

History of Value Creation and Our Strengths

The Earnings Base that Underpins Sustainable Growth, the Core of Our Corporate Value

The real estate leasing business primarily involving office buildings in central Tokyo has been the driving force of our growth to date. Accounting for nearly 70% of the Company's operating income overall, the leasing business is clearly the main pillar of the Company's operation and the core of its corporate value.

We have been expanding our business platform by promoting the development of office buildings with a specific focus on central Tokyo over roughly half a century since the early 1970s. Despite various changes in the business environment, we have consistently persisted with respect to unwaveringly adhering to the management policies based on a long-term perspective, namely that the Company does not pursue temporary gains by selling assets; the Company holds ownerships of the buildings constructed on sites it has developed; and that the Company generates stable leasing over the long term by owning and leasing such buildings. As a result, we have established a solid earnings base that is resistant to the fluctuation of economic trends.

The source of our corporate value creation

Capabilities of "Land Innovation"

Acquisition of development sites is the most important aspect of the development of buildings. We have been redeveloping sites by purchasing and assembling small parcels of subdivided land in central Tokyo where large parcels of land are rare, and coordinating the rights and interests of landowners. Today, these capabilities of "Land Innovation" have become our greatest strength and the source of corporate value creation. Capitalizing on the capabilities of "Land Innovation" as well as the management foundation and other strengths we have cultivated so far, we intend to further expand our profitability and increase corporate value.

The basis for our value creation model

"Redevelopment" for the Community

Through redevelopment, we have been addressing issues facing the community by improving the disaster preparedness of areas that are at risk such as densely built-up areas of wooden houses still seen in Tokyo's urban areas and providing safe transportation infrastructure. Our track record of development has resulted in deepened relationship of trust with landowners and local government officials, ensuring our constant participation in redevelopment projects. Thus, redevelopment is the basis of our value creation model that expands profits and increases our corporate value.

The Tokyo office market: the world's largest market backed by a pool of diverse tenants

A comparison of the office stock of the world's business centers indicates that Tokyo, with approximately 18 million tsubo in gross floor area, boasts the largest office market, compared to London with approximately 6 million tsubo and New York with approximately 13 million tsubo. Additionally, Tokyo's market is unique among the world's market in that the major domestic companies of all industries are headquartered in Tokyo and that it is backed by a pool of diverse tenants. We have consistently expanded our office building leasing business for the past 50 years, achieving sustainable growth, and establishing a competitive advantage with a wide-ranging portfolio of over 230 buildings in the major business areas of central Tokyo.

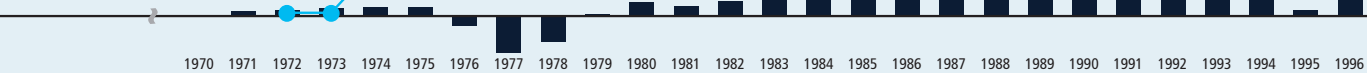


Ordinary Profit / Gross Floor Area

■ Ordinary Profit ● Gross Floor Area

(Years ended / ending March 31)

*Non-consolidated figures until 1977



Major Building Development Projects



Gross Floor Area
(1,000 m²)
5,000

Ordinary Profit
(Billions of yen)
250

4,000 200

3,000 150

2,000 100

1,000 50

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