaterial for the fiscal year 2006.

Certain consolidated subsidiaries have unfunded lump-sum plans and funded qualified pension plans generally covering 50% each of the amount that would be required had the eligible employees voluntarily retired at the balance sheet date.

As permitted for certain small companies, under "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits," issued by the Business Accounting Deliberation Council on June 16, 1998, the companies do not use actuarial calculations for determining the liabilities and expenses for such retirement benefits. Instead, the companies recognize such liabilities at an amount obtained by deducting the amount of plan assets deemed to be maintained by the pension funds from the amount required had all eligible employees voluntarily terminated their employment as of the balance sheet date.

Directors and corporate auditors of certain subsidiaries had been entitled to lump-sum payments at the time of severance, subject to the approval of the shareholders. The liabilities for such benefits were determined based on these internal rules. Effective April 1, 2005, these subsidiaries abolished their directors' and corporate auditors' severance benefit system. Accordingly, these benefits were reversed and charged to income.

Income taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement basis and the tax basis of assets and liabilities.

Presentation of net assets in the consolidated balance sheets — Effective from the fiscal year ended March 31, 2007, the company adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan, ASBJ Statement No. 5, December 9, 2005) and "Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan, ASBJ Guidance No. 8, December 9, 2005).

The new accounting standard and its implementation guideline require that a balance sheet should be divided into sections of assets, liabilities and net assets, and that the net assets section of a consolidated balance sheet should be classified into shareholders' equity and items other than shareholders' equity. Items other than shareholders' equity in a consolidated balance sheet consist of valuation and translation adjustments, stock acquisition rights and minority interests.

The adoption of the new accounting standards does not have any impact on the results of operations.

The accompanying consolidated balance sheets and consolidated statement of changes in net assets for the fiscal year ended March 31, 2006 have been reclassified to conform to the requirement of the new accounting standards described above.

Stock issuance expense — Stock issuance expense is charged to income in the year incurred.

Bond issuance expense — Bond issuance expense is charged to income in the year incurred.

Accounting for certain finance leases — Finance leases which do not transfer ownership of the leased assets to the lessee, are accounted for in the same manner as operating leases.

Bonuses to directors — From the fiscal year ended March 31, 2007, "Accounting Standard for Directors' Bonus" (Accounting Standards Board of Japan, ASBJ Statement No. 4, November 29, 2005) has been adopted. This new accounting standard requires companies to charge bonuses to directors to income on an accrual basis, whereas such bonuses were previously accounted for as appropriation of retained earnings in the fiscal year of shareholders' resolution. As a result of this new standard, operating income and income before income taxes decreased by ¥180 million (\$1,525 thousand) respectively, compared with what would

have been under the previous accounting method.

“Bonuses paid to directors,” which is shown in the Consolidated Statements of Change in Net Assets as a reduction item of retained earnings in the fiscal year ended March 31, 2007 is an appropriation of retained earnings resolved at the general shareholders' meeting held in June 2006.

Amounts per share — The computation of net income per share of common stock is based on the weighted-average number of shares of common stock outstanding during each fiscal year.

Cash dividends applicable to the year represent the actual amount declared as applicable to the respective years.

Foreign currency transactions — Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

Balance sheets and income statements of the consolidated overseas subsidiary are translated into Japanese yen at the year-end rates except for net assets accounts, which are translated at the historical rates.

Business combinations and business divestitures — From the fiscal year ended March 31, 2007, “Accounting for business combinations” (Business Accounting Council, October 31, 2003), “Accounting Standard for Business Divestitures” (Accounting Standards Board of Japan, ASBJ Statement No. 7, December 27, 2005), and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (Accounting Standards Board of Japan, ASBJ Guidance No. 10, December 27, 2005) have been adopted.

3. DERIVATIVE FINANCIAL INSTRUMENTS

The company utilizes interest rate swap contracts as derivative financial instruments in order to minimize the risk of interest rate fluctuation on borrowings. The company does not use derivatives for speculative purposes.

Possible exposure to risks from the company's transaction is immaterial as financial institutions with whom the company conducts derivative transactions are those with high reputations. The company executes such transactions based on the resolutions of its Board of Directors and within the limits of the approved amounts. The company reports the results of the transactions to its Board of Directors periodically.

The following summarizes hedging derivative financial instruments used by the companies and items hedged:

Hedging instruments:	Hedged items:
Interest rate swap contracts	Interest on loans payable

The companies evaluate hedge effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

The following tables summarize market value information as of March 31, 2006 and 2007 of derivative transactions for which hedge accounting has not been applied:

	Millions of yen		Thousands of
	2006/3	2007/3	U.S. dollars (Note 1)
			2007/3
Interest rate swap:			
Receive variable/pay fixed:			
Contract outstanding	¥5,000	¥ —	\$ —
[Amount due after one year]	[—]	[—]	[—]
Market value	(40)	—	—
Recognized losses	(40)	—	—

4. INVENTORIES

Inventories at March 31, 2006 and 2007 comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006/3	2007/3	2007/3
Real estate for sale	¥ 38,506	¥ 91,307	\$ 773,460
Expenditure on construction in progress	118,202	124,949	1,058,441
Purchased components and supplies	20	20	170
	¥ 156,728	¥ 216,276	\$ 1,832,071

5. ADVANCES PAID FOR PURCHASES

Advances paid for purchases comprise primarily advance payments for purchasing real estate.

6. ADVANCES AND DEPOSITS RECEIVED

Advances and deposits received consist mainly of advances received from customers before delivering completed properties.

7. ACCOUNTING FOR CERTAIN FINANCE LEASES

The companies lease software and other assets. Assuming that finance leases were capitalized, they would have been recorded on the consolidated financial statements as of March 31, 2006 and 2007 as follows:

Type	Millions of yen					
	2006/3			2007/3		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Tools, furniture and fixture	¥ 123	46	¥ 77	¥ 120	53	¥ 67
Software	79	34	45	92	39	53
Total	¥ 202	80	¥ 122	¥ 212	92	¥ 120

Type	Thousands of U.S. dollars (Note 1)		
	2007/3		
	Acquisition cost	Accumulated depreciation	Book value
Tools, furniture and fixture	\$ 1,017	449	\$ 568
Software	\$ 779	330	\$ 449
Total	\$ 1,796	779	\$ 1,017

The payment schedules of the lease obligation, which are computed on the exclusive of interest method at March 31, 2006 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006/3	2007/3	2007/3
Due within one year	¥ 37	¥ 40	\$ 339
Due over one year	89	63	534
Total	¥ 126	¥ 103	\$ 873

The lease payments, depreciation equivalents and interest expense equivalents on such leases are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006/3	2007/3	2007/3
Lease payments	¥ 36	¥ 35	\$ 296
Depreciation equivalents	35	33	280
	¥ 2	¥ 1	\$ 8

Interest expense equivalents were calculated by allocating the difference between the total lease payments and the fair representing value of the leased property to each accounting period in the lease term based on the interest method.

Depreciation equivalent is computed using the straight-line method over the lease terms assuming no residual values.

8. INCOME TAXES

Income taxes in the consolidated statements of income consist of corporation tax, inhabitant taxes and enterprise tax.

The aggregate statutory income tax rate was approximately 40.5% for the years ended March 31, 2006 and 2007.

The actual effective income tax rates in the accompanying consolidated statements of income differ from the statutory income tax rate due to such items as permanently non-deductible expenses.

The differences between the statutory income tax rate and the actual effective income tax rates for the years ended March 31, 2006 and 2007 were immaterial.

Significant components of the deferred income taxes as of March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006/3	2007/3	2007/3
Deferred income tax assets			
Current assets:			
Enterprise tax payable	¥ 614	¥ 521	\$ 4,413
Excess bonuses accrued	91	87	737
Write-down of inventories	127	518	4,388
Others	269	95	805
	1,101	1,221	10,343
Less: Valuation allowance	(86)	(8)	(68)
Total deferred tax assets (current)	¥ 1,015	¥ 1,213	\$ 10,275
Non-current assets:			
Write-down of properties	112	111	940
Excess employee retirement benefits	50	50	424
Retirement benefits for directors and corporate auditors	17	—	—
Others	93	171	1,448
	272	332	2,812
Less: Valuation allowance	(109)	(53)	(449)
Total deferred tax assets (Non-current)	¥ 163	¥ 279	\$ 2,363
Deferred tax liabilities			
Net unrealized holding gains on securities	—	(269)	(2,278)
Deferred tax assets – net	¥ 163	¥ 10	\$ 85

9. SECURITIES

(1) The following tables summarize acquisition costs, book values and fair value of securities with available fair value as of March 31, 2006 and 2007.

Available-for-sale securities

Type	Millions of yen					
	2006/3			2007/3		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs						
Other	¥ —	¥ —	¥ —	¥2,856	¥3,515	¥ 659
Sub total	—	—	—	2,856	3,515	659
Securities with book values not exceeding acquisition costs						
Other	2,856	2,808	(48)	—	—	—
Sub total	2,856	2,808	(48)	—	—	—
Total	¥2,856	¥2,808	¥(48)	¥2,856	¥3,515	¥ 659

Available-for-sale securities

Type	Thousands of U.S. dollars (Note 1)		
	2007/3		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs			
Bonds	\$24,193	\$29,776	\$5,583
Sub total	24,193	29,776	5,583
Securities with book values not exceeding acquisition costs			
Other	—	—	—
Sub total	—	—	—
Total	\$24,192	\$29,779	\$5,586

(2) The following tables summarize book values of securities with no available fair values as of March 31, 2006 and 2007.

Type	Millions of yen	
	2006/3	2007/3
	Book value	Book value
Available-for-sale securities		
Unlisted equity securities	¥ 557	¥ 45
Investment in anonymous association	824	854
Investments in real estate held for sale	2,301	1,335
	¥ 3,682	¥ 2,234

Type	Thousands of U.S. dollars (Note 1)
	2007/3
	Book value
Available-for-sale securities	
Unlisted equity securities	\$ 381
Investment in anonymous association	7,234
Investments in real estate held for sale	11,309
	\$ 18,924

10. SHORT-TERM BANK LOANS, BOND AND LONG-TERM DEBT

Short-term bank loans consist of short-term notes and short-term borrowings under the loan agreements. The short-term bank loans bore a weighted- average interest rate of 1.8% as of March 31, 2006, and 1.7% as of March 31, 2007.

Bond and long-term debt at March 31, 2006 and 2007 comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006/3	2007/3	2007/3
Bond:			
2.00% unsecured bond due 2006	¥ 1,100	¥ —	\$ —
1.68% unsecured bond due 2006	4,500	—	—
1.60% unsecured bond due 2006	300	—	—
0.89% unsecured bond due 2007	1,000	1,000	8,471
0.25% unsecured bond due 2006	3,300	—	—
1.59% unsecured bond due 2008	5,000	5,000	42,355
0.80% unsecured bond due 2008	1,000	1,000	8,471
0.26% unsecured bond due 2008	1,125	—	—
0.69% unsecured bond due 2008	200	200	1,694
0.95% unsecured bond due 2008	1,430	1,430	12,114
0.80% unsecured bond due 2008	—	1,000	8,471
1.03% unsecured bond due 2008	—	910	7,709
1.75% unsecured bond due 2007	—	3,000	25,413
1.34% unsecured bond due 2012	—	500	4,234
Zero-coupon unsecured convertible bond due 2012 (*)	—	11,000	93,181
Long-term debt, principally from banks:			
Loans secured by collateral maturing in installments through 2012	¥ 44,099	¥ 69,020	\$ 584,668
Unsecured loans due through 2021	38,576	21,995	186,319
	101,630	116,055	983,100
Less: Amount due within one year	(45,641)	(44,370)	(375,857)
Bond and long-term debt in the consolidated balance sheets	¥ 55,989	¥ 71,685	\$ 607,243

(*) The ¥11,000 million zero-coupon unsecured convertible bond (the "Bond", whose terms shall, unless specified otherwise, include stock acquisition rights incorporated in the Bond) of the company due 2012 was issued in denomination of ¥5,000,000 each, with stock acquisition rights. The indentures covering the Bond provide, among other conditions, for the following:

- 1) Payment date: January 29, 2007
- 2) Due of redemption: January 30, 2012
- 3) Convertible price: Initially ¥6,030 per share
- 4) Convertible term: After February 13, 2007 up to and including January 16, 2012

The following assets were pledged as collateral for secured loans:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006/3	2007/3	2007/3
Cash and time deposits	¥ 588	¥ 686	\$ 5,811
Inventories	88,526	112,570	953,579
Buildings and structures (less accumulated depreciation)	687	690	5,845
Land	877	1,145	9,699
Other assets	28	27	229
	¥ 90,706	¥ 115,118	\$ 975,163

The annual maturities of bond and long-term debt at March 31, 2007 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2008	¥ 44,370	\$ 375,858
2009	29,387	248,937
2010	28,730	243,371
2011	1,166	9,877
2012 and thereafter	37,442	317,171

At March 31, 2007, the company had committed lines of credit amounting to ¥18,500 million (\$156,713 thousand), and ¥5,421 million (\$45,921 thousand) of such lines of credit were not used.

11. SHAREHOLDERS' EQUITY

On January 5, 2006, the company affected 2-for-1 common stock split. The amount of common stock did not increase by this stock split.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the former Commercial Code with various revisions that is, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ended/ending on or after May 1, 2006. The summary of the Corporate Law that affect financial statements and accounting matters are as follows:

(1) Distribution to the shareholders

Under the Corporate Law, if companies meet certain criteria, dividends can be paid at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Semiannual interim dividends may also be paid once a year upon resolution by the Directors' meeting if the articles of incorporation of the company so stipulate.

The Corporate Law provides certain limitations on the amounts available for dividends and/or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, and it is calculated mainly based on capital surplus other than paid-in capital, retained earnings and treasury stock, but the amount of net assets after dividends must be maintained at no less than ¥3 million. The amount available for dividends and/or the purchase of treasury stock at March 31, 2007 was ¥21,447 million (\$181,677 thousand).

Appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained. Retained earnings at March 31, 2007 included amounts representing the year-end cash dividends, which were approved at the shareholders' meeting held on June 23, 2007 as described in Note 13.

(2) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends. However, such appropriation may not be made if the aggregate amount of legal reserve and additional paid-in capital exceeds 25% of the common stock. Under the Corporate Law, these legal reserve and additional paid-in capital may be reversed without limitation.

The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts, under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

The Corporate Law provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Directors' meetings. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are deducted directly from stock acquisition rights which were previously presented as a liability but now are presented as a separate component of shareholders' equity in net assets.

12. CONTINGENT LIABILITIES

At March 31, 2007, the companies were contingently liable as a guarantor for mortgage loans of the companies' customers in the amount of ¥5,845 million (\$49,511 thousand) for the period until the registration of mortgages on the real property sold was completed.

The company was also contingently liable as a guarantor for bank loans of its subsidiary in the amount of ¥3,270 million (\$27,700 thousand).

13. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2007 was approved at the annual general meeting of shareholders held on June 23, 2007.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash dividends (¥15.00 per share)	¥ 658	\$ 5,574

14. EMPLOYEE RETIREMENT AND SEVERANCE BENEFITS

As explained in Note 2, the liabilities and expenses for retirement and severance benefits are determined based on the amounts obtained by simplified calculations.

In conformity with the enactment of "Defined Contribution Plan Law", the company transferred to a defined contribution plan on January 1, 2006. The company applied "Accounting Treatment upon Transferring Retirement Remuneration Plans" (Accounting Standards Board of Japan, ASBJ Guidance No. 1, January 31, 2002). The effect of this change was immaterial for the fiscal year 2006.

The liabilities for retirement and severance benefits included in the liability section of the consolidated balance sheets as of March 31, 2006 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006/3	2007/3	2007/3
Projected benefit obligation	¥ 375	¥ 376	\$ 3,186
Less fair value of pension assets	259	273	2,313
Liability for retirement and severance benefits	¥ 116	¥ 103	\$ 873

Retirement and severance benefit expenses included in the consolidated statements of income for the years ended March 31, 2006 and 2007 comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006/3	2007/3	2007/3
Service costs — benefits earned during the year	¥ 82	¥ 69	\$ 585
Contribution to defined contribution pension plan	—	30	254
Retirement and severance benefit expenses	¥ 82	¥ 99	\$ 839

15. CASH AND CASH EQUIVALENTS

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2006 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006/3	2007/3	2007/3
Cash and time deposits	¥ 32,731	¥ 39,108	\$ 331,283
Less: Time deposits with maturities exceeding three months	(735)	(135)	(1,143)
Cash and cash equivalents	¥ 31,996	¥ 38,973	\$ 330,140

16. SEGMENT INFORMATION

The companies have classified their businesses into five business segments: Condominium development business, Securitization development business, Real estate leasing business, Real estate management business and Other activities business.

Geographic segment information is not required to be disclosed because revenues and total assets in countries other than Japan were immaterial. The companies have no significant overseas sales.

Business segment information is as follows:

Business segment information

	Millions of yen							
	Year ended March 31, 2006							
	Condominium development	Securitization development	Real estate leasing	Real estate management	Other activities	Total	Eliminations or corporate	Consolidated
Revenue and operating income								
Revenue from:								
External customers	¥ 63,781	¥ 58,162	¥ 7,387	¥ 3,962	¥ 3,429	¥ 136,721	¥ —	¥ 136,721
Intersegment or transfers	1	1,680	280	496	774	3,231	(3,231)	—
Total revenue	63,782	59,842	7,667	4,458	4,203	139,952	(3,231)	136,721
Operating expense	58,754	49,137	6,796	4,357	3,948	122,992	(2,344)	120,648
Operating income	¥ 5,028	¥ 10,705	¥ 871	¥ 101	¥ 255	¥ 16,960	¥ (887)	¥ 16,073

Total assets, depreciation, and capital expenditures

	Condominium development	Securitization development	Real estate leasing	Real estate management	Other activities	Total	Eliminations or corporate	Consolidated
Assets	¥ 114,178	¥ 81,823	¥ 7,041	¥ 2,153	¥ 1,544	¥ 206,739	¥ 10,887	¥ 217,626
Depreciation	24	4	155	21	7	211	50	261
Capital expenditures	22	27	303	27	6	385	128	513

	Millions of yen							
	Year ended March 31, 2007							
	Condominium development	Securitization development	Real estate leasing	Real estate management	Other activities	Total	Eliminations or corporate	Consolidated
Revenue and operating income								
Revenue from:								
External customers	¥ 76,293	¥ 75,930	¥ 8,154	¥ 4,029	¥ 4,120	¥ 168,526	¥ —	¥ 168,526
Intersegment or transfers	1	113	119	353	379	965	(965)	—
Total revenue	76,294	76,043	8,273	4,382	4,499	169,491	(965)	168,526
Operating expense	69,986	58,862	7,499	4,230	3,851	144,428	55	144,483
Operating income	¥ 6,308	¥ 17,181	¥ 774	¥ 152	¥ 648	¥ 25,063	¥ (1,020)	¥ 24,043

Total assets, depreciation, and capital expenditures

	Condominium development	Securitization development	Real estate leasing	Real estate management	Other activities	Total	Eliminations or corporate	Consolidated
Assets	¥ 143,473	¥ 122,666	¥ 8,158	¥ 2,159	¥ 4,830	¥ 281,286	¥ 10,532	¥ 291,818
Depreciation	22	9	134	19	56	240	70	310
Capital expenditures	243	328	80	20	54	725	41	766

Thousands of U.S. dollars (Note 1)

	Year ended March 31, 2007							
	Condominium development	Securitization development	Real estate leasing	Real estate management	Other activities	Total	Eliminations or corporate	Consolidated
Revenue and operating income								
Revenue from:								
External customers	\$ 646,277	\$ 643,202	\$ 69,073	\$ 34,130	\$ 34,900	\$ 1,427,582	\$ —	\$ 1,427,582
Intersegment or transfers	8	957	1,008	2,990	3,212	8,175	(8,175)	—
Total revenue	646,285	644,159	70,081	37,120	38,112	1,435,757	(8,175)	1,427,582
Operating expense	592,850	498,619	63,524	35,832	32,623	1,223,448	466	1,223,914
Operating income	\$ 53,435	\$ 145,540	\$ 6,557	\$ 1,288	\$ 5,489	\$ 212,309	\$ (8,641)	\$ 203,668
Total assets, depreciation, and capital expenditures								
Assets	\$ 1,215,358	\$ 1,039,102	\$ 69,106	\$ 18,289	\$ 40,915	\$ 2,382,770	\$ 89,216	\$ 2,471,986
Depreciation	186	76	1,135	161	475	2,033	593	2,626
Capital expenditures	2,058	2,778	678	169	458	6,141	348	6,489

17. BUSINESS DIVESTITURES

Details of the business divestiture during the year ended March 31, 2007 are as follows:

Name of the divesting company: L Kakuei Corporation

Divested business: A part of condominium development business and other

Name of the successor company: Kazetodaichi Co., Ltd.

Major purpose of business divestiture: Reorganization of operations

Date of business divestiture: November 1, 2006

Legal form of business divestiture: Transfer of business

Business segment in which the divested business was included:

Condominium development business and other

18. STOCK OPTION

By special resolution at the 16th general shareholders' meeting held on June 26, 2002, the company introduced a stock option plan in accordance with Article 280-21 of the Commercial Code of Japan, and granted stock purchase rights at advantageous terms to (i) directors, (ii) corporate auditors, (iii) employees of the company, and (iv) directors of the subsidiary companies.

The stock purchase rights can be exercised at a price of ¥816 per share in the period from July 1, 2004 to June 30, 2007, and a total of 10,200 shares of common stock could be issued by the exercise of these rights. The exercise price of stock purchase rights would be adjusted, if the company issues new shares at a price below the market price.

By special resolution at the 17th general shareholders' meeting held on June 24, 2003, the company introduced a stock option plan in accordance with Article 280-21 of the Commercial Code of Japan, and granted stock purchase rights at advantageous terms to (i) directors, (ii) corporate auditors, (iii) employees of the company, and (iv) directors of subsidiary companies.

The stock purchase rights can be exercised at a price of ¥497 per share in the period from July 1, 2004 to June 30, 2008, and a total of 12,600 shares of common stock could be issued by the exercise of these rights. The exercise price of stock purchase rights would be adjusted, if the company issues new shares at a price below the market price.

By special resolution at the 18th general shareholders' meeting held on June 24, 2004, the company introduced a stock option plan in accordance with Article 280-21 of the Commercial Code of Japan, and granted stock purchase rights at advantageous terms to (i) directors, (ii) corporate auditors, (iii) employees of the company, and (iv) directors of the subsidiary companies.

The stock purchase rights can be exercised at a price of ¥1,205 per share in the period from July 1, 2005 to June 30, 2008, and a total of 78,800 shares of common stock could be issued by the exercise of these rights. The exercise price of stock purchase rights would be adjusted, if the company issues new shares at a price below the market price.

Furthermore, the company made a two-for-one stock split on January 5, 2006. The above exercise prices and the number of stock options remaining unexercised had been adjusted.



Independent Auditors' Report

To the Shareholders and Board of Directors of
JOINT CORPORATION :

We have audited the accompanying consolidated balance sheets of JOINT CORPORATION and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

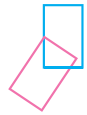
We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JOINT CORPORATION and subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & CO.

Tokyo, Japan
June 23, 2007



JOINT CORPORATION

株式会社ジョイント・コーポレーション

<http://www.joint-group.co.jp/>