



## **Presentation on Consolidated First Quarter Results for the 13<sup>th</sup> Term (Year Ending May 2009)**

October 8, 2008

CREED CORPORATION

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## Highlights

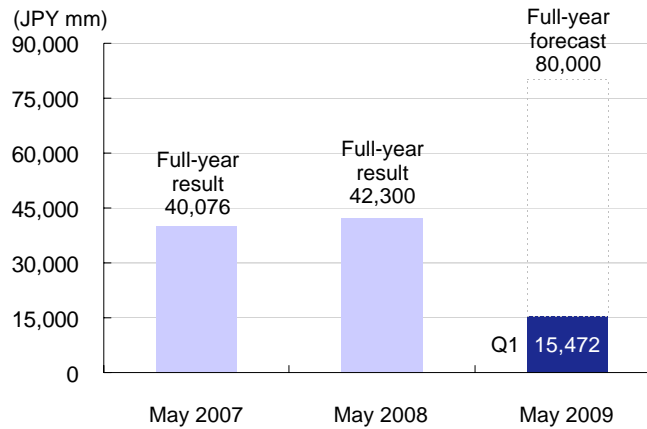
- Incentive fees and capital gains drove revenues; Net Revenue before SG&A of JPY 4,726mm
- Write-down of properties as Extraordinary Loss (JPY 2,545mm) and as Cost of Goods Sold (JPY 1,554mm) resulted in Net Loss of JPY 293mm
- Sold JPY 6,100mm (five properties) in Japan<sup>(1)</sup>, JPY 200mm (one property) in Germany<sup>(2)</sup>, and JPY 2,500mm (two properties) in South Korea <sup>(3)(4)</sup>
- Finalized JPY 11,500mm contract to sell 58 remaining German properties
- Improved equity ratio of 20.9% (up from 19.2% in Q4 May '08) with Total Assets of JPY 107,887mm (down from JPY 119,620mm in Q4 May '08)
- CREP total assets increased by JPY 4,500mm to JPY 167,100mm; planned to complete investment by November after purchasing JPY 6,200mm
- Planning to close CREP II and commence investment in 2008

### Notes

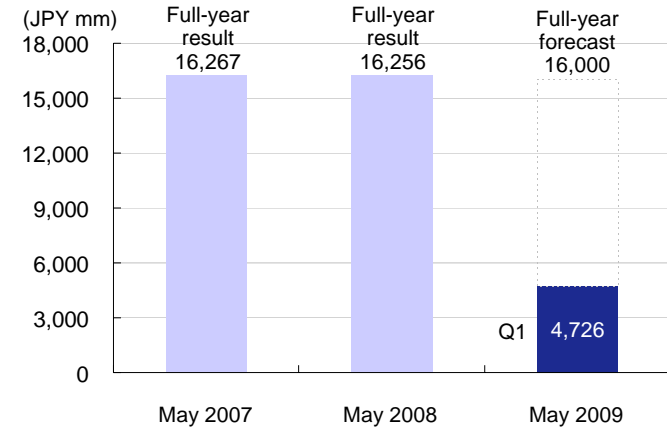
1. Including JPY 2,700mm (one property) classified under Fund Management Business
2. The deal is scheduled to be reflected in Q2 results due to ownership transfer schedule and difference in fiscal year ends; Q1 results reflect six disposals (JPY 1,500mm) in Germany which took place in Q4 May '08
3. Sold 76.6% share in the two properties
4. All amounts are book value

## Progress for FY May '09 Forecasts

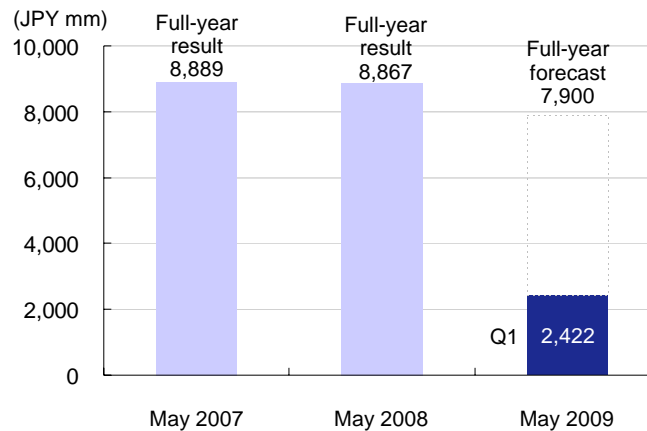
### Gross Revenue YoY Up 41.5%



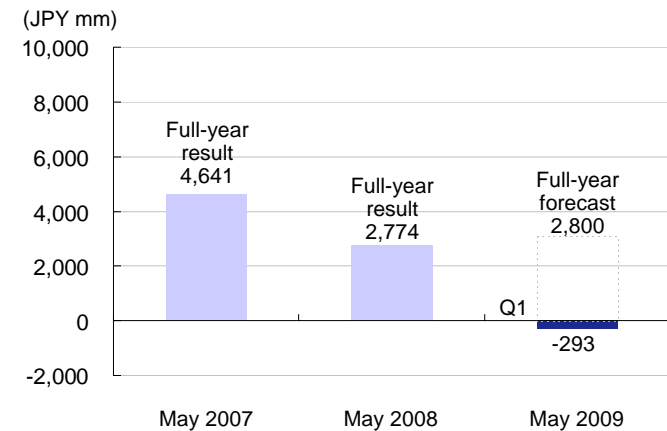
### Net Revenue before SG&A YoY Down 38.5%



### Ordinary Profit YoY Down 58.4%



### Net Profit YoY Down 108.4%



#### Overview of Profit and Loss Statement

	(JPY mm)
	<b>Q1 FY '09</b>
Gross revenue	15,472
Net revenue before SG&A	4,726
Operating profit	3,054
Ordinary profit	2,422
Net profit	-293
EBIT	2,915
EPS(yen) <sup>(1)</sup>	-1,759

Note

1. Adjusted for dilution

## Progress on Disposals

Solid progress in a challenging environment

### Q1 Results

- Sold JPY 6,100mm (five properties) in Japan, JPY 200mm (one property) in Germany, and JPY 2,500mm (two properties) in South Korea
  - Recorded net capital gain of JPY 2,700mm on properties sold
  - Broke even on the German property<sup>(1)</sup>
  - Earned capital gain of JPY 200mm on disposal of 76.6% share in the two South Korean properties

#### □ Overview of Disposals in Japan

Location	Asset Class	Buyer
Chuo, Tokyo	Retail	High net worth individual
Ohta, Tokyo	Residence	Foreign fund
Yokohama, Kanagawa	Residence	Foreign fund
Osaka, Osaka	Residence	Local landlord
Sapporo, Hokkaido	Retail	Non-real estate related corporation

- Finalized contract to sell all the remaining properties in Germany (JPY 11,500mm, 58 properties)

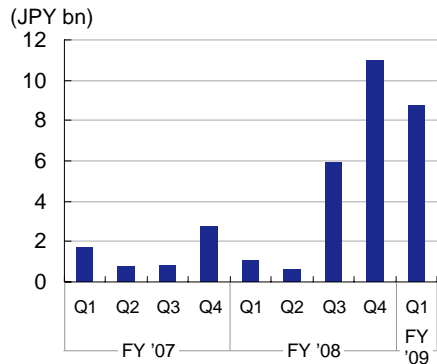
### Q2 Progress

- Sold JPY 1,400mm (two properties) in Japan
  - Recorded capital gain of JPY 500mm

#### Notes

1. Scheduled to be reflected in Q2 results
2. Total of principal investments (Japan and overseas) and completed development projects (Japan), based on book value

#### □ Property Disposals<sup>(2)</sup>

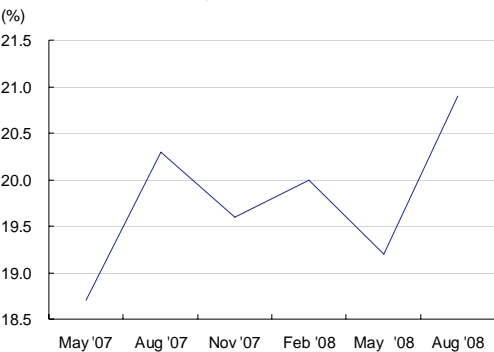


## Highlights of Balance Sheet

Strengthened Balance Sheet  
and improved Equity Ratio up  
to 20.9% from 19.2% in  
May '08

### Summary of Balance Sheet

■ Trend of Equity Ratio

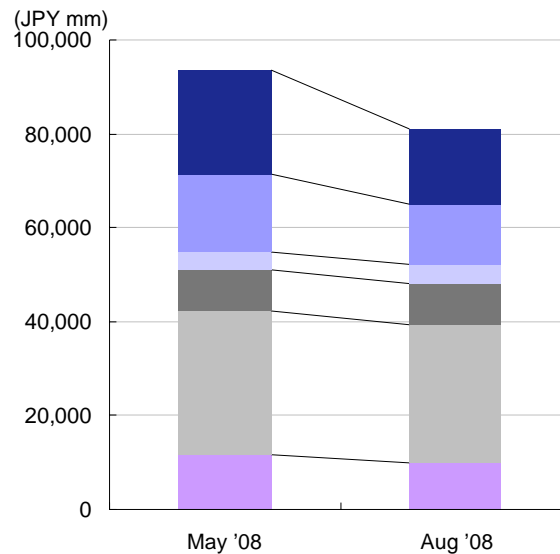


	(JPY mm)		
	May '08	Aug '08	Difference
Cash and cash equivalents	6,774	6,052	-722
Real estate assets	94,030	81,093	-12,937
Securities	8,424	7,254	-1,169
<i>(Tokumei Kumiai interests)</i>	<i>(1,699)</i>	<i>(1,229)</i>	<i>(-470)</i>
Other assets	10,390	13,486	3,096
<b>Total assets</b>	<b>119,620</b>	<b>107,887</b>	<b>-11,732</b>
Loans payable	83,526	75,357	8,169
(Non-recourse loans, Japan)	(19,130)	(15,130)	(-4,000)
(Non-recourse loans, overseas)	(10,678)	(9,230)	(-1,448)
Corporate bonds and CP	4,440	4,210	-230
Other liabilities	8,548	5,538	-3,010
<b>Total liabilities</b>	<b>96,515</b>	<b>85,105</b>	<b>-11,410</b>
<b>Total net assets</b>	<b>23,104</b>	<b>22,782</b>	<b>-322</b>
<b>Equity ratio</b>	<b>19.2%</b>	<b>20.9%</b>	<b>-</b>

## Highlights of Balance Sheet

Balance Sheet reduced through orderly property disposals

### Breakdown of Real Estate Assets



	May '08	Aug '08	Difference	Write-down
Domestic properties	22,305	16,172	-6,133	-1,538
Overseas properties	16,406	12,695	-3,711	-754
Warehoused properties	3,998	4,109	110	0
Hotels managed by Creed	9,071	8,863	-208	0
Projects under development	30,587	29,382	-1,205	-1,356
Completed development projects	11,660	9,870	-1,789	-450
<b>Total</b>	<b>94,030</b>	<b>81,093</b>	<b>-12,937</b>	<b>-4,099</b>

### Details of Write-down

- FY May '09: Mark-to-market accounting mandatory
  - Recorded Extraordinary Loss of JPY 2,545mm on properties of which market value was below book value at the beginning of Q1; recorded as Extraordinary Loss since the loss was due to the market decline in the previous period, which makes it "extraordinary"
  - Recorded Cost of Goods Sold of JPY 1,554mm on properties of which market value was below book value at the end of Q1; recorded as COGS since the loss was due to the market decline in the same quarter

## Real Estate Fund Business

CREP is focused on enhancing real estate value

### CREP (Creed Real Estate Partners)

- Value-added example
  - Office in Minato, Tokyo



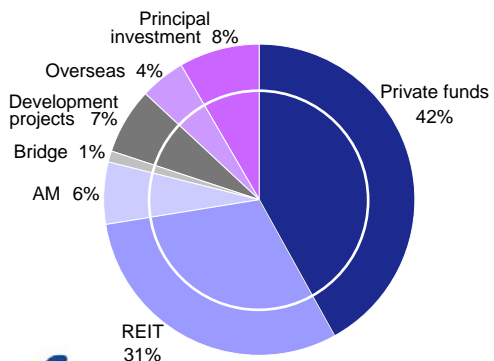
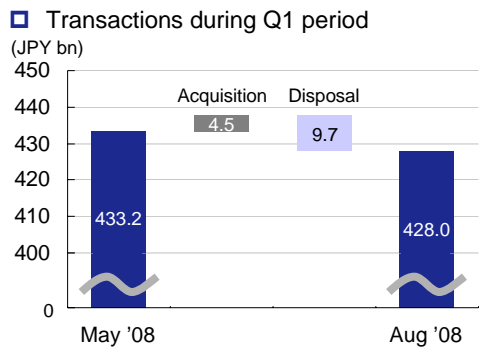
- Value-add points
  - Renovation of the outdated entrance and corridors established a modern image of the property
- Achievements
  - Succeeded in raising rents from below-market level to market level
  - Improved the occupancy from 92% to 100%
  - Along with 20% cut in management costs, NOI increased by over 20% after renovation

### CREP II (Creed Real Estate Partners II)

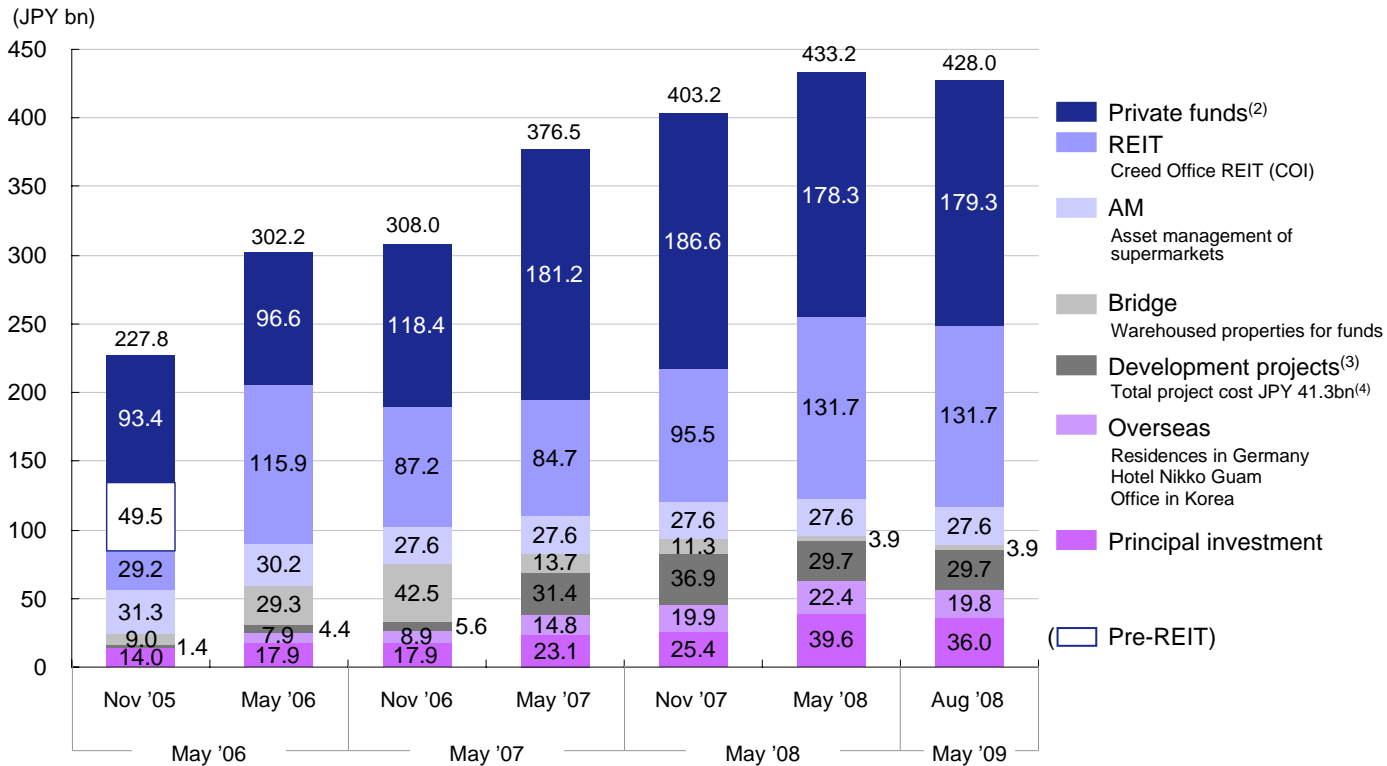
- Planning to close fund and commence investing in 2008
- Refined investment mandate focusing mainly on Tokyo office with target asset size of JPY 2-3bn

# Overview of Assets Under Management (AUM) 1

With priority placed upon accelerating disposals from balance sheet, AUM decreased by JPY 5.2bn



## Assets Under Management<sup>(1)</sup>



### Notes

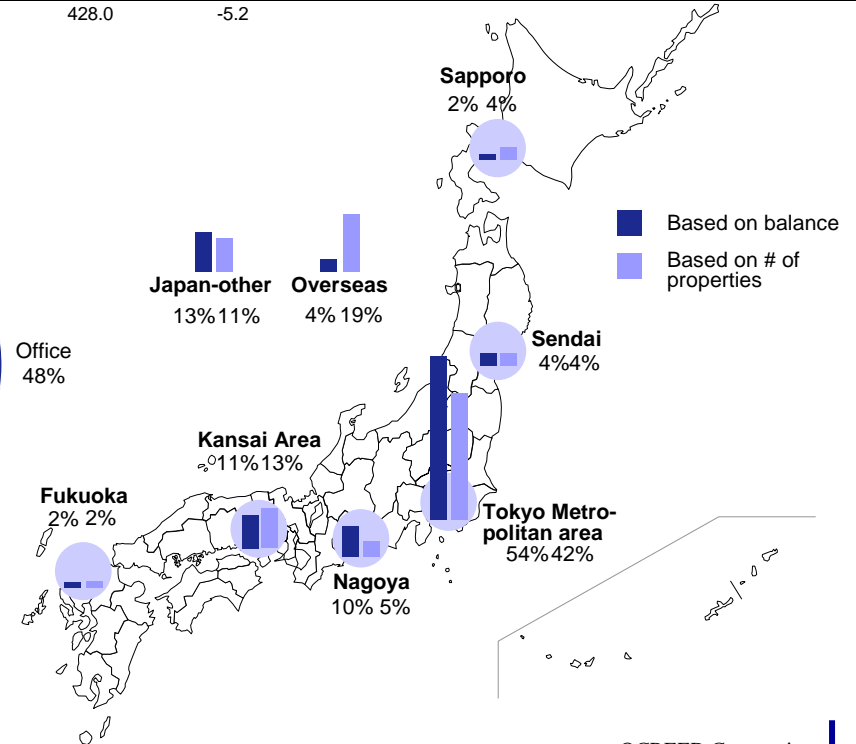
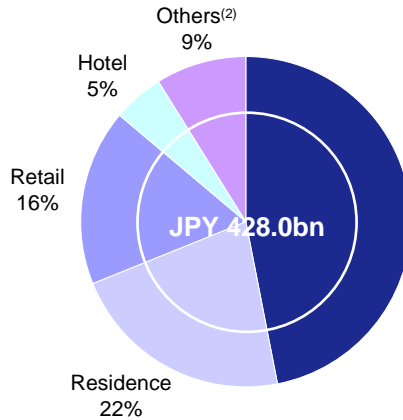
- Assets Under Management:  
The total sum of the balance of investments managed integral with the capital of investors, the balance of assets managed only with the investors' capital and the balance of assets held and managed by the Company and its 100%-owned subsidiaries  
All figures are based on the acquisition prices and therefore do not include any capital expenditures.
- The assets of the consolidated SPCs are categorized under Private Funds
- Development projects include those using SPCs, as well as those on Creed's balance sheet
- Excluding cancelled projects

# Overview of Assets Under Management (AUM) 2<sup>(1)</sup>

Continued focus on transition to fund management focused model

(JPY bn)

Category	Starting month	Asset size	Change from May '08	Types of investors	Property types
Creed Real Estate Partners	Nov '06	167.1	4.5	Global institutional investors	Office and residence, etc
Residential fund	Nov '05	5.2	0.0	Domestic institutional investors and business corporation	Residence
Fund A	May '01	0.6	-1.0	Foreign institutional investors	Office and residence, etc
Others (several private funds)	—	6.4	-2.5	—	Office and residence, etc
Creed Office REIT	Mar '06	131.7	0.0	—	Office
AM of general supermarket (Seiyu), etc.	Nov '05	27.6	0.0	—	Commercial facilities
Bridge (warehoused properties)	—	3.9	0.0	Creed	Office and residence, etc
Development projects (on balance)	—	26.0	0.0	Creed	Office and hotels, etc
Development projects (off balance SPCs)	—	3.7	0.0	Creed and domestic business corporation	Office and retail, etc
Overseas (Germany, S Korea & Guam)	—	19.8	-2.6	Creed	Residence, hotel and office
Principal investment	—	36.0	-3.6	Creed	Office and residence, etc
<b>Total</b>		<b>428.0</b>	<b>-5.2</b>		



**Notes**

1. All figures are as of the end of August '08
2. Land and construction in progress are categorized under "Others" until completion

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## Overview of Profit and Loss Statement

### Year-on-Year Comparison

(JPY mm)

	Q1 May '08	Q1 May '09	Difference	%
Gross revenue	10,931	15,472	4,541	41.5%
Net revenue before SG&A	7,688	4,726	-2,961	-38.5%
SG&A	1,524	1,672	147	9.7%
Operating profit	6,163	3,054	-3,109	-50.4%
Non-operating profit & loss	-341	-631	-290	—
Ordinary profit	5,822	2,422	-3,400	-58.4%
Extraordinary profit & loss	-1	-3,137	-3,135	—
(Write-down on properties)	(0)	(-2,545)	(-2,545)	—
<i>Tokumei Kumiai</i> distribution	-293	0	293	—
Net profit before tax	6,114	-714	-6,829	-111.7%
Taxes	2,617	-430	-3,047	-116.4%
Minority profit & loss	8	9	0	7.0%
Net profit	3,488	-293	-3,782	-108.4%
EBIT	6,151	2,915	-3,235	-52.6%
EPS (yen) <sup>(1)</sup>	20,888	-1,759	-22,647	-108.4%

#### Number of Directors and Employees

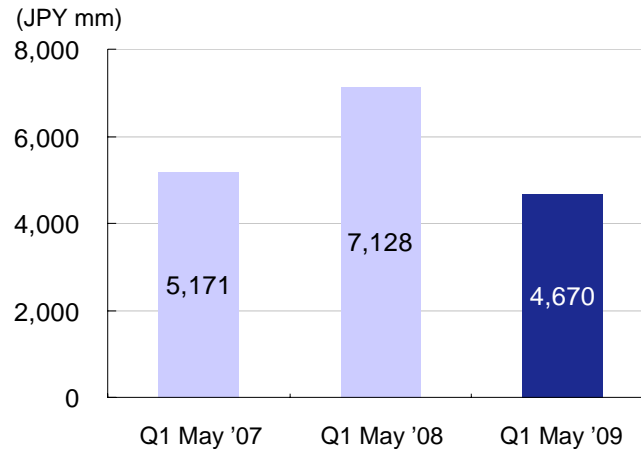
Aug '07	Aug '08	Difference	%
281	302	21	7%

#### Note

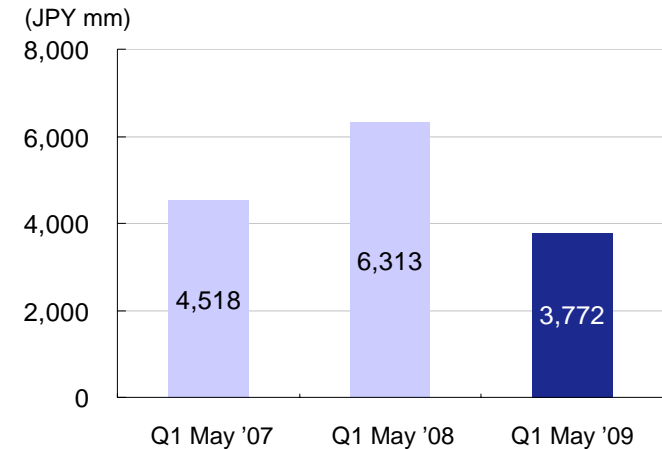
1. Adjusted for dilution

## Overview of Fund Management Business

### Net Revenue before SG&A – Down 34.5%



### Operating Profit – Down 40.2%



#### Breakdown of Net Revenue before SG&A<sup>(1)</sup>

	(JPY mm)			
	Q1 May '07	Q1 May '08	Q1 May '09	Difference
	(a)	(b)	(c)	(c)-(b)
Dividends	575	6,105	101	-6,003
Rents and disposals	374	402	2,171	1,769
AM fees, etc	590	621	612	-8
Incentive fees	3,630	0	2,044	2,044
Write-down on properties	0	0	-259	-259
<b>Total</b>	<b>5,171</b>	<b>7,128</b>	<b>4,670</b>	<b>-2,458</b>

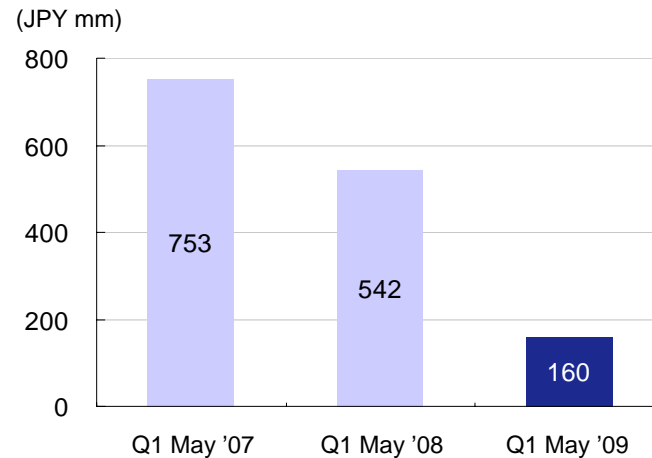
Reference: Gross Revenue  
JPY 7,966mm (Down 10.4%)

#### Note

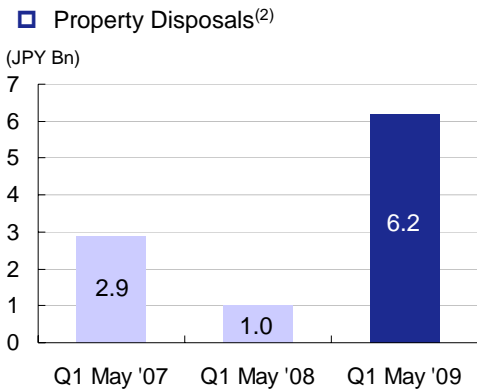
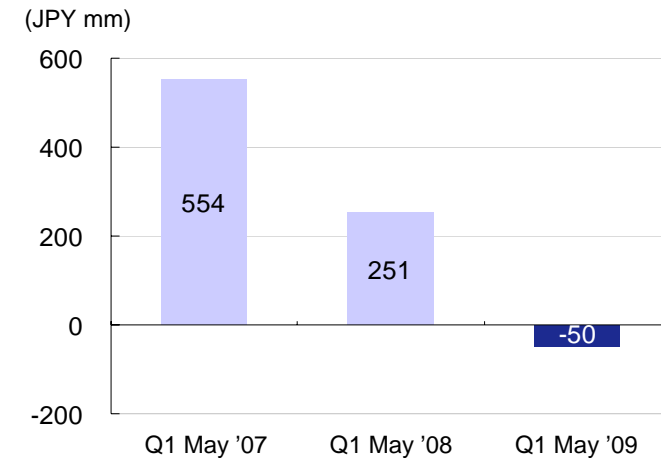
1. The figures include internal transactions

## Overview of Real Estate Investment Business

### Net Revenue before SG&A – Down 70.3%



### Operating Profit – Down 119.9%



### ■ Breakdown of Net Revenue before SG&A<sup>(1)</sup>

	Q1 May '07	Q1 May '08	Q1 May '09	Difference
	(a)	(b)	(c)	(c)-(b)
Rents	353	569	768	198
Disposals	400	116	751	634
Others	0	-143	-64	79
Write-down on properties	0	0	-1,294	-1,294
<b>Total</b>	<b>753</b>	<b>542</b>	<b>160</b>	<b>-381</b>

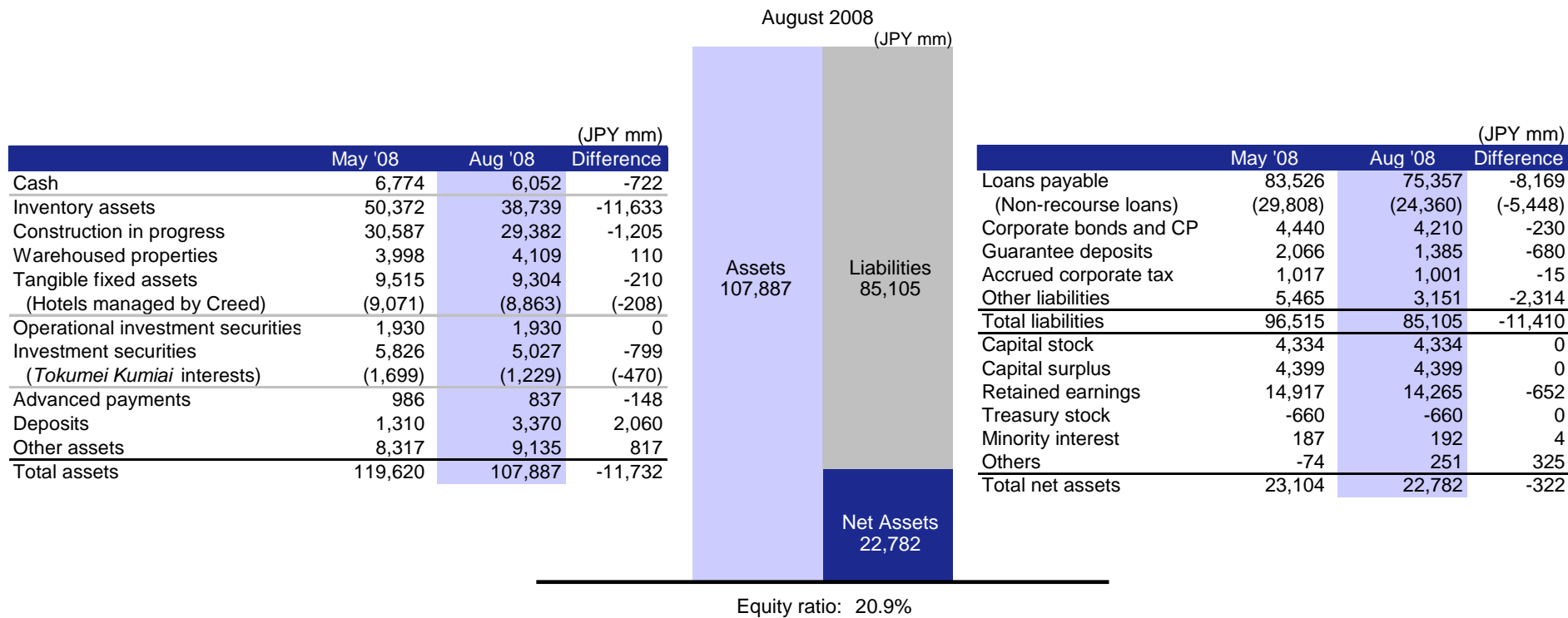
(JPY mm)

Reference: Gross Revenue  
JPY 7,241mm (Up 254.1%)

#### Notes

1. The figures include internal transactions
2. Based on acquisition prices

## Overview of Balance Sheet



For inquiries, please contact;

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