

## Financial Result of First Half of FY2009

### 1. Corporate Profile

The Company was founded by Mr. Osamu "Sam" Kaneko in August 1998. Mr. 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 global investors with primary focus on organizing and managing opportunistic funds investing in income producing real estate assets in the U.S. and Europe. In 1998, Mr. Kaneko began investing in Japanese real estate assets. In 2000, Mr. Kaneko formally returned to Japan. In 2001, Mr. Kaneko shifted his main investment activity from the U.S. and Europe to Japan.

<b>Listing</b>	: December 2001 (Heracles 4314)
<b>Employees</b>	: 87 on a consolidated basis (as of August 1st, 2009) - Comparison with the previous year: down 97* * Including 19 K.K. daVinci Select (former subsidiary company of the group until June 30th, 2009) employees
<b>Business Description</b>	: Holdings company which owns subsidiary companies to provide real estate advisory and other affiliated business activity
<b>Business Policy</b>	: to organize and manage the real estate funds under the concept of "Growing with the investors"

### 2. Overview and Forecast of Real Estate Market

- Japanese real estate market is suffering tremendous financial blow. Debt capital for real estate transaction remains very limited, and such severe condition will continue for a foreseeable future. On the other hand, REIT index coming back since March started to show after the series of governmental support measures, sign of recovery. We consider acquisition activities of REIT indicate positive for private funds.
- As far as the actual real estate market transaction concern, residential properties are becoming somewhat active around superior location which has strong demand.
- However, transaction of the large office building remains very limited while distress sale of small office building somewhat remain active.
- Office tenants are relocating to the building which provide lower rental rate or reducing rented space in order to cut cost under recessional economy. In result, vacancy rate is climbing while the rental rate is falling. Vacancy rate of Tokyo is expected to hit the bottom in the near future even though rental rate may continue to fall. On the other hand, severe condition remains in the rural area under stagnated economy with prolonged population outflow.

### 3. Group Strategy

#### ■ Basic Policy

- We will concentrate on main business—real estate private fund management—, through restructuring of our organization, and eliminating any other business of the group by the end of December 2010.
- We intend to downsize the organization to the size which is sufficient enough to operate solely on investment management fee income of Real Estate Opportunity Fund III ("Mooncoin"), and IV ("Kadobe").

#### ■ Status of Corporate Loan

- We prepaid JPY 3.0 billion of the total of JPY 25.0 billion corporate loan borrowing from BNP Paribas Principal Investments Japan dated July 1st, 2009. Based on mutual consensus for direction of extending the term, negotiation is in progress on specific procedures. We believe that the completion on date extension will let us stabilize the corporate operation.

#### ■ Real Estate Opportunity Fund

- We intend to focus on loan extension of large office buildings. As for "daVinci Shiba Park" as well as "Pacific Century Place Marunouchi", we are currently under negotiation with various lenders for the new loan arrangement as well as extending term.
- We expect some default of non-recourse loan attached to certain assets locating mainly outside of Tokyo and Tokyo vicinity.
- Although we have finished raising capital for Real Estate Opportunity Fund V ("Nobile"), we intend to begin investment once non-recourse financing becomes more available to the real estate market.

## 4. Summary of Financial Result of First half of FY2009

### ■ CHART-Profit and Loss Statement

(Unit: billion yen)

	Consolidated Basis			Equity Method		
	1st Half 2008	1st Half 2009	Difference	1st Half 2008	1st Half 2009	Difference
Gross Revenue	22.1	28.7	6.5	6.4	(0.4)	(6.8)
Operating Profit	6.8	(17.1)	(23.9)	1.2	(3.0)	(4.2)
Recurring Profit	(2.4)	(30.4)	(28.0)	1.1	(2.8)	(4.0)
Extraordinary Profit	-	3.0	3.0	-	3.0	3.0
Extraordinary Loss	0.5	0.2	(0.3)	-	0.1	0.1
Net Profit before Tax	(3.0)	(27.6)	(24.6)	1.1	0.1	(1.1)
Corporate Tax etc.	0.7	4.3	3.6	0.8	4.2	3.4
Minority Interest	(4.1)	(27.7)	(23.6)	(0.1)	0.0	0.1
Net Profit	0.5	(4.1)	(4.6)	0.5	(4.1)	(4.6)

### Equity Method

Although we accrued profits, mainly on management fee of JPY 3.3 billion, significant investment loss due to impairment losses of real estate assets owned by funds as well as the subsidiaries on equity method and deterioration in earnings of the equity method affiliates (mainly of Shin-nihon) resulted in negative gross revenue.

### Consolidated Basis

Income from disposal of real estate assets and rents in consolidated gross revenue represents 33.4 billion yen which is up by 11.1 billion yen year-over-year. However, overall gross revenue increased by only 6.5 billion yen year-over-year, due to the significant investment loss by equity method on deteriorated earnings on one of the equity method affiliates (mainly of Shin-nihon Tatemono Co., Ltd. "Shin-nihon"). Notable topics are listed below (Effect on net profit in parenthesis):

- Accrued 3.0 billion yen gain on sales for all K.K. daVinci Select shares as an extraordinary profit (3.0 billion yen)
- Investment loss of 5.7 billion yen on Shin-nihon on equity method (-1.2 billion yen)
- Impairment loss of 17.5 billion yen, Accrued impairment loss as sales cost, with lower-of-cost-or-market value method of real estate assets owned by funds as well as the subsidiaries (-2.3 billion yen)
- Increase in tax incidence due to the sale of K.K. daVinci Select shares (-1.3 billion yen)
- Reversal of the provision for deferred tax asset for consolidated subsidiary (-1.7 billion yen)

### ■ CHART-Balance Sheet

(Unit: billion yen)

	Consolidated Basis			Equity Method		
	FY2008	1st Half 2009	Difference	FY2008	1st Half 2009	Difference
Cash & Cash Equivalents	32.3	26.9	(5.5)	4.8	4.3	(0.5)
Real Estate Assets	933.2	901.5	(31.8)	10.6	5.4	(5.3)
Investments	100.8	83.6	(17.2)	50.3	44.3	(6.0)
Other Assets	62.4	54.0	(8.4)	7.9	10.5	2.6
Total Assets	1,128.7	1,065.9	(62.8)	73.6	64.5	(9.1)
Short Term Liabilities	381.5	473.6	92.1	13.0	38.3	25.3
Long Term Liabilities	460.9	332.3	(128.6)	28.2	1.4	(26.8)
Other Liabilities	45.6	41.3	(4.3)	17.1	13.4	(3.8)
Total Liabilities	888.0	847.2	(40.9)	58.2	53.0	(5.3)
Shareholders' Equity	15.6	11.5	(4.1)	15.6	11.5	(4.1)
Minority Interest	225.5	207.4	(18.1)	0.2	0.2	0.0
Other	(0.4)	(0.2)	0.3	(0.4)	(0.2)	0.3
Total Net Assets	240.7	218.7	(22.0)	15.4	11.5	(3.9)
Total Liabilities & Net Assets	1,128.7	1,065.9	(62.8)	73.6	64.5	(9.1)

### Consolidated Basis

Total asset is down by 62.8 billion yen compared with figure as at the end of December 2008. Factors are listed below:

- Impairment loss due to the implementation of lower-of-cost-or-market value method for the real estate assets owned by funds and the subsidiaries
- Disposal of real estate assets in trust
- Disposal of investment securities and specified money in trust owned by funds
- Investment loss on deteriorated earnings on the equity method affiliates
- Reversal of the provision for deferred tax asset for subsidiaries

Liabilities is down by 36.6 billion yen compared with figure as at the end of December 2008. Transfer from long-term to short-term liability is 122.1 billion yen. Factors are listed below:

- Reduction of long-term liabilities, of which due come within one year, due to the repayment by the disposal proceeds of the real estate assets in trust.
- Reduction of short-term liabilities due to the repayment by the disposal proceeds of investment securities and specified money in trust, owned by funds

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