

## Further improve customer satisfaction by providing safe and comfortable business spaces

### **Financial Results for FY2010 (ended March 31, 2011)**

We saw a slight picking up in the Company's business environment in the current period, with the effects of the government's economic measures and a recovery in overseas economies. However, the employment and income situation failed to improve owing to the effects of a sharp appreciation in the yen and prolonged deflation. In addition, there were the effects of the Great East Japan Earthquake that occurred on March 11, 2011. Hence, as ever the Company faces an adverse business situation.

In the real estate leasing industry to which the Company belongs, the rise in the vacancy rates of some office buildings in city areas is being stemmed. Nevertheless, the rates remain high and so there is strong competition to attract tenants, and the rental market value grows weaker. This means the Company is operating in a harsh environment.

Under such circumstances, in order to stabilize its core business of the leasing business, the Company has undertaken various types of renovation and repair work, aiming to improve functionality and comfort. In addition, the new construction of the Nishishinsaibashi Building has been progressing as planned. With this building, the Company aims to meet the increasing demand for datacenter buildings that has arisen in recent years.

In our consolidated results for the fiscal year ended March 2011, net sales were ¥13,133 million (a year on year increase of 5.2%), operating income totaled ¥4,997 million (up 5.8% year on year), ordinary income was ¥4,123 million (up 2.4 percent year on year), and current net income came to ¥1,773 million (a year on year decrease of 4.3%).

The rental income from the Urban Building in Shinsaibashi, which we acquired in September 2009, and the WINS Umeda Building B, which we completed rebuilding in March 2010, contributed to our bottom line in full during the fiscal year under review. Because of this and other factors, our revenue grew. In addition, we increased the ratio of the high-margin rental business and so we saw increased profits. Meanwhile, we posted an impairment loss for suburban commercial buildings whose profitability has significantly decreased, and thus current net income fell slightly.

Looking at results by segment, sales of the land and buildings leasing business came to ¥12,843 million (a year on year increase of 9.9%), operating income was ¥5,399 million (up 9.5% year on year), sales of other construction work amounted to ¥289 million (a year on year decrease of 63.8%), and operating income was ¥32 million (down 81.4% year on year).

As a breakdown of rental income, which accounts for the majority of our net sales, office buildings provided ¥3,712 million, datacenter buildings accounted for ¥4,297 million, the WINS building provided ¥3,744 million and commercial facilities and warehouses accounted for ¥1,088 million. We reviewed roadside stores, and accompanying this commercial facilities and warehouses saw a drop in revenue. However, datacenter buildings continued to increase their earnings and with the completion of the Nishishinsaibashi Building, we expect about 40 percent of our sales to come from datacenter buildings.

With regards to the balance sheet, other current assets fell by ¥425 million accompanying the refund of accrued consumption taxes that we recorded at the end of the previous fiscal year, and investment securities decreased ¥957 million accompanying a market revaluation. As a result, total assets came to ¥104,441 million (a year on year decrease of 1.3%). In addition, owing to factors such as facility-related payables falling ¥2,106 million accompanying payment for construction work for the WINS Umeda Building B, total liabilities came to ¥66,870 million (a year on year decrease of 2.7%). Further, due to an increase of ¥954 million in retained earnings and other factors, net assets totaled ¥37,570 million (up 1.5% year on year).

Looking at cash flow, net income before taxes decreased ¥88 million from the previous fiscal year. However, because of factors such as the Company posting an impairment loss of ¥1,018 million for non-cash items, cash flows from operating activities came to an inflow of ¥5,862 million (inflow of ¥3,881 million in the previous fiscal year). In addition, the costs that we incurred for acquiring tangible fixed assets fell by ¥21,201 million compared with the previous fiscal year. For reasons such as this, cash flow from investing activities marked an outgoing of ¥5,733 million (outgoing of ¥26,831 million in the previous fiscal year). In addition, long-term debt that we incurred in the acquisition of tangible fixed assets fell by ¥22,200 million. For reasons such as this, cash flow from financing activities amounted to an outgoing of ¥445 million (inflow of ¥22,824 million in the previous fiscal year). As a result of the above, cash and cash equivalents at the end of fiscal year amounted to ¥1,183 million (a decrease of ¥316 million from the previous fiscal year).

## **Outlook for FY2011 and Future Plans**

Looking at the business environment this fiscal year, due to issues such as concerns about the effect of the Great East Japan Earthquake and the electric power supply, the economic recovery in the second half of the year that had been expected still remains in the balance. In such circumstances, also in the real estate leasing industry, any recovery in the demand for office and rent levels is expected to take a considerable time, considering companies deep-seated awareness of the need to cut costs

The Company will work hard to substantially improve the vacancy rate by focusing fully on attracting tenants to the existing buildings. In addition, we will focus on an early start up of the Nishishinsaibashi Building that is scheduled for completion at the end of this year. We will pursue management efficiency by means such as continuing to replace the assets we own. In addition, we will actively carry out renovation and repair work in order to improve the safety, comfort and energy efficiency of our existing properties. In this way, aiming to further improve tenant service, we will strive to strengthen our management base.

With regards to the performance for the year ending March 2012, we plan to achieve net sales of ¥13 billion (a year on year decrease of 1.0%), operating income of ¥4.3 billion (down 13.9% year on year), ordinary income of ¥3.4 billion (a year on year decrease of 17.5%), and current net income of ¥2.0 billion (up 12.8% year on year).

We forecast that sales will fall slightly for reasons such as a fall in rent for office buildings and such like, and a decrease in orders for construction work. In addition, though the construction of the Nishishinsaibashi Building is scheduled to be completed in December, we do not expect it to start operating for a further three or four months owing to the special nature of datacenter buildings. Thus, its rental income will not contribute to earnings until the next fiscal year.

In addition, there will be a temporary increase in repair costs relating to large-scale renovation work that we will conduct to promote energy conservation. Hence, we expect to see a decrease in both operating income and ordinary income. On the other hand, we forecast an improvement in net income since there will be no large extraordinary loss, like the one we posted this fiscal year.

With regards to our future policy, we will continue striving to provide safe and comfortable business spaces and meticulous building management. In this way, we will further enhance customer satisfaction.

In terms of specific measures, first, while assessing the locations and yields, we

will make new investments in office buildings, datacenter buildings, commercial buildings and such like in prime urban locations including Midosuji in Osaka.

Second, we will review commercial roadside facilities whose profitability has declined.

Third, we will strive to maintain a healthy financial balance, aiming to keep our amount of interest-bearing debt at no more than 10 times our operating cash flow.

Fourth, placing number one priority on stably delivering returns to our shareholders, we will consider paying higher dividends and implementing a shareholder special benefit plan.

And fifth, cooperating in energy saving, community greening and efforts to beautify the surroundings, we will also get actively involved in solving environmental issues and activating the community.

By working on these measures, we aim to achieve sales of ¥16 billion in 5 years' time, and ¥20 billion after 10 years.

**June 3, 2011**

**Kenjiro Nakano, President**