

Summary of Consolidated Financial Results for the Year Ended December 2004 (January 1, 2004 – December 31, 2004)

Described below is an abstract in English of the financial result for the year ended December 2004 that was released today in Tokyo. The translation is prepared and provided for the purpose of the readers convenience only. All of readers are strongly recommended to refer to the original version in Japanese of the news release for complete and accurate information.

Company name: Kennedy-Wilson Japan Co., Ltd.
 Stock code: 4321
 URL: <http://www.kwjapan.com>
 Stock Exchange listing: First Section, Tokyo Stock Exchange & Hercules (Osaka Securities Exchange)

Company Domicile: Tokyo
 President: Ryosuke Homma
 Contact: Taiji Yoshikawa, Director, Executive Officer & Chief Financial Officer
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Date of board meeting for approving consolidated financial results: February 15, 2005

Parent company (stock code): N/A

Percentage of the parent company's equity stake in the company: N/A

U.S. GAAP standards: The company does not apply U.S. GAAP standards for accounting.

1. Consolidated Financial Results (Jan. 1, 2004 – Dec. 31, 2004)

(1) Consolidated Results of Operations

(Amounts rounded down to million yen)

	Revenue		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
Year ended Dec. 2004	6,052	19.3	3,190	63.5	2,733	87.0
Year ended Dec. 2003	5,071	60.7	1,951	43.4	1,462	12.6

	Net income (after taxes)		Net income per share, (basic)	Net income per share, (diluted)
	Million yen	YoY change (%)	Yen	Yen
Year ended Dec. 2004	1,633	87.4	21,739.21	20,729.14
Year ended Dec. 2003	871	37.5	12,571.41	11,895.02

	Return on equity	Ordinary income/ Total assets	Ordinary income/ Revenue
	%	%	%
Year ended Dec. 2004	22.0	6.3	45.2
Year ended Dec. 2003	17.8	9.3	28.8

- Notes: 1. Equity in earnings of non-consolidated subsidiaries and affiliates
Year ended Dec. 2004: 179 million yen
Year ended Dec. 2003: 74 million yen
2. Average number of shares outstanding (consolidated)
Year ended Dec. 2004: 73,635 shares
Year ended Dec. 2003: 69,342 shares
3. Changes in accounting method: Yes
4. Percentage figures shown in the above represent year-on-year changes.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
Year ended Dec. 2004	40,283	9,360	23.2	118,758.66
Year ended Dec. 2003	11,438	5,499	48.1	77,085.32

- Note: Number of shares outstanding at the end of the period (consolidated)
Year ended Dec. 2004: 78,817 shares
Year ended Dec. 2003: 71,340 shares

(3) Consolidated Cash Flow Position

	Net cash used in operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Dec. 2004	(25,466)	(204)	24,304	4,365
Year ended Dec. 2003	(1,443)	11,645	(7,221)	5,731

(4) Scope of Consolidation and the Application of the Equity Method

- Consolidated subsidiaries: 22
Non-consolidated subsidiaries accounted for under the equity method: 4
Affiliates accounted for under the equity method: 38

(5) Changes in Consolidated Subsidiaries and Affiliates Accounted for Under the Equity Method

- Consolidated subsidiaries:
New: 6
Excluded: 4
Affiliates accounted for under the equity method:
New: 12
Excluded: 4

2. Forecast of Consolidated Income for the Year Ending Dec. 2005 (Jan. 1, 2005 – Dec. 31, 2005)

	Revenue	Ordinary income	Net income (after taxes)
	Million yen	Million yen	Million yen
Interim	3,700	1,990	1,160
Full year	7,400	3,850	2,220

Reference: Estimated consolidated net income per common share for the full year: 9,352.75 yen

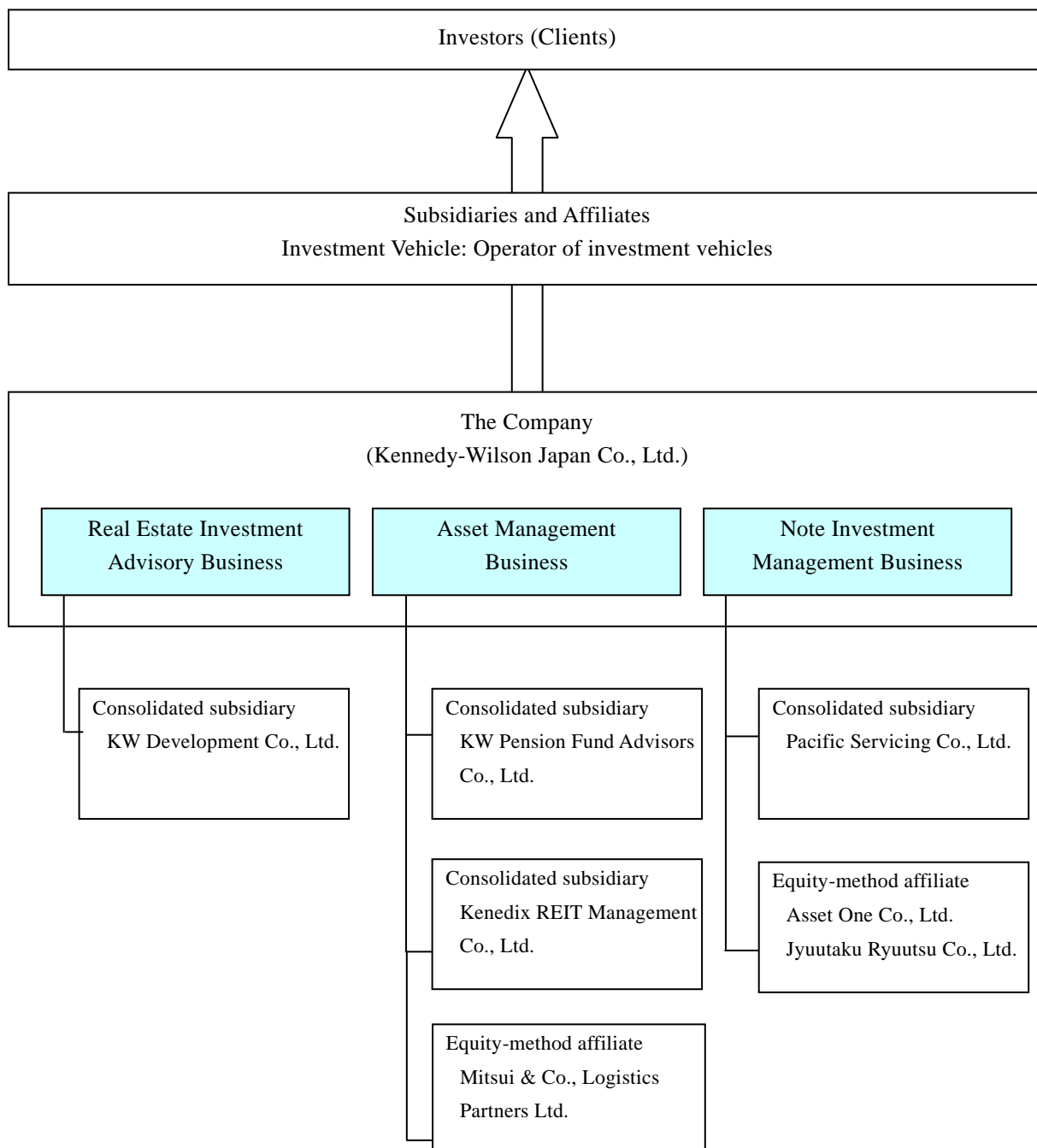
Note: The above forecast is based on information available to us as of February 15, 2005. The actual results are affected by various factors and may differ substantially.

Please refer to page 10 of the attached documents regarding preconditions or other related matters for the forecast shown above.

1. The Kennedy-Wilson Japan Group

The Kennedy-Wilson Japan Group (the Group) is made up of Kennedy-Wilson Japan Co., Ltd. (the Company), 30 consolidated subsidiaries and 38 affiliated companies. The Group is engaged in the real estate investment advisory business, asset management business and note investment management business.

A summary of the structure and activities of the Group is shown below.



(1) Real Estate Investment Advisory Business

The real estate investment advisory business is primarily engaged in services to assist in the real estate investments of client investors (“clients”) and real estate investments made by the Company itself.

Real estate investment assistance services involve the structuring of investment schemes, origination of suitable investment properties, analysis of profitability, procurement of funds through non-recourse loans and other means, and execution of such investments. All steps are conducted in line with the needs and investment strategies of each client. The Company receives an acquisition fee and consulting fee only at the time a transaction is closed. At the same time, the Company participates in some of the investment schemes it proposes to clients through the provision of minority co-investments and loans. This aligns the Company’s interests with those of its clients while also creating opportunities to generate larger profits.

Another objective is meeting the diverse needs of corporate pension funds and other Japanese institutional investors through the sale of entire real estate portfolios structured to deliver specific risk-return profiles. For this purpose, the Company, through consolidated subsidiaries that serve as investment vehicles, acquires and temporarily holds the properties. The goal is to earn leasing income while the properties are held and a capital gain upon their sale.

(2) Asset Management Business

The asset management business formulates and executes plans to increase the asset value of real estate investments during the holding period. The Group earns asset management fees in return for the provision of a full line of services that include the operation and management of real estate, submission of reports to clients and financial institutions, and other related tasks.

The Company also receives a disposition fee when investment properties are sold as well as an incentive fee, which is linked to earnings from investments, in the event that earnings exceed a prescribed return attributable to the Company’s management.

(3) Note Investment Management Business

The Group invests in real estate-backed notes that are sold by financial institutions. In line with an investment plan that matches each client’s needs, a typical investment cycle includes: creation of an investment scheme; selection of notes and collateral and determination of their values; executing the acquisition; and selling the collateralized real estate to collect the outstanding loan amounts due. As with real estate investments, the Company earns acquisition, asset management, disposition, and incentive fees from the provision of these services.

In some of the investment schemes proposed to clients, the Company makes minority co-investments and loans to align its own interests with those of clients while also creating opportunities to generate larger profits.

2. Management Policies

(1) Fundamental Management Policy

The Kennedy-Wilson Japan Group is an organization specializing in real estate services and finance. The Group's overall goal is to maximize returns on investments. This is accomplished by leveraging the Group's comprehensive research skills and extensive knowledge of the real estate business to accurately analyze and evaluate trends in a constantly changing market.

The Group will remain focused on meeting targets and offering value-added services, and placing priority on long-term relationships rooted in trust with clients, employees and investors. Through this stance, the Group intends to fulfill its obligations to society by maximizing its corporate value (i.e. contributing to Japan's economic recovery).

(2) Basic Policy for Allocation of Earnings

The Company regards the distribution of earnings to shareholders as one of its highest priorities. The basic policy regarding dividends is to make continuous dividend payments in line with operating results while retaining sufficient earnings to improve the Group's operating base and support future business expansion.

The Company has not paid a dividend since its establishment. Since the Company has been in a growth phase, earnings were retained to provide funds for the acquisition of high-return properties held in principal investment and for other investments to generate growth.

At this point, the Company believes that it has reached a stage where a stable dividend can be paid. This decision is based on the steady growth in the volume of assets in the asset management business and other factors. The Company plans to pay a dividend of 1,500 yen per share of common stock applicable to 2004. This is expected to result in a dividend payout ratio of 7% on a consolidated basis. The company aims to further increase its dividend payout ratio. Retained earnings will be used for the acquisition of properties held in principal investment that can contribute to further growth.

For the purposes of heightening the liquidity of Company stock and increasing the number of shareholders, the Board of Directors on August 12, 2004 approved a resolution to conduct a 3-for-1 stock split on February 21, 2005 for shareholders and beneficial shareholders of record on December 30, 2004.

While adhering to the position that further improving operating results is the most effective way to return earnings to shareholders, the Company will also examine various other means of rewarding shareholders.

(3) Targeted Performance Indicators

Sustained growth in shareholder value is another company priority. Accordingly, the Company's management practices reflect on the return on equity and similar indicators.

During this fiscal year, the shareholders' equity increased due partly to a public offering of stock. Return on equity reached 22.0% which was 4.2% more than one year earlier.

Placing priority on further stabilizing its operations, the Company is concentrating on expanding the asset management business, which provides a steady source of revenues. In line with this policy, management regards the volume of real estate under management as a key performance indicator. At the end of the fiscal year, these assets totaled approximately 250.0 billion yen, 108% more than one year earlier.

(4) Medium-term Management Strategy

The real estate services and finance fields, which are the core businesses of the Group, are expected to continue growing as properties are sold in conjunction with the disposition of non-performing loans and the adoption of new

accounting standards for the impairment of assets by companies. Other notable developments are the growth of the J-REIT market and rising interest in real estate as a high-return investment – as can be seen in the Company’s sale of investment properties to pension funds – amid Japan’s extended period of low interest rates. In this environment, demand for the kind of specialized knowledge and creativity offered by the Group is expected to continue to grow. In response, the Group’s policy is to act aggressively to offer a comprehensive line of investment services that cover all client investment objectives.

The goal of the Company is to become one of Japan’s most prominent real estate asset managers. This is to be accomplished by building a highly stable and profitable corporate group that combines the asset management business, a source of consistent earnings, with the highly profitable real estate investment advisory and note investment management businesses.

(5) Important Management Issues

Interest in real estate investments is rising along with the growth of the J-REIT market and advancements in the real estate securitization business. The resulting growth in the number of new entrants in this industry is leading to even more intense competition for the acquisition of quality properties. In this environment, ensuring the stable procurement of quality properties is the most important issue concerning the Group’s business activities. For this purpose, the Company is stepping up efforts to identify and acquire quality properties. The Company is using its experience to target a more diverse range of properties, expand the stages at which it participates in properties by participating in development projects, and broaden the geographic coverage by extending activities to second-tier cities.

Regarding client investors, efforts will be increased to attract pension funds and other institutions with long-term investment policies that emphasize stability. In addition, steps will be taken to diversify the range of client investors served in order to quickly conduct IPOs of J-REITs formed by the Company.

In the rapidly changing real estate market, success requires acquisition of the latest information and skill in new business schemes, as well as the development of a talented workforce. With this in mind, the Company conducts an incentive plan and other programs to motivate employees while conducting an aggressive program to recruit talented individuals.

To enhance its credibility, raise the liquidity of its stock and reap other benefits, the Company in December 2004 moved its stock listing to the first section of the Tokyo Stock Exchange. The Company will continue to prioritize the preservation of a stable fund procurement environment and effective internal operating framework.

(6) Measures to Improve Corporate Governance

Due to the increasing need for shareholder-oriented management and demands posed by the globalization of business activities, the Company is working to further enhance its corporate governance by creating a framework conducive to rapid decision-making and providing a system of checks and balances.

The Company is managed by a board of directors with four members and three corporate auditors. There is one external director, Mr. Noboru Kashiwagi, who is a professor in the Faculty of Law at Chuo University (Tokyo). As a rule, the directors meet once each month. All meetings are attended by the external director, who uses his knowledge as a legal professional to provide valuable counseling regarding the execution of business activities.

Mr. Shintaro Kanno, who is one external corporate auditor and has extensive knowledge and experience in the field of corporate finance and accounting as a CPA, conducts auditing rigorously in the manner our business activities are conducted.

Mr. Haruo Funabashi, who is expected to be elected as another external corporate auditor in the next shareholders’ meeting (March 2005) will provide with us effective guidance base upon his long career in the Ministry of Finance

and the Ministry of Land Infrastructure and Transport.

To cope with the dramatic changes taking place in real estate markets, the Company introduced the post of corporate executive officer. By dividing the roles of management supervision and decision-making for business activities, this system aims to make the board of directors even more effective and increase the speed of management activities.

To increase the effectiveness of the corporate executive officer system, an Investment and Loan Committee has been established. This committee examines the risks associated with proposed investments, exceeding a pre-determined acquisition price, and discusses these proposals from various perspectives before the investments are submitted for approval to the directors.

3. Results of Operations and Financial Position

(1) Summary of the Current Fiscal Year

During 2004, Japan's economy continued to stage a recovery as growth in exports and capital expenditures led to an improvement in corporate earnings.

In the real estate services and finance industries, where the Group is active, there was rising interest in real estate investments. Demonstrating this trend is the growth in number of publicly owned J-REITs and their market capitalization. Moreover, the volume of real estate sales and securitizations is climbing because of progress in resolving non-performing loans and the adoption of asset impairment accounting. The result was a continuation in the favorable operating environment for the Group.

In response, the Group concentrated on locating quality properties and providing investment opportunities to investors in the fields of real estate and non-performing loans. Efforts also targeted enhancing capabilities in the asset management business. Due to these activities, the Company was able to increase revenue and earnings while achieving a large increase in client assets under management.

During 2004, the Company structured two real estate funds for corporate pension fund. In addition, priority was placed on attracting more clients that have long-term investment policies that emphasize stability with the aim of further stabilizing the operating base by serving a more diverse range of clients.

The Company continued to take actions to procure funds and improve its financial position, in particular, there was a public offering of stock and a 20.0 billion yen credit facility was established with financial institutions.

Due to these factors, consolidated revenue increased 19.3% to 6,052 million yen, ordinary income rose 87.0% to 2,733 million yen and net income was up 87.4% to 1,633 million yen.

Results by business segment were as follows.

A) Real Estate Investment Advisory Business

There were declines in leasing income and gains on sales from properties held in principal investment, but growth in properties acquired for funds sold to pension funds and other clients generated a large volume of acquisition fees. The result was a 1.4% increase in revenue to 3,451 million yen and a 34.3% increase in operating income to 2,369 million yen.

B) Asset Management Business

Asset management fees increased due to a large increase in the volume of assets under management and there was an increase in incentive fees associated with the sale of properties under management. As a result, revenue increased 108.4% to 1,382 million yen and operating income rose 174.0% to 734 million yen.

C) Note Investment Management Business

Although consulting fees were lower, segment results benefited from a large volume of revenue from the collection of notes and growth in asset management fees due to an increase in the volume of notes handled. As a result, revenue increased 21.3% to 1,218 million yen and operating income was up 42.4% to 585 million yen.

(2) Cash Flows

Cash and cash equivalents at the end of December 2004 totaled 4,365 million yen, 1,365 million yen less than at the end of December 2003. Net cash used in operating activities was 25,466 million yen, mainly for the acquisition of real estate held for sale, but fund procurement activities provided cash of 24,304 million yen, mainly from loans and bonds as well as from the public offering of stock.

A) Operating Activities

Net cash used in operating activities was 25,466 million yen, 1,663.8% more than one year earlier. This was mainly attributable to net payments of 23,179 million yen from acquisition and sale of real estate held for sale. Although these items are normally classified as investing activities, the Company has started including these items in operating activities due to a change in its accounting policy.

B) Investing Activities

Net cash used in investing activities was 204 million yen compare with net cash provided of 11,645 million yen in 2003. This was mainly due to 129 million yen in payment for capital investment in affiliates and other factors.

C) Financing Activities

Net cash provided by financing activities was 24,304 million yen compare with net cash used of 7,221 million yen in 2003. There was a net increase of 20,244 million yen in long- and short-term borrowings due to the purchase of properties held in principal investment, proceeds of 1,900 million yen from issuance of bonds, and proceeds of 2,200 million yen from issuance of stock by public offering.

(3) Outlook for 2005

In 2005, the Company expects continued growth in assets under management, primarily from the assets of pension funds and other clients that have long-term investment policies that emphasize stability. Structuring these funds leads to growth in acquisition fees associated with the acquisition of properties and in asset management fees. In addition, the Company expects to generate earnings from development projects, which are one means of acquiring quality properties. Furthermore, a J-REIT structured by the Company is scheduled to conduct an IPO in the second half of 2005. As a result, steady growth in revenue and earnings is foreseen.

Due to the above items, the Company is forecasting a 22.3% increase in revenue to 7,400 million yen, a 40.8% increase in ordinary income to 3,850 million yen and a 35.9% increase in net income to 2,220 million yen.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

Account title	Notes	Year 2003 (As of December 31, 2003)		Year 2004 (As of December 31, 2004)		
		Amount	%	Amount	%	
Assets						
I Current assets						
1. Cash and cash equivalents		5,731,638		4,089,466		
2. Deposits held in trust		-		1,487,232		
3. Accounts receivable - trade		267,357		409,604		
4. Inventories		-		23,707,174		
5. Note receivable (loan pool)		924,377		602,874		
6. Deferred tax assets		56,503		218,620		
7. Others		445,545		1,436,380		
8. Allowance for doubtful accounts		(32,972)		(82,761)		
Total current assets		7,392,449	64.6	31,868,592	79.1	
II Fixed assets						
1. Tangible assets						
(1) Buildings		51,718		82,008		
Accumulated depreciation		5,243	46,474	9,383	72,624	
(2) Others		46,489		73,964		
Accumulated depreciation		13,965	32,523	21,712	52,252	
Total tangible assets			78,998		124,876	0.3
2. Intangible assets			6,037		8,348	0.0
3. Investment and other assets						
(1) Investment securities			464,434		6,924,553	
(2) Investment in capital			158,595		386,806	
(3) Investments in silent partnerships			2,336,871		-	
(4) Long-term loans			830,596		696,524	
(5) Deferred tax assets			39,444		54,626	
(6) Others			131,094		219,055	
Total investment and other assets			3,961,036	34.6	8,281,566	20.6
Total fixed assets			4,046,073	35.4	8,414,791	20.9
Total assets			11,438,523	100.0	40,283,383	100.0

(Thousands of yen)

Account title	Notes	Year 2003 (As of December 31, 2003)		Year 2004 (As of December 31, 2004)	
		Amount	%	Amount	%
Liabilities					
I Current liabilities					
1. Accounts payable - trade		25,110		140,415	
2. Short-term borrowings		1,544,369		17,155,026	
3. Long-term borrowings - due within one year		738,400		680,000	
4. Corporate bonds – due within one year		-		120,000	
5. Accrued income taxes		317,387		1,037,476	
6. Deferred tax liabilities		238		-	
7. Security deposits		-		1,188,139	
8. Others		439,671		522,118	
Total current liabilities		3,065,177	26.8	20,843,177	51.7
II Long-term liabilities					
1. Bonds payable		1,300,000		3,040,000	
2. Long-term borrowings		1,339,963		6,027,136	
3. Silent partnership contribution received		129,933		875,966	
4. Allowance for employee retirement benefits		3,266		6,240	
5. Allowance for directors' retirement benefits		95,290		112,460	
Total long-term liabilities		2,868,453	25.1	10,061,803	25.0
Total liabilities		5,933,631	51.9	30,904,980	76.7
Minority interest					
Minority interest		5,624	0.0	18,200	0.1
Shareholders' equity					
I Capital					
II Capital surplus		1,484,851	13.0	2,610,382	6.5
III Consolidated retained earnings					
IV Net unrealized holding gains/losses on other securities		1,796,368	15.7	2,871,512	7.1
		2,194,421	19.2	3,828,187	9.5
Total shareholders' equity		23,626	0.2	50,118	0.1
		5,499,266	48.1	9,360,202	23.3
Total liabilities, shareholders' equity and minority interest		11,438,523	100.0	40,283,383	100.0

(2) Consolidated Statements of Income

(Thousands of yen)

Account title	Notes	Year 2003 (Jan. 1, 2003 – Dec. 31, 2003)		Year 2004 (Jan. 1, 2004 – Dec. 31, 2004)			
		Amount	%	Amount	%		
I Revenue			5,071,922	100.0	6,052,274	100.0	
II Cost of revenue			1,316,860	26.0	1,016,706	16.8	
Gross profit			3,755,062	74.0	5,035,568	83.2	
III Selling, general and administrative expenses							
1. Provision for doubtful accounts		1,127			52,053		
2. Directors' salaries		166,016			169,673		
3. Salaries and bonuses		662,483			875,232		
4. Provision for employee retirement benefits		1,880			3,123		
5. Provision for directors' retirement benefits		71,290			17,170		
6. Secondment fees		55,900			35,335		
7. Other fees and commissions		402,986			180,643		
8. Others		441,708	1,803,395	35.5	512,226	1,845,457	30.5
Operating income			1,951,667	38.5	3,190,110	52.7	
IV Non-operating income							
1. Interest income		29,738			28,093		
2. Equity in earnings of non-consolidated affiliates, etc.		74,534			179,412		
3. Others		13,189	117,462	2.3	15,982	223,488	3.7
V Non-operating expenses							
1. Interest expense		334,685			287,434		
2. New stock issue expenses		5,393			21,602		
3. Bond issue expenses		47,335			47,900		
4. Commissions paid		175,770			271,638		
5. Others		43,863	607,048	12.0	51,234	679,809	11.2
Ordinary income			1,462,080	28.8	2,733,788	45.2	
VI Extra-ordinary income							
1. Gain on sale of capital investment in affiliates		9,467			-		
2. Gain on sale of investment securities		5,000			84,335		
3. Reversal of allowance for doubtful accounts		16,097			-		
4. Consumption taxes differential (after being offset by suspense payments and receipt)		180,908	211,473	4.2	-	84,335	1.4
VII Extra-ordinary loss							
1. Loss on sale of investments in silent partnerships		34,851		0.7	-	-	0.0
Income before provision for income taxes and profit distribution to silent partners			1,638,702	32.3	2,818,124	46.6	
Profit distribution to silent partners			144,159	2.8	33,578	0.6	
Income before provision for income taxes			1,494,543	29.5	2,784,546	46.0	
Current income taxes		573,564			1,333,693		
Deferred income taxes		49,007	622,571	12.3	(196,100)	1,137,593	18.8
Minority interest			244	(0.0)		13,185	(0.2)
Net income (after taxes)			871,727	17.2	1,633,766	27.0	

(3) Consolidated Statements of Retained Earnings*(Thousands of yen)*

Account title	Notes	Year 2003 (Jan. 1, 2003 - Dec. 31, 2003)		Year 2004 (Jan. 1, 2004 - Dec. 31, 2004)	
		Amount		Amount	
Capital reserve					
I Capital surplus at beginning of year			1,656,671		1,796,368
II Increase in capital surplus					
1. New stock issuance		132,600		1,051,817	
2. New stock issuance for stock acquisition rights		6,957		22,869	
3. Transfer from stock acquisition rights		139	139,696	457	1,075,143
III Capital surplus at end of year			1,796,368		2,871,512
Retained earnings					
I Retained earnings at beginning of year			1,322,694		2,194,421
II Increase in retained earnings					
Net income		871,727	871,727	1,633,766	1,633,766
III Retained earnings at end of year			2,194,421		3,828,187

(4) Consolidated Statements of Cash Flow*(Thousands of yen)*

		Year 2003 (Jan. 1, 2003 - Dec. 31, 2003)	Year 2004 (Jan. 1, 2004 - Dec. 31, 2004)
Account title	Notes	Amount	Amount
I Operating activities			
1. Income before provision for income taxes		1,494,543	2,784,546
2. Gain on sale and collection of notes purchased		(393,330)	(753,397)
3. Profit distribution on principal investment in silent partnerships		(132,496)	(639,564)
4. Increase (decrease) in provision for doubtful accounts		(92,707)	49,788
5. Increase (decrease) in provision for employee retirement benefits		1,002	2,973
6. Increase (decrease) in provision for directors' retirement benefits		16,290	17,170
7. Interest income		(29,738)	(28,093)
8. Interest expense		334,685	287,434
9. Profit distribution to silent partners		144,159	33,578
10. Equity in earnings of non-consolidated affiliates, etc.		(74,534)	(179,412)
11. Gains on sale of real estate held for sale		-	(528,083)
12. Gains on sale of fixed assets		(1,183,893)	-
13. Loss on sale of fixed assets		198,315	-
14. Gain on sale of investment securities		(5,000)	(84,335)
15. Gain on sale of capital investment in affiliates		(9,467)	-
16. Loss on sale of investments in silent partnerships		34,851	-
17. Increase (decrease) in accounts receivable - trade		(168,769)	(142,246)
18. Payment for acquisition of real estate held for sale		-	(51,632,172)
19. Proceeds from sale of real estate held for sale		-	28,453,080
20. Increase (decrease) in accounts payable - trade		(59,122)	115,466
21. Purchase of notes		(6,344,849)	(3,817,224)
22. Proceeds from sale and collection of notes purchased		7,209,150	4,892,124
23. Distributions from silent partnerships		237,475	1,710,113
24. Contribution paid in silent partnerships		(1,565,000)	(5,117,495)
25. Proceeds from sale of silent partnerships		71,000	157,000
26. Proceeds from receipt of deposits for contribution to silent partnerships		-	876,300
27. Redemption of contribution received from silent partners		(195,211)	(163,844)
28. Others		230,348	(878,143)
Subtotal		(282,299)	(24,556,437)
29. Interest and dividend received		17,829	36,911
30. Interest paid		(343,000)	(305,556)
31. Profit distribution paid to silent partners		(144,159)	-
32. Income taxes paid		(692,190)	(613,488)
Net cash used in operating activities		(1,443,819)	(25,466,570)

(Thousands of yen)

		Year 2003 (Jan. 1, 2003 - Dec. 31, 2003)	Year 2004 (Jan. 1, 2004 - Dec. 31, 2004)
Account title	Notes	Amount	Amount
II Investing activities			
1. Payment for purchase of fixed assets		(11,775,261)	(61,220)
2. Proceeds from sale of fixed assets		23,259,774	-
3. Payment for loans		(379,615)	(320,578)
4. Proceeds from repayment of loans		186,906	452,625
5. Payment for acquisition of investment securities		(82,849)	(116,300)
6. Proceeds from sale of investment securities		55,000	109,472
7. Payment for capital investment in affiliates		(33,100)	(129,162)
8. Proceeds from capital investments in affiliates		-	5,683
9. Proceeds from capital redemption of affiliates		42,000	33,500
10. Decrease in funds owing to sale of investment in subsidiaries due to change in scope of consolidation		175,998	(3,514)
11. Others		196,609	(174,860)
Net cash provided by (used in) investing activities		11,645,462	(204,357)
III Financing activities			
1. Proceeds from short-term borrowings		12,146,550	40,136,000
2. Repayment of short-term borrowings		(13,031,600)	(24,525,343)
3. Proceeds from long-term borrowings		9,500,000	21,559,636
4. Repayment of long-term borrowings		(17,426,791)	(16,925,513)
5. Proceeds from issuance of stock		290,192	2,200,218
6. Proceeds from issuance of bonds		1,300,000	1,900,000
7. Payment for redemption of bonds		-	(40,000)
Net cash provided by (used in) financing activities		(7,221,648)	24,304,997
IV Net increase in cash and cash equivalents		2,979,994	(1,365,931)
V Cash and cash equivalents at beginning of period		2,751,644	5,731,638
VI Cash and cash equivalents at end of period	*1	5,731,638	4,365,707

Remarks: Major Changes in Accounting Method

Described below are two major changes in the Company's accounting policy. These changes have been made in our balance sheet, and have not given any effects on our P/L.

(1) Properties held in principal investment

The Company, through consolidated subsidiaries that serve as investment vehicles, acquires and temporarily holds the properties for future sale to corporate pension funds and other Japanese institutional investors. Although the properties held in principal investment were in the past classified as one of the fixed assets, the Company has started to treat real estate temporarily held for sale as "inventories"(one of the current assets), due mainly to the fact that the holding period from acquisition to sale has substantially been shortened.

In order to strike a balance, the Company has also classified the security deposits(received from the tenants of the properties held in principal investment) as one of current liabilities rather than long-term liabilities.

With respect to the statements of cash flow, the Company has changed the classification of acquisition and sale of principal investment from investing activities to operating activities.

(2) Investments in silent partnerships

Investment in silent partnerships has started to be classified as investment securities, due to the amendment of the Securities Transaction Act which took effect on December 1, 2004.