

We will aim for the provision of even higher value facilities and higher quality building management under our new company name.

The history of the company and the change of company name

It was decided that the company would change from its previous name "Keihanshin Real Estate Co., Ltd." to "Keihanshin Building Co., Ltd." on October 1, 2011 to make a new start.

The company was established as "Keihanshin Horse Racing Co., Ltd." in 1948 shortly after the war ended for the purpose of constructing and managing the Hanshin Race Course in agreement with the development of horse racing. Taking the opportunity of the transfer of the racetrack facilities to the Japan Racing Association (JRA) in 1955, the company changed into a general real estate business. We also changed our corporate name to "Keihanshin Real Estate Co., Ltd." and apart from the leasing of buildings, also started residential land development and apartment sales. While apartment sales came to occupy more than 50% of our sales overall for a certain period, we withdrew completely from that area of business later and have currently concentrated our management resources in 4 commercial space leasing business genres: office buildings; DC buildings; off-track betting offices (WINS), and commercial buildings/logistics warehouses. We carried out the recent change in our business name in order to present more clearly the orientation of the company's management, which aims at being a unique building company with a real presence.

As of the end of the second quarter of the fiscal year ending March 2012, the company owned a total of 26 lease building facilities: 7 office buildings; 6 DC buildings; 5 WINS buildings and 8 logistics-business related facilities, for an overall leasable floor space that has reached slightly more than 221,100 square meters. Most recently, we had a sales composition of office buildings 27.0%; DC buildings 34.3%; WINS buildings 28.1%, and logistics business 8.1%. The proportion of sales of DC building business has been highest since the term ending March 2008.

Summary of the cumulative consolidated results for the second quarter of the term ending March 2012 and the outlook for the full term's results

Settlement for the first half arrived without any great changes from the past. Looking at sales first of all, real estate lease income, which occupies the majority

of sales, decreased 0.6% in comparison to the previous year under the impact of tenant exits during the previous fiscal year and the lowering of the rents of the WINS buildings, etc. On the other hand, because construction work sales increased in the first half, sales overall increased 0.8% to finish at 6,575 million yen. Although the vacancy rate at the end of the first half of the term also increased slightly to 5.7% from the end of the previous term (4.9%), it is at a low level compared to the situations in the Tokyo and Osaka business districts in general (8.6% and 11.2% respectively).

Meanwhile, from the point of view of long-term building management, the company carried out extensive renovation work at existing buildings on a scale about three times that of normal years, including the addition of cooling to air-conditioning facilities, etc. in the first half. Because of the repair costs associated with that work, operating profits and ordinary profits decreased by 8.7% and 13.6% respectively in comparison to the same period of the previous year. Quarterly net profits also decreased by 31.4% in comparison to the same period of the previous year in association with the lack of extraordinary profits due to real estate sales that were posted the previous year, etc.

The issue of corporate bonds (12,000 million yen) as a stable, low-interest fund procurement measure took a form that expanded both assets and liabilities on the balance sheet at the end of the first half. First of all, while on the one hand cash and deposits increased slightly more than 10,100 million yen in accordance with this corporate bond issue, on the other hand, total liabilities also increased slightly less than 8,500 million yen. The reason why the size of the increase in liabilities is less than the value of the corporate bonds issued is a result of the company advancing the repayment of long-term loans payable this first half as well (slightly less than 2,800 million yen).

In terms of cash-flow during the first half, first of all, income from operating activities decreased 1,354 million yen in comparison to the same period of the previous year because of the decrease in quarterly net profits and an increase in the payment of consumption taxes, etc. Expenditures in recent investment activities decreased 3,126 million yen in comparison to the same period of the previous year because we are temporarily controlling the build up of tangible fixed assets this term, but on the other hand, funds acquired in financial activities increased 8,158 million yen on the same basis because of the issue of corporate bonds, etc. This resulted in the balance of cash and deposits at the end of the first half increasing 10,117 million yen in comparison to the end of the previous term.

We have made no changes to the forecast for the full-term results for the

current fiscal year announced publicly in May. In other words, after incorporating decreases in lease income, we are anticipating sales of 13,000 million yen, a 1% decrease in comparison to the previous term. We expect both operating profits and ordinary profits to decrease by 13.9% and 17.5% to 4,300 million yen and 3,400 million yen respectively because repair cost postings have risen in association with the large-scale renovations of existing buildings described above. Furthermore, we project a 12.8% increase in net profits for this term in comparison to the previous term to 2,000 million yen because despite the presence of a lot of uncertain factors such as term-end share prices, etc., the depreciation losses for suburban commercial facilities that were posted last term will disappear.

Business development policy and the completion of construction of a new data center building

The company stands by the policy of concentrating management resources in 4 building business genres and specifically, has recently carried out separate measures from the 5 following perspectives.

Firstly, the company positions new investment in office buildings, DC buildings and commercial buildings, etc., as the cornerstone of its growth strategy and approaches the accumulation of assets with an emphasis on location and rate of return, conscious of development in Midosuji in Osaka, for example, as well as prime locations in Tokyo.

Secondly, since 2001, we have been steering towards winding up the roadside-type stores that we developed about 20 years ago and have the policy of continuing to advance the revision of existing facilities in future too.

Thirdly, we will maintain the soundness of our financial balance. In the past, the company has managed its finances under the policy of suppressing the balance of interest-bearing liabilities to within 10 times operating cash flow, excluding temporary periods when investment projects have overlapped, and has secured deep trust from financial institutions. Our idea is to maintain this stance firmly into the future.

Fourthly, we will return profits to shareholders stably. The company has continuously issued dividends of 12 yen since the term ending March 2009, aiming at a dividend payout ratio of around 30%, but is also planning the new implementation of a special benefit plan for shareholders (distribution of rice coupons) this term.

Fifthly, we will participate in regional greenery development and beautification activities. The company has cooperated in the development of prosperous

communities for some time now, but from this term, while employees will participate in activities more directly, we will also investigate providing funds to activities that meet the company's selection criteria, with an upper limit of about 10 million yen annually.

We have not planned any eye-catching projects as new investment this term, but we did acquire some land in 2008 and are planning to complete the construction of the Nishi Shinsaibashi Building, a state-of-the-art, large-scale, urban DC building that we have been advancing work on since 2010, in February next year.

This building, which will be the 7th DC building for the company, aims at being the culmination of everything we have done to this point and is fully equipped with the highest level specifications demanded, such as further strengthening of some anti-earthquake countermeasures in the wake of the recent Great East Japan Earthquake, etc. Currently in Japan, about 70% of data centers are concentrated in Tokyo and the number of inquiries from user companies focused on the necessity of measures to reduce that risk is increasing rapidly.

The number one characteristic of this office building as a cutting edge DC building is that we have adopted a quake absorbing structure built using multilayer rubber isolators and various types of dampers so that the functions of the building's various types of precision equipment can be maintained even during the occurrence of a large class 7 earthquake, so it is equipped with high-level earthquake resistance.

The second feature of this building is that we have taken all possible measures to ensure the supply of electricity. We have adopted a special high voltage 3 line network method with an extremely low possibility of power failure as the system for receiving commercially-provided electricity, and have also installed 6 large in-house power generators that can cover the building's entire electricity requirements in the unlikely event of power failure on the uppermost 10th floor as a measure against the risk of flooding. At the same time, we have also stored a large volume of Bunker A category heavy fuel oil in underground tanks to ensure the continuation operation for 48 hours of the in-house electricity generators.

Furthermore, the point that we have constructed a system with about 10 of the company's engineers, including first-class registered architects and electrical engineers, etc., taking responsibility for building management along with building management company staff is also a characteristic of our DC buildings, which has helped us to acquire the deep trust of our tenant companies.

The acquisition of tenants after the completion of construction of this building is

an immediate task for company management. Precisely because data center relocation requires large decisions on the part of user companies too, including systems, it is not possible to secure tenants in a short period of time. However, looked at from the trend for decentralization of data centers from the BCP perspective and the state of inquiries, we believe that tenant companies will take up residence sooner or later and that overall lease income from DC buildings will come to exceed 40% of sales overall.

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