K.K. daVinci Holdings（4314）

Financial Result for FY2009

1. Corporate Profile

Established	: August 1998
Public Listing	: December 2001 (Hercules 4314)
Employees	: 54 on a consolidated basis (as of February 1, 2010) - Reduced from 154 from the previous year
Business Description	: Holding Company which manages subsidiary vehicles providing real estate investment advisory and other real estate-related business activities
Business Policy	: The organization and management of real estate funds and asset management under the concept of "Growing with the investors"

2. Company's Current Status

1. Corporate Level

- The Company streamlined its organization through two voluntary retirement solicitations and a corporate restructuring via a wind-up or sale of non-core subsidiaries in order to focus on the Company's core business of real estate private fund management.
- The Company entered into the Amendment Agreement to the Commitment Line Agreement with BNP Paribas Principal Investments (Japan) Limited ("BNPPIJ") to extend maturity for a period of six months (the new maturity date is September 14, 2010) for the Company's corporate loan from BNPPIJ. A risk of loan maturity acceleration remains if the Company fails to satisfy certain requirements including the granting of a security interest over the Company's (or the Company subsidiary's) share in Y.K. Mooncoin ("Mooncoin') and Y.K. Kadobe ("Kadobe") and its TK investment in Mooncoin and Kadobe, and its loan to Kadobe, the granting of a security interest over deposits in the Company's bank account where the Company receives dividends and other distribution from K.K. Columbus, the granting of a security interest over the Company shares held by our President, Osamu Kaneko, a term extension of the expiration date of the First Series of Stock Acquisition Rights, a maturity extension of the syndicated commitment line loan provided by a group of domestic syndication loan lenders (the new maturity date must be after September 14, 2010), the aggregate 1.5 billion yen repayment of the existing loan by proportional distribution to BNPPIJ and the syndicated lenders, and obtaining an audit opinion on the Company's unconsolidated and consolidated financial statements by the Company's auditor.
- Negotiation on a maturity extension of the commitment line loan from the domestic syndicated lenders, which currently matures on March 30, 2010. Discussion with the syndicated lenders is in progress. As mentioned above, the maturity extension of the commitment line loan from the domestic syndicated lenders is one of the requirements the Company must satisfy under the BNPPIJ loan.
- As of the end of FY 2009, negative net worth (saimu-chouka) of 11.0 billion yen on a consolidated basis due to accrual of extraordinary inventory impairment losses and special losses at the subsidiary fund levels (see "Fund Level" for details).
- The Osaka Stock Exchange Hercules market has a de-listing rule to the effect that it will delist the company's stock if the company has negative net worth and (i) if, as a general rule, the company remains in negative net worth for a period greater than 1 year or (ii) if the company's monthly average stock price drops below 10,000 yen per trading unit.

1. Fund Level

<u>Real Estate Opportunity Fund IV ("Kadobe")</u>

- In addition to accruing the TK investment loss due to loan defaults of GK Bondai (an SPC which owns the "Pacific Century Place Marunouchi" building) and other SPCs, the fund also accrued significant inventory write-downs for its other large-scale investments such as Shiba Park Building which is owned by YK Penan, and Toranomon Pastoral which is owned by Leeds TMK. These write-downs reflect a reasonable estimation of sales price for these properties taking into account the recent decline in the real estate market and using a current appraisal value.
- Accrued penalty fees for cancelled forward commitment projects which the fund planned originally to acquire.
- The fund received a capital call rejection and termination notice from investors totaling approximately 80% of the fund's equity commitments. The commitment period had expired already, and currently, the fund does not plan to call any additional capital for new investments.

<u>Corporate Opportunity Fund ("Columbus")</u>

- Accrued investment losses on the write-downs (an extraordinary loss) of the shares of the DA Office Investment Corp. ("DA Office"), which are owned by Corporate Opportunity Fund ("Columbus").

3. Group Policy

- We have retained financial advisor to search new sponsor for possibility of improving financial condition including negative net worth.
- Continue to manage existing funds to sustain stabilized management fee income generated from Mooncoin, Kadobe, Columbus, and core funds, which would provide the Company with the minimum capital needed to sustain the investment platform.
- In conjunction with new sponsorship and the extension of the Company's corporate credit, consider beginning investment through Real Estate Opportunity Fund V ("Nobile"), a newly formed fund of which capital raising efforts are complete.

4. Summary of Financial Result for FY2009

■ Profit / Loss Statement

(Unit: billion yen , round off)

	Consolidated Basis			Equity Method		
	FY 2008	FY 2009	Difference	FY 2008	FY 2009	Difference
Gross Revenue	52.8	49.8	(3.0)	1.8	(22.0)	(23.8)
Operating Profit	(11.9)	(113.0)	(101.0)	(7.0)	(26.6)	(19.6)
Recurring Profit	(34.6)	(139.0)	(104.4)	(8.3)	(26.6)	(18.2)
Extraordinary Profit	0	5.0	5.0	0	5.0	5.0
Extraordinary Loss	39.6	47.7	8.1	7.2	2.5	(4.7)
Net Profit before Tax	(74.2)	(181.7)	(107.5)	(15.5)	(24.0)	(8.5)
Corporate Tax etc.	3.5	2.5	(1.0)	3.3	2.4	(0.9)
Minority Interest	(59.8)	(157.8)	(98.0)	(0.9)	0	0.9
Net Profit	(17.9)	(26.4)	(8.5)	(17.9)	(26.4)	(8.5)

Consolidated Basis

Gross revenue on a consolidated basis, primarily from rental income from real estate assets, is 49.8 billion yen. However, overall gross revenue is down by 3.0 billion yen year-over-year due to the very small income generated from the disposal of real estate assets, and the significant investment loss using equity method accounting on the deteriorated earnings of the investment in a listed company held in a subsidiary (Shin-nihon Tatemono Co., Ltd. "Shin-nihon"). Factors are listed below: **(Effect on Company's net profit shown in parenthesis)**

- Write-downs on inventory totaling 107.7 billion yen relating to real estate assets owned by funds and the Company's other subsidiaries, using a lower-of-cost-or-market valuation method. **(-16.0 billion yen)**
- Penalty charges of 16.8 billion yen relating to the costs incurred for the cancellation of development projects. **(-2.9 billion yen)**
- Accrued 3.0 billion yen gain on the sale of shares of the former K.K. daVinci Select ("daVinci Select"), and a 2.0 billion yen net capital deficiency of the shares of daVinci Select booked as an extraordinary profit. **(5.0 billion yen)**
- Accrued 32.5 billion yen of extraordinary losses due to ceasing equity method accounting in DA Office. **(-6.6 billion yen)**
- Accrued 2.0 billion yen of extraordinary losses from the sale of the Company's shares in DA Office. **(-2.0 billion yen)**
- Accrued 10.7 billion yen of TK investment loss due to alteration of consolidated scope. **(-1.8 billion yen)**
- Reversal of the provision for deferred tax assets for consolidated subsidiaries. **(-2.3 billion yen)**

Equity Method

Although the Company accrued profits, primarily from management fees of 5.8 billion yen, significant investment losses were suffered as a result of impairment losses on real estate assets owned by funds as well as the Company's subsidiaries, and the accrual of investment losses including TK investment losses carried over from the real estate funds, and using equity method accounting which eliminates funds that the group no longer has actual control over which were previously included. The effect of these investment losses results in negative gross revenue.

■ Balance Sheet

(Unit: billion yen, round off)

	Consolidated Basis			Equity Method		
	FY 2008	FY 2009	Difference	FY 2008	FY 2009	Difference
Cash & Cash Equivalents	32.3	20.7	(11.7)	4.8	3.9	(1.0)
Real Estate Assets	933.2	567.8	(365.4)	10.6	0.2	(10.5)
Investments	100.8	38.7	(62.0)	50.3	15.7	(34.5)
Other Assets	62.4	31.5	(30.9)	7.9	3.3	(4.6)
Total Assets	1,128.7	658.8	(470.0)	73.6	23.1	(50.6)
Short Term Liabilities	381.5	360.7	(20.9)	13.0	23.2	10.2
Long Term Liabilities	460.9	202.3	(258.6)	28.2	0	(28.2)
Other Liabilities	45.6	32.8	(12.8)	17.1	10.9	(6.3)
Total Liabilities	888.0	595.8	(292.3)	58.2	34.0	(24.3)
Shareholders' Equity	15.6	(11.1)	(26.7)	15.6	(11.1)	(26.7)
Minority Interest	225.5	74.0	(151.5)	0.2	0	(0.2)
Other	(0.4)	0.1	0.5	(0.4)	0.1	0.5
Total Net Assets	240.7	63.0	(177.7)	15.4	(11.0)	(26.3)
Total Liabilities & Net Assets	1,128.7	658.8	(470.0)	73.6	23.1	(50.6)

Consolidated Basis

Total assets are down by 470 billion yen compared with the figure as of the end of December 2008. Factors are listed below:

- Impairment losses from the implementation of lower-of-cost-or-market valuation method for the real estate assets owned by funds, and decreasing inventory real estate assets due to using equity method accounting which eliminates funds over which the Company has lost actual control.
- Disposal of investment securities and specified money in trust owned by funds.
- Reflecting affiliated company shares and securities as investment losses under equity method accounting.
- Reflecting a reversal of the provision for deferred tax assets for subsidiaries.

Liabilities are down by 279.5 billion yen compared with the figure as of the end of December 2008. Factors are listed below:

- Reduction of liabilities due to exclusion of funds over which the Company no longer has actual control.
- Reduction of liabilities due to disposal of the real estate assets.
- Reduction of liabilities due to repayment through the sale of investment securities and specified money in trust owned by the funds.

Net equity capital, after deducting share warrants and minority interests from total net assets, results in 11.0 billion yen of asset deficiency.

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