



# Operating Results and Business Overview Six Months Ended September 30, 2005

November 22, 2005

(8874)

<http://www.jointcorporation.co.jp>



# Contents

Joint Group: Segment	3	. Mid-Term Plan	
Joint Group: Strength	4		
. Overview of First Half Ended September 30, 2005			
Results	7	Operating environment	21
Securitization	11	Core policy	22
Listing J-REIT	12	Securitization	23
Condo development	13	Condo development	25
L kakuei	14		
		Consolidated income statement (05/3-08/3)	26
Raised forecast twice	15	Segment sales (05/3-08-3)	27
Equity financing	16		
Opening Osaka office	19		

- \* These materials were prepared for the purpose of presenting operating results for the first half of fiscal year ending March 31, 2006 and the company's business strategies. This presentation is not a solicitation to purchase any securities issued by the company.
- \* Information in these materials is current as of November 22, 2005.
- \* Opinions, plans, estimates and other forward-looking statements are based on management's judgments as of the time this presentation was prepared and are not guarantees or promises regarding future results. The company makes no guarantees or promises that this information is accurate or complete.
- \* Information in these materials may be altered at any time without prior notification.

# Joint Group: Segment

- Develop rental condominium, commercial properties
- Acquire existing properties
- Listing J-REIT

- Provide 50-200 unit condominium
- “Adenium” brand for all condominium

## Real estate securitization

06/3 Sales plan : **¥43.4bil**

## Condominium development

06/3 Sales plan: **¥74.9bil**

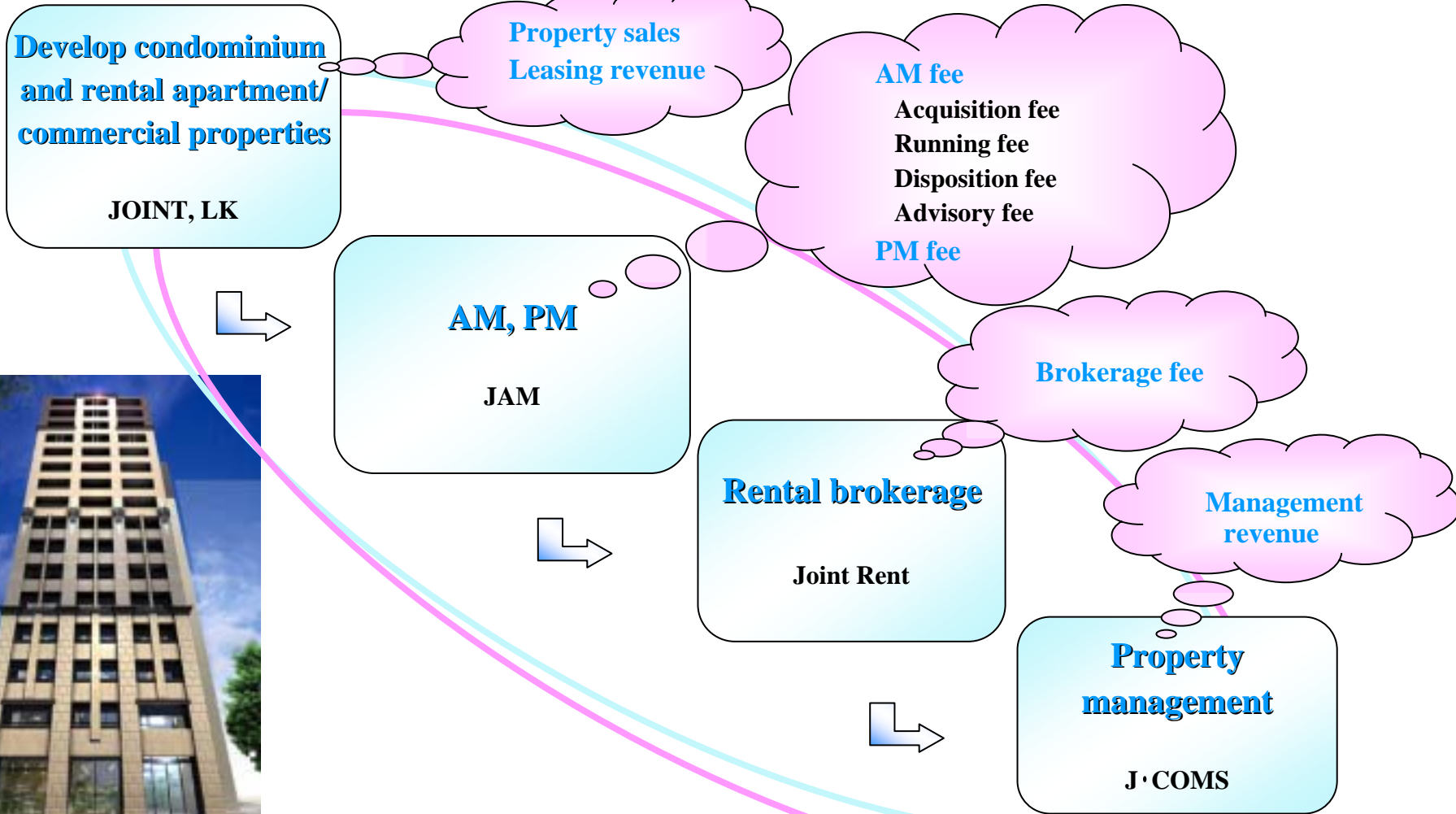
- Provide service for Joint-built and other properties

## Other (Leasing, Rental brokerage, etc.)

06/3 Sales plan: **¥17.8bil**

# Joint Group: Strength

Along with development capability,  
provide “one-stop” real estate service



SPACIA GINZA

# **I. Overview of First Half Ended September 30, 2005**



# Overview of First Half 06/3

## Highlight

1. Record profit

2. Listing J-REIT

3. L Kakuei exited from rehabilitation plan

4. Revised forecast twice

5. Equity financing

6. Opening Osaka office

# Overview of First Half 06/3

## Results

	First half 2006/3	Y o Y	vs. Sep 5 <sup>th</sup> plan	vs. original plan
Net Sales	¥74.1 bil	+88.5%	-0.1%	+25.2%
Ordinary income	¥7.6 bil	+121.2%	+8.3%	+113.6%

### Major reasons

#### Securitization

Sales: **+183%**, operating income: **+88%** (Y o Y)

Large increase in sales revenue

Good increase in fee income, leasing income, SPC dividend

#### Condo development

Improvement in both gross margin and SG&A

More balanced sales throughout fiscal year

Sales condition improved particularly in central Tokyo



# Overview of First Half 06/3

## Consolidated Income Statements (Y o Y)

(¥ mil)

	First half 2005/3	Margin	First half 2006/3	Margin	Difference	Major reasons
Net sales	39,322		<b>74,136</b>		34,813	<ul style="list-style-type: none"> <li>· Securitization (¥10.5bil    ¥29.9bil)</li> <li>· Condo development (¥22.3bil    ¥36.8bil)</li> </ul>
Cost of sales	30,806	78.3	<b>58,684</b>	<b>79.2</b>	27,878	
Gross income	8,516	21.7	<b>15,451</b>	<b>20.8</b>	6,935	· First half 2005/3 had one transaction with very good profitability
SG & A	4,304	11.0	<b>6,385</b>	<b>8.6</b>	2,080	· More securitization sales (lower SG&A ratio)
Operating income	4,211	10.7	<b>9,066</b>	<b>12.2</b>	4,854	
Ordinary income	3,477	8.8	<b>7,690</b>	<b>10.4</b>	4,213	
Net income	1,838	4.7	<b>8,930</b>	<b>12.0</b>	7,091	· L Kakuei realized ¥7.6bil extraordinary income

# Overview of First Half 06/3

## Segment sales / income

(¥ mil)

	Net sales		Operating income		Operating margin	
		Y o Y		Y o Y		Y o Y
<b>Securitization</b>	<b>29,971</b>	<b>19,390</b>	<b>5,404</b>	<b>2,516</b>	<b>18.0%</b>	<b>9.3p</b>
<b>Condo development</b>	<b>36,852</b>	<b>14,491</b>	<b>3,451</b>	<b>1,925</b>	<b>9.4%</b>	<b>2.5p</b>
<b>Other</b>	<b>8,174</b>	<b>1,025</b>	<b>582</b>	<b>177</b>	<b>7.1%</b>	<b>1.5p</b>
<b>Segmentation adjustment</b>	<b>861</b>	<b>-</b>	<b>373</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total	<b>74,136</b>	<b>34,813</b>	<b>9,066</b>	<b>4,854</b>	<b>12.2%</b>	<b>1.5p</b>



# Overview of First Half 06/3

## Consolidated Balance Sheets

(¥ mil)

	2005/3		First half 2006/3		Difference	Remarks
	Amount	Share	Amount	Share		
Cash and deposits	31,759		<b>40,104</b>		8,344	· Repayment of equity investment
Inventories	131,162	71.7%	<b>125,188</b>	<b>66.9%</b>	5,973	
Other current assets	10,072		<b>9,020</b>		1,052	
Fixed assets	9,846		<b>12,683</b>		2,837	
<b>Total assets</b>	<b>182,840</b>	<b>100.0%</b>	<b>186,997</b>	<b>100.0%</b>	4,156	
Interest-bearing liabilities	94,873	51.9%	<b>110,473</b>	<b>59.1%</b>	15,599	· L Kakuei borrowed ¥6bil to repay rehabilitation liabilities
Other liabilities	53,664		<b>32,774</b>		20,890	· L Kakuei repaid ¥19.5bil of rehabilitation liabilities early
<b>Total liabilities</b>	<b>148,538</b>	<b>81.2%</b>	<b>143,247</b>	<b>76.6%</b>	5,290	
Minority interest	631	0.4%	<b>941</b>	<b>0.5%</b>	310	
Paid-in capital	7,672		<b>7,746</b>		74	
Others	25,998		<b>35,061</b>		9,063	
<b>Total shareholders' equity</b>	<b>33,670</b>	<b>18.4%</b>	<b>42,808</b>	<b>22.9%</b>	9,137	
<b>Total liabilities and equity</b>	<b>182,840</b>	<b>100.0%</b>	<b>186,997</b>	<b>100.0%</b>	4,156	

# Overview of First Half 06/3

## Securitization

- Favorable market condition brought large increase in sales revenue  
(¥9.4bil ¥27.1bil, Y o Y)
- Nice increase in highly profitable AM・PM fee, leasing income, SPC dividends
- Made several transactions not originally planned

### Impact of J-REIT listing on securitization business

Sales: ¥9.0bil , gross income: ¥2.0bil (2006/3)

(Sales revenue, AM fee, SPC dividends)



# Overview of First Half 06/3

## Listing J-REIT

### Current condition

- Listing on July 28 (AUM: ¥41.4 bil)
- Though 4 new listing caused market indigestion in July, Joint J-REIT has had good stock performance



### AUM target

- ¥100 bil

### Contribution to securitization business

- Joint could receive better land bank information by association
- Reliable exit for Joint properties
- Joint group companies could receive related business (AM, PM, etc.)



### Effect of J-REIT market “correction”

# Overview of First Half 06/3

## Condo development

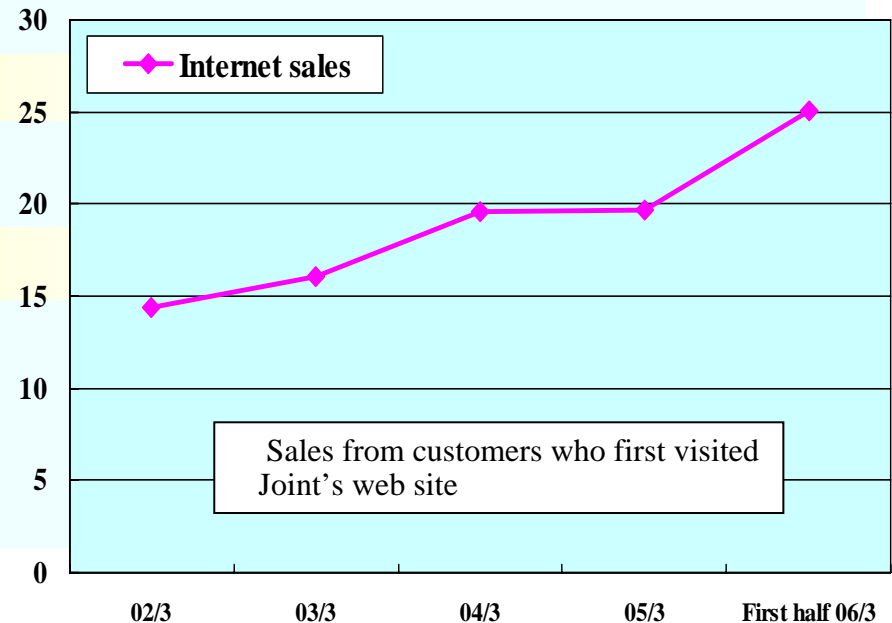
### Condominium business

**Unsold inventory**      37units (05/3 146units)

**Contract received**      83% (Y o Y 75%)  
**Backlog for 2007/3: ¥4.5bil (134 units)**

**# of contracts**      -3% (Y o Y)

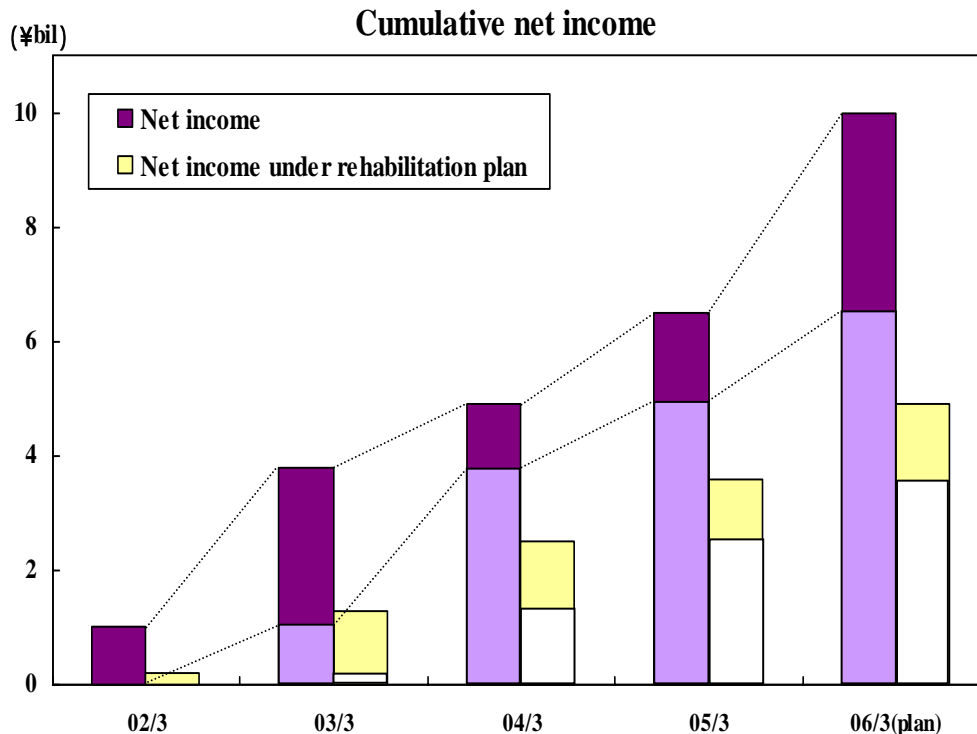
**Internet sales**      25.1%



# Overview of First Half 06/3

## L Kakuei

- May 2000 Started rehabilitation planning process
- July 2001 Joint became L Kakuei's sponsor
- **July 2005 Exited from rehabilitation plan by repaying most of rehabilitation liabilities** (Originally due 2016)



[P/L]

Realized ¥7.6bil extraordinary income by repaying rehabilitation liabilities early

[B/S]

Repaid ¥19.5bil out of ¥24.5bil rehabilitation liabilities

Borrowed ¥6bil to repay liabilities



# Overview of First Half 06/3

*Raised forecast twice*

## June 30

	before	after	difference
Net income	¥5bil	¥9bil	¥4bil

**Major reasons: extraordinary profit (L Kakuei repaid rehabilitation liabilities early)**

## September 5

	before	after	difference
Net sales	¥125.7bil	¥134bil	¥8.3bil
Ordinary income	¥9.1bil	¥10.8bil	¥1.7bil



**Major reasons: strong demand from J-REIT and private funds to acquire properties (securitization)**

**Made several property sales not originally planned  
 Higher sales revenue than originally planned  
 Nice increase in fee revenue (AM・PM)**



# Overview of First Half 06/3

## Equity financing

**Raised ¥16bil**

Objective: increase securitization revenue  
by taking advantage of favorable market condition  
(acquire more land bank and properties)

Money will be spent on:

1. Establish SPC (off- balance transaction)
2. Acquire more inventories (on-balance transaction)

**Choose off-balance and on-balance depending on character of land and property**

# Overview of First Half 06/3

## Impact of equity financing on balance sheets

(¥ mil)

	2005/3		2006/3 (plan)		Increase Decrease
	Amount	Share	Amount	Share	
Inventories	131,161	71.7%	153,500	74.7%	22,339
<b>Total assets</b>	182,840	100.0%	205,500	100.0%	22,660
Interest-bearing liabilities	94,873	51.9%	106,900	52.0%	12,027
<b>Total liabilities</b>	<b>148,538</b>	<b>81.2%</b>	<b>145,100</b>	<b>70.6%</b>	<b>3,438</b>
<b>Total shareholders' equity</b>	<b>33,670</b>	<b>18.4%</b>	<b>59,500</b>	<b>29.0%</b>	<b>25,830</b>
<b>Total liabilities and equity</b>	182,840	100.0%	205,500	100.0%	22,660



# Overview of First Half 06/3

## Potential impact of equity financing

### (Potential impact)

1. Put ¥5bil equity stake in SPC

About ¥1bil of annual dividends (normalized basis)

2. Acquire ¥5bil of inventory (land or property)

About 10% of operating margin

### (Assumption)


1. Form SPC and put equity stake



Develop new properties and receive leasing revenue after completion of construction



Sell properties after establishing tracking record of leasing

2. Develop new properties or acquire existing properties  sell them



# *Overview of First Half 06/3*

## *Opening Osaka office*

- Opened on October 3

- Objective:

### Securitization

Too much competition to acquire land/properties in Tokyo  
Joint already entered into Osaka and tries to expand further

### Condo development

Collect information for future business opportunity

## II. Mid-Term Plan



# Mid-Term Plan

## Operating environment (recent change)

	<u>Positive factor</u>	<u>Negative factor</u>
<p><b>Real estate securitization market</b> <i><u>Growing</u></i></p>	<ul style="list-style-type: none"> <li>• Continuing investment flow</li> <li>• Still aggressive lending</li> <li>• Offer better return than other investment</li> </ul>	<ul style="list-style-type: none"> <li>• J-REIT becoming crowded market</li> <li>• Correction in J-REIT market</li> <li>• Too much supply in rental condo</li> </ul>
<p><b>Condo development market</b> <i><u>Maturing</u></i></p>	<ul style="list-style-type: none"> <li>• Children of baby boomers entering prime age for home buying</li> <li>• Low interest rate</li> <li>• Declining supply push condo price up in central Tokyo</li> </ul>	<ul style="list-style-type: none"> <li>• Intense competition for land, bidding war at auction</li> <li>• Still tough sales competition</li> </ul>



# Mid-Term Plan

## Core policy

### 1. Securitization

Core growth business for Joint group  
Accelerate growth by utilizing equity financing proceeds  
Taking advantage of favorable market, go nationwide

*Growing  
market*

### 2. Condo development

Stable supply, stable growth  
(paying attention on profitability)  
Expand into suburb area

*Maturing  
market*

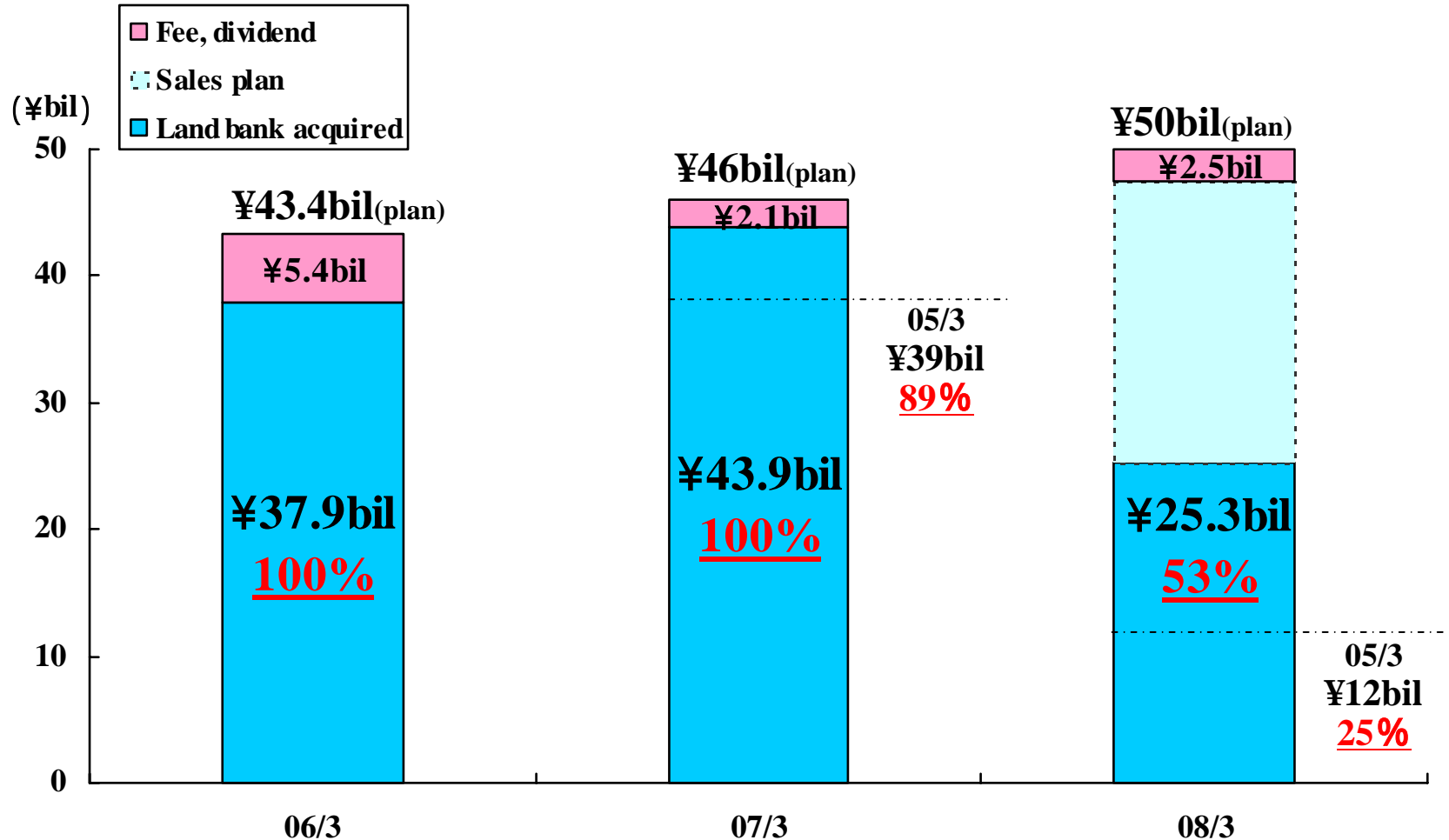
### 3. Expand J-REIT asset size

Stable demand for Joint group properties  
Help Joint group receive better information on  
land/property acquisition

# Mid-Term Plan

## Securitization

### Land bank acquired (Sep 05)

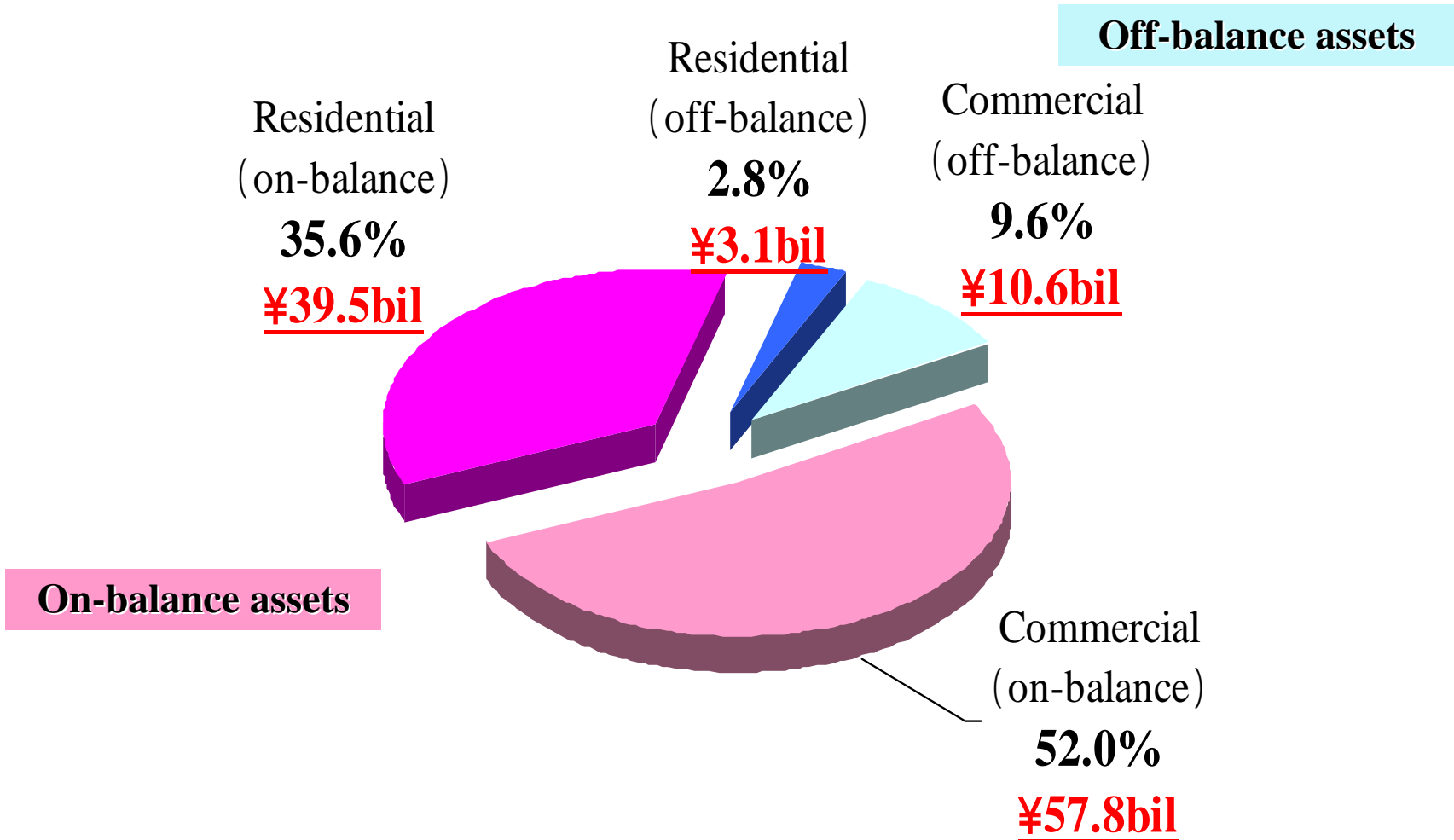


Note: Acquired amounts represent estimated sales generated by each site

# Mid-Term Plan

## Securitization

Securitization asset (Sep 05 ¥111.3bil)

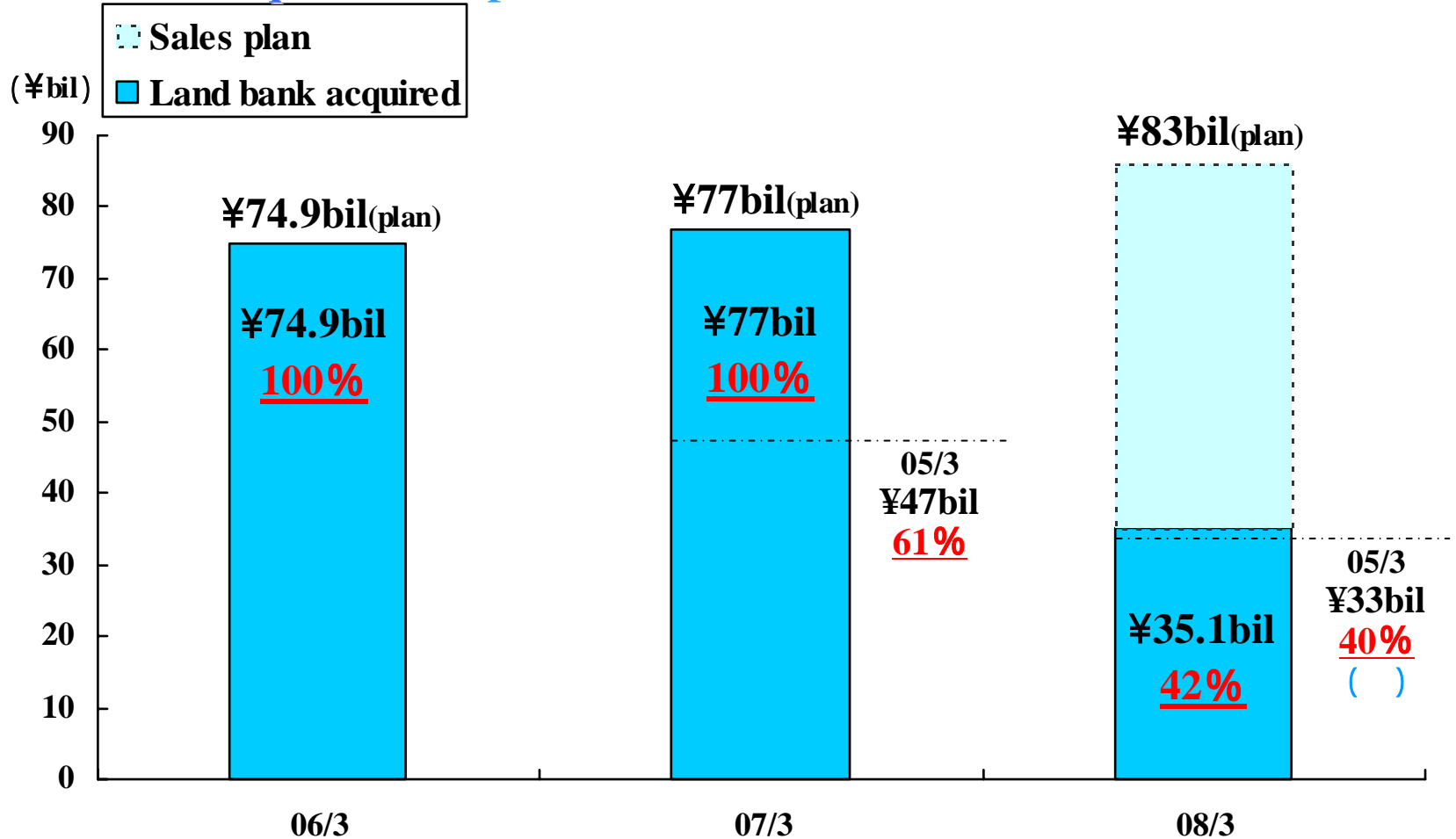




# Mid-Term Plan

## Condo development

### Land bank acquired (Sep 05)



( ) One property (Meguro, ¥13.9bil) shifted to securitization

Note: Acquired amounts represent estimated sales generated by each site



# Mid-Term Plan

## Consolidated income statement (05/3 ~ 08/3)

(¥mil)

	First half 05/3		First half 06/3		06/3 plan <i>Revised on Sep 5</i>		07/3 plan <i>Announced on 05/5</i>		08/3 plan <i>Announced on 05/5</i>	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
Net sales	39,322	100.0 %	74,136	100.0 %	134,000	100.0 %	145,000	100.0 %	160,000	100.0 %
Gross income	8,516	21.7%	15,451	20.8%	27,500	20.5%	28,500	19.7%	32,000	20.0%
Operating income	4,211	10.7%	9,066	12.2%	13,700	10.2%	14,500	10.0%	16,500	10.3%
Ordinary income	3,477	8.8%	7,690	10.4%	10,800	8.1%	11,000	7.6%	13,000	8.1%
Net income	1,838	4.7%	8,930	12.0%	10,300	7.7%	6,200	4.3%	7,500	4.7%



# Mid-Term Plan

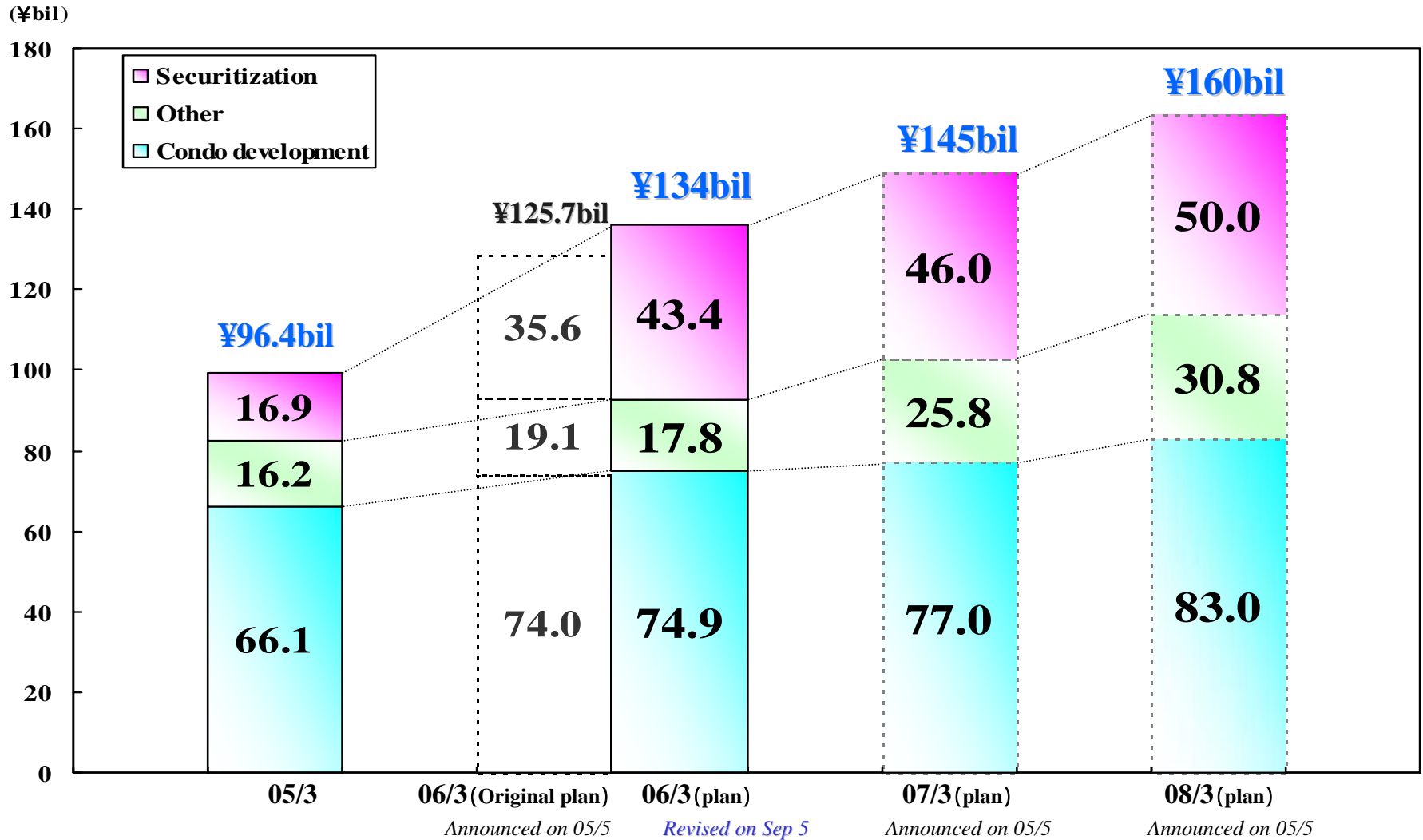
## Segment sales (05/3 ~ 08/3)

(¥mil)

	First half 05/3			First half 06/3			06/3 plan <i>Revised on Sep 5</i>			07/3 plan <i>Announced on 05/5</i>			08/3 plan <i>Announced on 05/5</i>		
	Sales	%	Operating margin	Sales	%	Operating margin	Sales	%	Operating margin	Sales	%	Operating margin	Sales	%	Operating margin
<b>Securiti zation</b>	10,550	26.3 %	25.0%	29,971	40.0 %	18.0%	43,451	31.9 %	18.6%	46,000	30.9 %	17.6%	50,000	30.5 %	18.0%
<b>Condo develop ment</b>	22,361	55.8 %	7.3%	36,852	49.1 %	9.4%	74,914	55.0 %	6.9%	77,000	51.7 %	7.5%	83,000	50.7 %	7.6%
<b>Other</b>	7,179	17.9 %	5.1%	8,174	10.9 %	7.1%	17,824	13.1 %	7.5%	25,800	17.3 %	11.2%	30,800	18.8 %	11.0%
<b>Subtotal</b>	40,091	100.0 %	-	74,998	100.0 %	-	136,188	100.0 %	-	148,800	100.0 %	-	163,800	100.0 %	-
Segmentation adjustment	768	-	-	861	-	-	2,188	-	-	3,800	-	-	3,800	-	-
<b>Total</b>	39,322	-	10.7%	74,136	-	12.2%	134,000	-	10.6%	145,000	-	10.0%	160,000	-	10.3%

# Mid-Term Plan

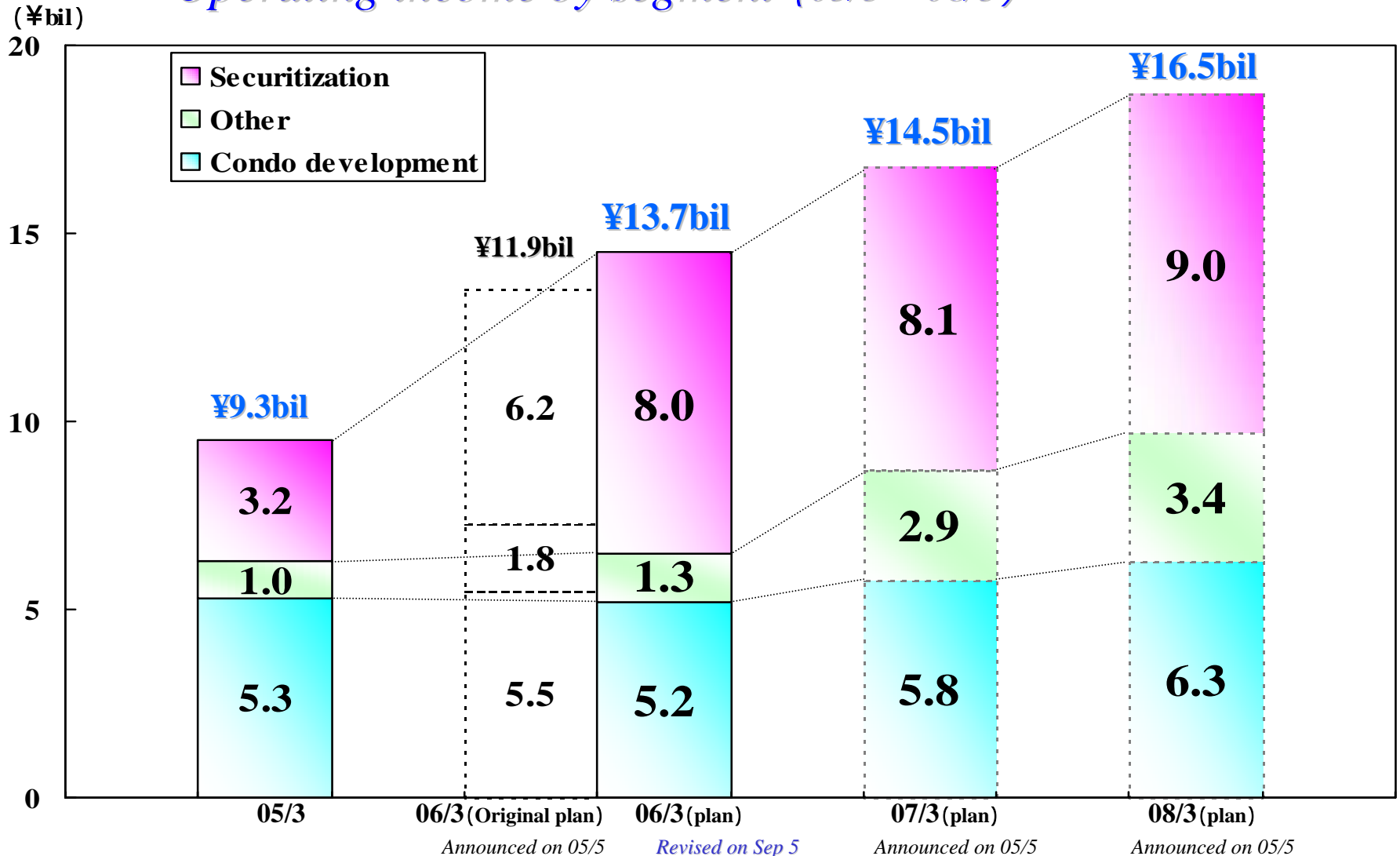
## Segment sales (05/3 ~ 08/3)



Note: Sales figures include segmentation adjustment

# Mid-Term Plan

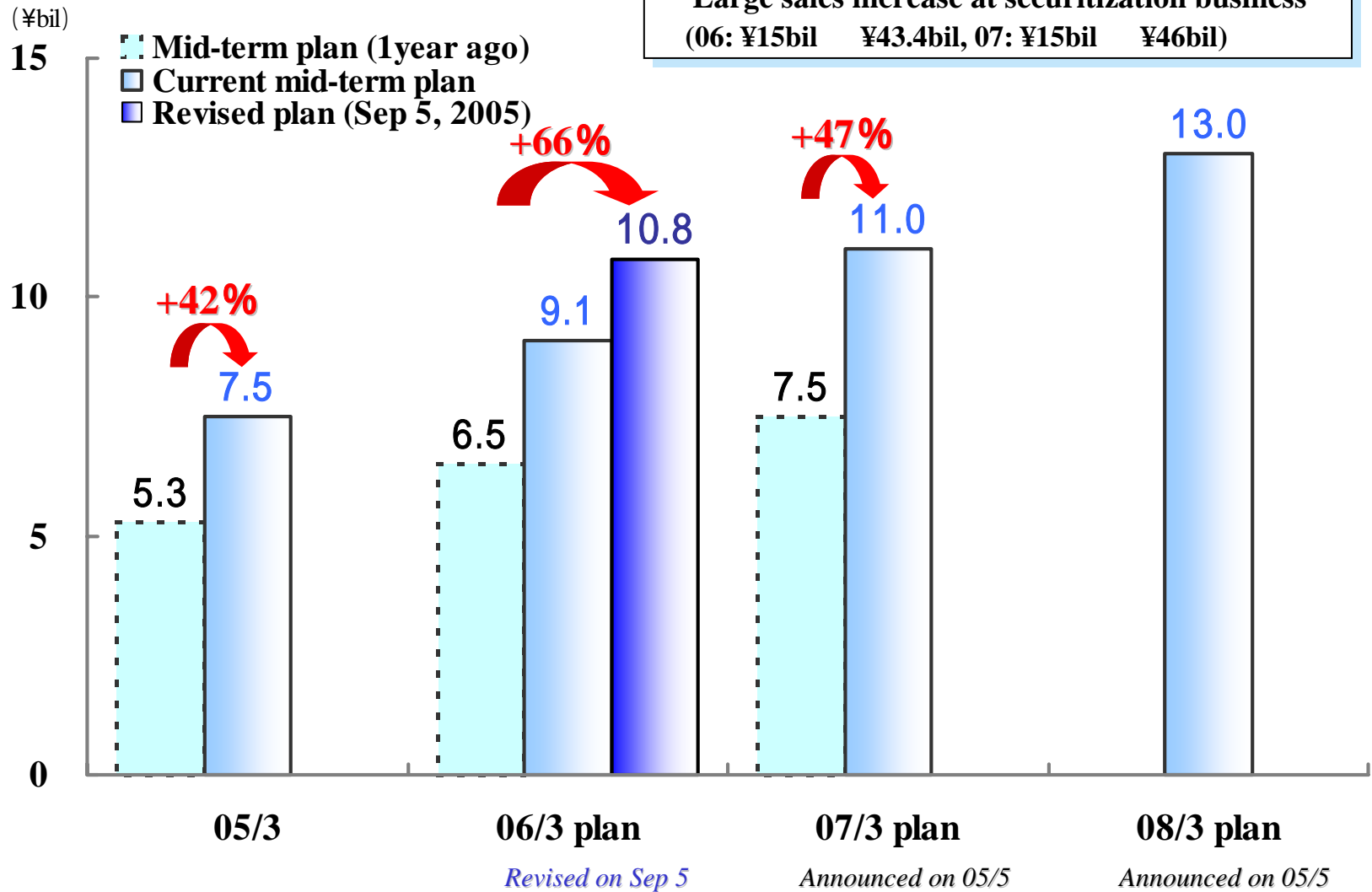
## Operating income by segment (05/3 ~ 08/3)



Note: Sales figures include segmentation adjustment

# Mid-Term Plan

## Ordinary income





---

## Contact information

JOINT CORPORATION

Hideto Eguchi

Public relations and investor relations office

813-5759-8874

[h-eguchi@jointcorporation.co.jp](mailto:h-eguchi@jointcorporation.co.jp)