

1. Company Profile

The Company was founded by Sam Kaneko in August 1998. Kaneko graduated from high school and university in the U.S. For over 30 years, he was based in the U.S. and was engaged in real estate investment activity on behalf of various investors all over the world with main focus on organizing and managing opportunity fund specializing in investing in under-performing income producing real estate assets in Europe and U.S.A. In 1998, Kaneko commenced investing in Japanese real estate assets. In 2001, Kaneko relocated the main investment activity from the U.S. to Japan.

Listing: December 2001 (Heracles 4314)  
 Employee: Directors: 15, Employees: 80 (as of June 30, 2006) [Directors 11, Employees 68 as of December 2005]  
 Business Description: Real Estate Asset Management Business, Investment Business  
 Business Policy: Organising, launching, and management of the real estate fund, under the concept of "Growing with the investors".

2. Fund Management Results

[Investment Results]  
 Cumulative investment as of June 30, 2006 (including on-going investments) since its inception has totaled 1,133.3 billion yen, and total equity invested has reached 332.4 billion yen.  
 Numbers of assets invested: 277 (Tokyo: 209, Yokohama: 11, Osaka: 6)

[Realized results](Excluding the REIT)  
 Disposed assets: 137 (out of 244 properties) / Average holding period: 23 months  
 Total Disposition Amounts: approx. 329.7 billion yen / Equity Invested: 83.6 billion yen/ Realized Proceeds: 143.1 billion yen  
 Realized IRR: 51% (gross) Investment multiple: 1.71 times (gross)

7th Term (Year ending Dec. 2004)  
 (Term preceding last term)

**Managed Assets** Assets under management at term-end 214.0 billion yen (132.5 billion yen)  
 Proceeds from sale of invested properties 51.1 billion yen ( 30.6 billion yen)  
 Equity invested 45.6 billion yen ( 20.5 billion yen)  
 (...)Interim result

Highlights in FY2004

- Among the total of 18 funds, 6 are completed and 12 are ongoing as of the end of the term.
- The acquisition activities of opportunity funds DJREP I (Ballista) & II (Mikonos) with Equity capital of 100 billion yen have completed in Nov. 2004.
- Total investment: 129 billion yen, Total number of properties purchased: 43
- Organized and launched DJREP III with a total equity of 100 billion yen in December 2004
- Organized and launched 4 private core funds (No.2~5; total value: 47.55 billion yen)

Consolidated profit and loss statement

Unit: Million Yen

	1st Half	2nd Half	Total	Percentage	Changes from previous year
Gross Revenue	1,951	2,206	4,156	※ 100.0%	89.9%
Assets management fees	521	752	1,273	※ 30.6%	13.0%
Incentive fees	184	305	489	※ 11.8%	23.8%
Capital Gains	763	806	1,568	※ 37.7%	442.6%
Other fees	483	344	826	19.9%	119.1%
Ordinary profit	1,330	1,365	2,695	64.8%	82.2%
Net income	817	914	1,731	41.7%	93.6%

ROE=29%

※ Ratio to Gross Revenue

Consolidated balance sheet

Unit: Million Yen

	Interim-period end	fiscal year-end	Changes from previous year
<b>【Assets】</b>			
Cash & Cash equivalents	4,771	2,859	470
Investments	9,667	13,732	6,661
Other assets	2,652	1,935	795
<b>Total assets</b>	<b>17,091</b>	<b>18,526</b>	<b>7,926</b>
<b>【Liabilities and shareholders' equity】</b>			
Short-term borrowings	5,289	3,785	△ 77
Long-term borrowings	3,580	4,795	4,715
Other liabilities	2,691	1,546	△ 1,514
<b>Total liabilities</b>	<b>11,560</b>	<b>10,125</b>	<b>3,123</b>
Common stocks & retained earnings	4,714	6,670	3,966
Net Income	817	1,731	837
<b>Total shareholders' equity</b>	<b>5,531</b>	<b>8,401</b>	<b>4,803</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>17,091</b>	<b>18,526</b>	<b>7,926</b>
Net interest bearing liabilities	4,098	5,721	4,288

EPS Outstanding shares of common stock: 312,158 shares Earnings per share: Yen 5,964 (Yen 1,193: Adjusted EPS for 5-for-1 stock split on March 4, 2006)

8th Term (Year ending Dec. 2005)  
 (Last term)

**Managed Assets** Assets under management at term-end 496.0 billion yen (340.9 billion yen)  
 Proceeds from sale of invested properties 122.9 billion yen ( 42.3 billion yen)  
 Equity invested 140.6 billion yen ( 94.0 billion yen)  
 (...)Interim result

Highlights in FY2005

- Among the total of 20 funds, 11 are completed and 9 are ongoing as of the end of the term.
- Organized and launched private core fund No.6 (total value: 27.25 billion yen) in March 2005
- Organized and launched Office REIT with total value of 79.5 billion yen in Oct. 2005.
- Property disposition to the REIT and private core fund resulted in substantial increase of incentive fee.
- Launch of DJREP III (called "400 billion yen Fund") resulted in substantial increase of asset management fee.

Consolidated profit and loss statement

Unit: Million Yen

	1st Half	2nd Half	Total	Percentage	Changes from previous year
Gross Revenue	3,552	5,950	9,502	100.0%	128.6%
Assets management fees	1,674	1,986	3,660	※ 38.5%	187.5%
Incentive fees	759	1,780	2,539	※ 26.7%	419.2%
Capital Gains	626	1,563	2,189	※ 23.0%	39.6%
Other fees	492	622	1,114	※ 11.7%	34.9%
Ordinary profit	2,509	4,481	6,990	73.6%	159.4%
Net income	1,506	2,975	4,481	47.2%	158.9%

ROE=45%

※ Ratio to Gross Revenue

Consolidated balance sheet

Unit: Million Yen

	Interim-period end	fiscal year-end	Changes from previous year
<b>【Assets】</b>			
Cash & Cash equivalents	5,103	5,841	2,982
Investments	15,157	14,519	787
Other assets	3,751	2,450	515
<b>Total assets</b>	<b>24,011</b>	<b>22,810</b>	<b>4,284</b>
<b>【Liabilities and shareholders' equity】</b>			
Short-term borrowings	8,984	3,205	△ 580
Long-term borrowings	3,895	4,115	△ 680
Other liabilities	2,576	4,118	2,572
<b>Total liabilities</b>	<b>15,455</b>	<b>11,438</b>	<b>1,313</b>
Common stocks & retained earnings	7,050	6,891	221
Net Income	1,506	4,481	2,750
<b>Total shareholders' equity</b>	<b>8,556</b>	<b>11,372</b>	<b>2,971</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>24,011</b>	<b>22,810</b>	<b>4,284</b>
Net interest-bearing liabilities	7,776	1,479	△ 4,242

EPS Outstanding shares of common stock: 307,226 shares Earnings per share: Yen 14,501 (Yen 2,900: Adjusted EPS for 5-for-1 stock split on March 4, 2006)

9th Term (Year ending Dec. 2006)  
 (Current term)

Managed Assets

Assets under management at term-end 961.4 billion yen (791.1 billion yen) 1st Half 170.3 billion yen 2nd Half  
 Proceeds from sale of invested properties 124.9 billion yen (63.1 billion yen) 61.8 billion yen  
 Equity invested 268.3 billion yen (204.4 billion yen) 63.9 billion yen

Highlights of 1st Half FY2006 (As of June 30, 2006)

- Among the total of 21 funds, 15 are completed, and 6 are ongoing as of the end of the 1st Half.
- Organized and launched DJREP IV (called "1 trillion yen fund") with a total target equity amount of 300 billion yen at the end of Feb. 06. As a result, asset management fee increased substantially.
- "400 billion yen fund" completed its investment in March, 2 years earlier than the original plan.
- Incentive fee will be 3.4 billion yen--348% increase over the previous year-- as the Company disposed 63.1 billion yen at the end of the 1st Half.
- The incentive fee reserve at the end of 1st Half is 2.2 billion yen, of which 1.5 billion yen will be accrued to the 2nd Half of this fiscal year.

Consolidated profit and loss statement

Unit: Million Yen

	1st Half	Changes from previous year	2nd Half	Total	Percentage	Changes from previous year
Gross Revenue	7,601	114.0%	8,738	16,339	100.0%	72.0%
Assets management fees	3,141	87.63%	4,369	7,510	※ 46.0%	105.2%
Incentive fees	3,400	348.0%	2,499	5,899	※ 36.1%	132.3%
Capital Gains	661	6.0%	1,774	2,435	※ 14.9%	11.2%
Other fees	399	△ 18.9%	96	495	※ 3.0%	△ 55.6%
Ordinary profit	5,587	112.7%	7,267	12,854	78.7%	83.9%
Net income	3,230	114.5%	4,476	7,706	47.2%	72.0%

ROE=50%

※ Ratio to Gross Revenue

Consolidated balance sheet

Unit: Million Yen

	Interim-period end	fiscal year-end	Changes from previous year
<b>【Assets】</b>			
Cash & Cash	4,954	7,619	1,778
Investments	53,397	30,400	15,881
Other assets	7,106	2,305	△ 145
<b>Total assets</b>	<b>65,457</b>	<b>40,324</b>	<b>17,514</b>
<b>【Liabilities and shareholders' equity】</b>			
Short-term borrowings	28,862	3,060	△ 145
Long-term borrowings	10,435	12,555	8,440
Other liabilities	11,490	5,631	1,513
<b>Total liabilities</b>	<b>50,787</b>	<b>21,246</b>	<b>9,808</b>
Common stocks & retained earnings	11,440	11,372	4,481
Net Income	3,230	7,706	3,225
<b>Total shareholders' equity</b>	<b>14,670</b>	<b>19,078</b>	<b>7,706</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>65,457</b>	<b>40,324</b>	<b>17,514</b>
Net interest-bearing liabilities	34,343	7,996	6,517

EPS Outstanding shares of common stock: 1,536,130 shares Earnings per share: Yen 5,016 (5-for-1 split on March 4, 2006)

Note: Consolidated B/S and P/L of 8th and 9th term are made for comparison and consistency purpose by applying the equity method to Y.K.Prato-investment vehicle, which invests in the domestic listing stocks-as same as the other investment vehicles.

### 3. "Upstream/Midstream/Downstream" Strategies

The Company managed the following three categories of funds :

#### a. Upstream Overview of Opportunity Fund (formerly: Discretionary Fund)

- Organized and launched the four funds: DJREP I ~ I V (DJREP I closed in July 06, DJREP II & III investment completed and DJREP I V organized in Feb.06, launched in March. 06) .
- The greatest advantage of opportunity fund is to exercise flexible investment strategy to purchase & dispose the real estate assets discretionally in order to achieve maximum return.

Unit: billion Yen

	DJREP I & II ⇒		DJREP III ⇒		DJREP IV ⇒		
	Y2002	Y2003	Y2004	Y2005	Y2006	Y2007	Y2008
Acquisition (Upstream)	12.8	42.5	138.7	289.6	453.3 (294.6)	470.4	527.0
Disposition (Downstream)	—	1.4	46.2	98.0	78.2 (17.6)	287.1	554.3
Assets under management	12.8	53.9	146.4	338.0	713.1 (615.0)	896.4	869.2 ← (A)

( )... Interim result

#### Opportunity Funds: Realized & Unrealized Portfolios (as of June 30, 2006)

Unit: billion Yen

Asset Class	Initial Investment	Assets Acquired	Assets Disposed	Business Strategy	Status of Investment	Total Investment	Equity Invested	Realized Proceeds	Unrealized Value (*2)	Total Value	U/W Multiple on Investment		M-T-M Multiple on Investment		U/W IRR	M-T-M IRR	Exit Date
											1.75x	1.78x	23%	24%			
Pre-Discretionary Funds (*1)	1998/3	63	63	Distress/Value-add	Disposed	76.3	31.3	55.8	0.0	55.8	1.75x	1.78x	23%	24%			2004/8
Ballista (DJREP I)	2002/11	22	22	Value-add	Disposed	79.8	21.6	48.8	0.0	48.8	1.80x	2.26x	33%	70%			2006/7
Mikonos (DJREP II)	2004/3	22	12	Value-add	Disposition in progress	52.1	13.3	18.3	4.1	22.3	1.58x	1.68x	32%	46%			2007/12
Mooncoin (DJREP III)	2004/12	59	22	Value-add	Disposition in progress	466.3	99.9	27.6	138.6	166.2	1.54x	1.66x	33%	46%			2010/12
Kadobe (DJREP IV)	2006/3	12	0	Value-add	Acquisition in progress	222.1	54.6	0	94.9	94.9	1.74x	1.74x	27%	27%			2012/5
Total		178	119			896.5	220.7	150.4	237.6	388.0	1.65x	1.75x	30%	41%			

\* 1 : Currently under further review.

\* 2 : Of the Unrealized Value of 237.6 billion yen, Investors' share is 85.1% (202.2 billion yen), and Company's share is 14.9% (35.4 billion yen).

The incentive fee is the 20% over the hurdle rate of 10%.

(Note) The Company plans to announce the Three-year projection in Feb. 07.

#### DJREP IV (Kadobe "1 trillion yen fund") outline

The company organized and launched the fund at the end of Feb.06 due to the early completion of DJREP III investment.

##### [Investment outline]

- Total investment size of 1 trillion yen consisting of 300 billion yen of non-recourse financing; targeting for investment in real estate assets and real estate related assets in Japan.

\*Focusing on the income producing real estate assets of urban area in Tokyo.

\*Including the newly constructed projects

\*Investment up to 25% equity for the real estate related assets

- Breakdown of the 300 billion yen Equity.

\*Domestic investors: 100 billion yen

\*Foreign investors: 150 billion yen

\*Company: 20% of the fund size (up to 50 billion yen)

- Investment period: 3 years from the final closing

- Term: closed-end, maximum of 10 years including investment period

- Equity to be called upon investment

- Reinvestment: Equity may be recycled within the investment period.

- Asset Management Fee: 1.5% of the total committed equity capital .

- Overhead costs for investment: allow up to 1.5% of the committed equity capital.

- Investment targets Income producing properties: 37.5% Development projects: 37.5% Stocks and bonds: 25.0%

##### [Investment overview (as of June 30, 2006)]

Number of assets: 12

Total investment: 222.1 billion yen (excluding co-investor's holding)

Equity committed: 54.6 billion yen (18.2% of committed amount)

Real Estate related listed

stocks and bonds: 5 stocks, Acquired amount: 20.32 billion yen

Real Estate related non-listed

stocks and bonds: 1 company, Acquired amount: 0.21 billion yen

##### [Breakdown of Investors (as of June 30, 2006)]

Domestic institutional investors: 5 companies/30.5 billion yen

Domestic pension investors: 7 companies/47.3 billion yen

Foreign investors: 16 companies/ approx. 84.8 billion yen

The Company: 48.7 billion yen (Including dV employees)

Employees of the company: 28/ 1.0 billion yen

##### [Present Status of Equity Commitment of DJREP IV]

As of June 30, total amount of commitment received from all of investors is 212.3 billion yen, and the balance of 87.7 billion yen will be committed from the new investors by the end of Dec. 06 from approximately 25-27 additional institutional investors including 18 institutions have made soft commitment totaling approximately 50 billion yen.

#### b. Midstream Private Core Fund (formerly: Pre- REIT fund)

- The investment portfolio consists of stabilized income producing real estate assets, that are selected from the opportunity fund upon the completion of the value added phase.
- The first Residential private core fund will be launched in August 2006 and large private core fund targeting the class-A office buildings will be launched in 2007.

[Current Investment Performance] (as at the end of June, 2006) [Scheduled sale month] [Estimated sale value]

Number of funds managed: 2 are ongoing (4 are complete) d a V i n c i E X 1: Dec. 2006 8.7 billion yen

Number of assets invested: 12 (23 are disposed) Office Fund IV: Jun. 2007 28.7 billion yen

Total investment fund : 34.2 billion yen Total: 37.4 billion yen

Underwriting dispositional amount : 37.4 billion yen

Average cash-on-cash return: 12 % p.a.

Average IRR: 11 % p.a.

Number of investors(cumulative sum): 20 (including pension funds and individual investors)

Unit: billion Yen

	Y2002	Y2003	Y2004	Y2005	Y2006	Y2007	Y2008
Acquisition (Upstream)		11.8	45.3	26.7	36.8 (0.05)	210.5	
Disposition (Downstream)				11.3	46.5 (38.5)	26.6	42.2
Assets under management	0	11.8	57.1	72.7	63.0 (34.2)	246.9	204.7 ← (B)

( )... Interim result

#### c. Downstream Public Core Fund (formerly: J-REIT)

The private placement of residential core fund will be taking place in August instead of public offering as initially planned.

- IPO of Residential core fund, Hotel core fund, and Retail core fund will be launched depending upon market. Until such time the private core fund maintain major role in both midstream & downstream fund.

Unit: billion Yen

Office REIT, Residential private core fund, Hotel core fund, and Retail core fund	Size			
	Y2005	Y2006	Y2007	Y2008
Acquisition (Downstream)	80.2	98.9 (31.6)	104.6	535.9
Disposition		0 (1.7)		
Total Assets Under Management	80.2	179.1 (110.1)	283.7	819.6 ← (C)

( )... Interim result

#### d. Total Assets under Management (Upstream/Midstream/Downstream)

Unit: billion Yen

	Y2002	Y2003	Y2004	Y2005	Y2006	Y2007	Y2008
Opportunity Fund (Upstream)	12.8	53.9	146.4	338.0	713.1 (615.0)	896.4	869.2 ← (A)
Private Core Fund (Midstream)		11.8	57.1	72.7	63.0 (34.2)	246.9	204.7 ← (B)
Public Core Fund (Downstream)				80.2	179.1 (110.1)	283.7	819.6 ← (C)
Other	55.2	35.3	10.5	5.1	6.2 (31.9)	2.2	2.2
Assets Under Management	68.0	101.0	214.0	496.0	961.4 (791.1)	1,429.3	1,895.7
Acquisition	45.0	53.8	164.1	404.9	590.3 (358.3)	785.7	1,062.9
Disposition	18.0	20.8	51.1	122.9	124.9 (63.1)	317.9	596.5

( )... Interim result

### 4. Risk Factor

Diversifying the Investment Strategy

\* Diversification in value added strategy

\* Investing in real estate related assets

Growth of investment in Residential and Hotel assets

Compliance toward diversified business operations.

The Company will intent to reinforce the compliance & risk management personnel in order to mitigate ongoing diversification of business strategy & increasing size of assets and the management by ever-changing surrounded laws and regulations.

## 5. Investment Strategy

(Focuses on existing Class A and newly constructed Class B)

	Class A	Class B	Class C
Transaction Size	¥30 Billion and above	¥2 Billion - ¥30 Billion	¥2 Billion and less
Capitalization Rate (Tokyo Office)	4%	5%	6%
Rent	Sharply Rising	Rising	Flat
Compression of the Capitalization	None	Modest	Drastic

## 8. Large Size Office Building Acquired During This Interim Period



Shiba Park Building

A-Class building located at Minato-ku, central wards of Tokyo. The building has one of the largest per floor area in Japan (approx. 1,800 tsubo).

- \* Location: Shibakoen, Minato-ku, Tokyo
- \* Land Area: 16,302.42 m<sup>2</sup> (4,931.49 tsubo)
- \* Structure: SRC
- \* No. of Floors: 14 plus 2 basement
- \* Building Area: 95,216.41 m<sup>2</sup> (28,802.96 tsubo)



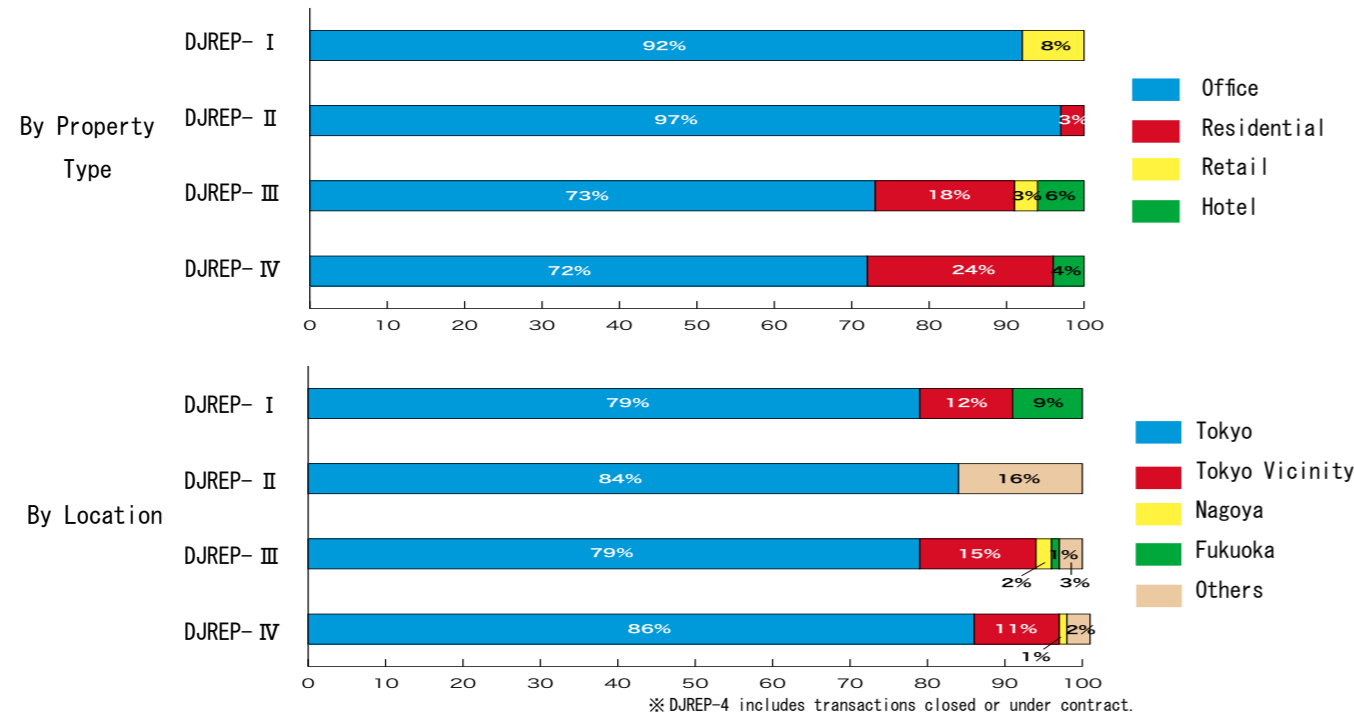
Shinjuku MYNDS Building

A-class building three minute walk to the Shinjuku Station, the world's busiest train station accommodating over 3 million passengers per day.

- \* Location: Yoyogi Shibuya-ku, Tokyo
  - \* Land Area: 11,500.48 m<sup>2</sup> (3,478.89 tsubo)
  - \* Structure: SRC
  - \* No. of Floors: 34 plus 3 basement
  - \* Building Area: 97,978.74 m<sup>2</sup> (29,638.56 tsubo)
- (Acquisition of the additional 3/7 at 1st Half)

## 6. Investment Summary

Note: Based on purchase



## 9. Review of YK Prato investing into listed stocks Jan/1/2006 through June/30/2006

Investment ratio to YK Prato by daVinci Advisors: 19.7%

Unit: JPY Million

Reference:  
Last Term by Equity  
Method

### Consolidated Balance Sheet

	A	B	C	
<b>Assets</b>				
<b>I Current Assets</b>				
1 Deposits & Cash on hand	5,250	(296)	4,954	5,841
2 Others	33,659	(1)	33,658	2,097
Total of current assets	38,909	(297)	38,612	7,938
<b>II Fixed Assets</b>				
1 Tangible assets	138	0	138	108
2 Intangible assets	42	0	42	27
3 Investments & other assets				
(1) investment securities	3,591	0	3,591	3,768
(2) Stocks of affiliated companies	2,777	0	2,777	0
(3) Investment into funds (equity)	14,137	4,265	18,402	5,438
(4) Investment of affiliated companies	453	651	1,104	3,666
(5) Investment into listed stocks	43,760	(43,760)	0	0
(6) Other investments	772	20	792	1,866
Total of investments & other assets	65,490	(38,824)	26,666	14,738
Total of fixed assets	65,670	(38,824)	26,845	14,873
Total of Assets	104,579	(39,121)	65,457	22,811
<b>Liabilities</b>				
<b>I Current Liabilities</b>				
1 Short-term borrowings	46,503	(19,200)	27,303	1,645
2 Others	11,753	(64)	11,690	5,562
Total of current liabilities	58,256	(19,264)	38,993	7,207
<b>II Long-term Liabilities</b>				
1 Deposit received from investors	19,858	(19,858)	0	0
2 Others	11,795	0	11,795	4,145
Total of long-term liabilities	31,652	(19,858)	11,795	4,145
Total of liabilities	89,909	(39,121)	50,787	11,352
<b>Net Assets</b>				
	(170)	0	(170)	(181)
Interest of minority investors	90	0	90	86
Others	14,749	0	14,749	11,553
Owners' equity	14,670	0	14,670	11,459
Total of Liabilities and net assets	104,579	(39,121)	65,457	22,811
Net Interest-Bearing liabilities	53,248	(18,904)	34,343	1,479
<b>Consolidated Profit and Loss</b>				
Gross Revenue	7,946	(345)	7,601	9,502
Ordinary Profit	5,791	(204)	5,587	6,990
Net Income after Taxes	3,230	0	3,230	4,481

## 7. Tokyo's Real Estate Investment Opportunity

### Size of selected World Office Markets

Major Cities	Size
Tokyo	840
London	450
Paris	445
New York	355
Toronto	139
Frankfurt	134
Hong Kong	105
Sydney	50

City	Size of Office Market (Million Sq. Ft)	Prime Office NOI Cap Rate	10 Yr. Govt. Bond	Yield Gap (Prime Office Cap Rate vs. 10 Yr. Govt. Bond)	Office Vacancy Rate (all Grades)	Grade A Office Vacancy Rate
Tokyo	840	4.00%	1.95%	205 b. p.	3.20%	0.80%
New York	355	5.50%	5.15%	35 b. p.	6.20%	4.70%
London	450	4.00%	4.72%	-72 b. p.	6.25%	4.70%
Paris	455	4.25%	4.14%	11 b. p.	5.30%	4.80%

Source: CB Richard Ellis/Ikoma Data Service System, Jones Lang LaSalle, Morgan Stanley, and KK daVinci Advisors.

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Moreover, information in this document is prepared based on the data available as of June 30, 2006.

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