

Summary of Consolidated Financial Results for the First Quarter of 2006 (January 1, 2006 – March 31, 2006)

Described below is an abstract in English of the financial results for the first quarter of 2006 ended March 31, 2006 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: Kenedix, Inc.
 Stock code: 4321
 URL: <http://www.kenedix.com>
 Stock Exchange listing: First Section, Tokyo Stock Exchange
 Company Domicile: Tokyo
 Contact: Taiji Yoshikawa, Member of the Board of Directors and Executive Officer, CFO
 Tel: +81-3-3519-2530
 Changes in Accounting Method: None
 Changes in Consolidated Subsidiaries and Affiliates Accounted For Under the Equity Method:

Consolidated subsidiaries	New: 15	Excluded: 0
Affiliates	New: 4	Excluded: 3

1. Consolidated Financial Results (Jan. 1, 2006 – March. 31, 2006)

(1) Consolidated Results of Operations

(Amounts rounded off to million yen)

	Revenue		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
First Quarter of 2006	6,683	168.3	5,222	231.0	4,866	269.9
First Quarter of 2005	2,491	131.7	1,577	155.0	1,315	132.5
(ref.) Year ended Dec 2005	13,958	130.6	9,140	186.5	8,113	196.8

	Net income (after taxes)		Net income per share, (basic)	Net income per share, (diluted)
	Million yen	YoY change (%)	Yen	Yen
First Quarter of 2006	2,719	250.0	9,633.45	9,550.30
First Quarter of 2005	777	131.3	3,283.56	3,258.22
(ref.) Year ended Dec. 2005	4,757	191.2	18,326.81	17,734.92

Note: 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
First Quarter ended March 2006	139,841	30,869	22.1	109,306.05
First Quarter ended March 2005	56,448	9,945	17.6	41,978.68
(ref.)Year ended Dec. 2005	95,593	28,561	29.9	100,815.44

(3) Consolidated Cash Flow Position

	Net cash provided by (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
First Quarter ended March 2006	(25,310)	(2,040)	29,945	21,783
First Quarter ended March 2005	(6,188)	(765)	14,858	12,270
(ref.)Year ended Dec. 2005	(25,247)	(5,962)	45,912	19,178

2. Forecast of Consolidated income for the Year Ending Dec. 2006 (Jan. 1, 2006 – Dec. 31, 2006)

	Revenue	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	7,900	5,400	3,100
Full year	16,200	10,000	5,900

Reference: Estimated consolidated net income per share for the full year: 20,822.37 yen

Note: The above forecast is based on information available to us as of May 9, 2006. The actual results are affected by various factors and may differ substantially.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

Account title	Year				(ref.)	
	March 31,2005		March 31,2006		December 31,2005	
	Amount	%	Amount	%	Amount	%
Assets						
I Current assets						
1 Cash and cash equivalents	11,700,427		19,329,860		18,658,721	
2 Deposits held in trust	1,739,161		4,623,463		1,632,013	
3 Accounts receivable - trade	527,117		653,986		616,399	
4 Inventories	27,897,471		84,371,661		54,790,419	
5 Note receivable (loan pool)	1,433,757		7,243,779		1,254,598	
6 Others	1,525,358		3,327,680		1,720,931	
7 Allowance for doubtful accounts	(82,812)		(37,588)		(42,783)	
Total current assets	44,740,480	79.3	119,512,842	85.5	78,630,299	82.3
II Fixed assets						
1 Tangible assets						
(1) Buildings	71,309		73,187		75,326	
(2) Others	52,568		59,001		59,486	
Total tangible assets	123,877	0.2	132,189	0.1	134,812	0.1
2 Intangible assets	9,041	0.0	9,006	0.0	8,242	0.0
3 Investment and other assets						
(1) Investment securities	9,464,504		16,186,789		13,190,976	
(2) Investment in capital	952,463		2,632,091		2,418,095	
(3) Long-term loans	854,628		911,796		800,920	
(4) Others	303,321		456,365		410,337	
Total investment and other assets	11,574,917	20.5	20,187,042	14.4	16,820,330	17.6
Total fixed assets	11,707,836	20.7	20,328,239	14.5	16,963,385	17.7
Total assets	56,448,316	100.0	139,841,081	100.0	95,593,684	100.0

(Thousands of yen)

Account title	Year				(ref.)	
	March 31,2005		March 31,2006		December 31,2005	
	Amount	%	Amount	%	Amount	%
Liabilities						
I Current liabilities						
1 Accounts payable - trade	476,602		317,153		264,482	
2 Short-term borrowings	22,407,150		51,927,465		29,014,200	
3 Long-term borrowings - due within one year	665,000		3,577,350		2,485,000	
4 Corporate bonds - due within one year	720,000		1,936,000		1,636,000	
5 Accrued income taxes	391,855		1,730,426		2,763,130	
6 Allowance for accrued bonuses payable	73,183		178,930		-	
7 Security deposits	1,574,264		3,529,014		1,497,520	
8 Others	553,149		1,765,398		1,010,182	
Total current liabilities	26,861,206	47.6	64,961,739	46.4	38,670,516	40.4
II Long-term liabilities						
1 Bonds payable	4,380,000		7,494,000		6,554,000	
2 Long-term borrowings	13,907,118		34,966,069		19,872,858	
3 Silent partnership contribution received	1,198,714		841,714		1,275,013	
4 Deferred tax liabilities	-		480,846		444,517	
5 Allowance for employee retirement benefits	6,954		11,429		10,791	
6 Allowance for directors' retirement benefits	116,677		152,425		140,050	
7 Others	-		43,467		47,630	
Total long-term liabilities	19,609,465	34.7	43,989,953	31.5	28,344,861	29.7
Total liabilities	46,470,671	82.3	108,951,692	77.9	67,015,378	70.1
Minority interest						
Minority interest	32,347	0.1	19,502	0.0	16,359	0.0
Shareholders' equity						
I Capital	2,615,132	4.6	9,512,085	6.8	9,507,752	10.0
II Capital surplus	2,876,172	5.1	9,771,219	7.0	9,766,887	10.2
III Consolidated retained earnings	4,453,992	7.9	10,704,831	7.6	8,433,984	8.8
IV Net unrealized holding gains/losses on other securities	-	-	810,829	0.6	739,893	0.8
Cumulative foreign exchange translation adjustments	-	-	112,961	0.1	113,428	0.1
Treasury stock	-	-	(42,040)	(0.0)	-	-
Total shareholders' equity	9,945,296	17.6	30,869,886	22.1	28,561,946	29.9
Total liabilities, shareholders' equity, and minority interest	56,448,316	100.0	139,841,081	100.0	95,593,684	100.0

(2) Consolidated Statements of Income

(Thousands of yen)

Account title	Year		First Quarter of 2005 (Jan. 1, 2005 – Mar. 31, 2005)		First Quarter of 2006 (Jan. 1, 2006 – Mar. 31, 2006)		Year 2005 (Jan. 1, 2005 – Dec. 31, 2005)		
	Amount	%	Amount	%	Amount	%			
I Revenue		2,491,120	100.0		6,683,261	100.0		13,958,522	100.0
II Cost of revenue		417,386	16.8		662,063	9.9		2,208,840	15.8
Gross profit		2,073,733	83.2		6,021,198	90.1		11,749,682	84.2
III Selling, general and administrative expenses									
1 Provision for doubtful accounts	51			-			210		
2 Directors' salaries	43,527			59,210			218,277		
3 Salaries and bonuses	141,671			186,437			1,220,324		
4 Provision for accrued bonus	73,183			178,930			-		
5 Provision for employee retirement benefits	2,120			1,577			5,480		
6 Provision for directors' retirement benefits	4,217			12,375			27,589		
7 Secondment fees	1,840			-			-		
8 Other fees and commissions	67,725			73,804			254,756		
9 Others	161,630	495,968	19.9	286,153	798,488	12.0	882,532	2,609,170	18.7
Operating income		1,577,765	63.3		5,222,709	78.1		9,140,511	65.5
IV Non-operating income									
1 Interest income	5,952			7,288			31,549		
2 Equity in earnings of non-consolidated affiliates, etc.	26,538			108,077			182,164		
3 Consumption taxes differential (after being offset by suspense payments and receipt)	-			-			65,753		
4 Others	3,458	35,949	1.5	43,610	158,976	2.4	65,388	344,855	2.4
V Non-operating expenses									
1 Interest expense	106,013			247,419			607,094		
2 New stock issue expenses	6,999			361			71,649		
3 Bond issue expenses	82,476			51,766			172,126		
4 Other fees and commissions	81,938			196,597			437,423		
5 Others	20,907	298,335	12.0	19,503	515,649	7.7	83,927	1,372,220	9.8
Ordinary income		1,315,378	52.8		4,866,036	72.8		8,113,146	58.1
VI Extra-ordinary income									
1 Gain on sale of investment securities	90,156	90,156	3.6	-	-	-	90,156	90,156	0.7
Income before provision for income taxes and profit distribution to silent partners		1,405,535	56.4		4,866,036	72.8		8,203,302	58.8
Profit distribution to silent partners		64,231	2.6		404,038	6.0		175,257	1.3
Income before provision for income taxes		1,341,303	53.8		4,461,997	66.8		8,028,044	57.5
Current income taxes	532,939			1,767,188			3,429,183		
Deferred income taxes	19,150	552,089	22.1	(24,531)	1,742,657	26.1	(167,571)	3,261,612	23.3
Minority interest		12,183	0.5		(452)	(0.0)		9,410	0.1
Net income		777,030	31.2		2,719,793	40.7		4,757,022	34.1

(3) Consolidated Statements of Retained Earnings

(Thousands of yen)

Account title	Year	Year 2005 (Jan. 1, 2005– Mar. 31, 2005)		Year 2006 (Jan. 1, 2006– Mar. 31, 2006)		Year 2005 (Jan. 1, 2005 – Dec. 31, 2005)	
		Amount		Amount		Amount	
Capital reserve							
I Capital surplus at beginning of year			2,871,512		9,766,887		2,871,512
II Increase in capital surplus							
1 New stock issuance for capital increase		-		-		6,889,676	
2 New stock issuance for stock acquisition rights		4,567		4,332		5,586	
3 Transfer from stock acquisition rights		91	4,659	-	4,332	112	6,895,374
III Capital surplus at end of year			2,876,172		9,771,219		9,766,887
Retained earnings							
I Retained earnings at beginning of year			3,828,187		8,433,984		3,828,187
Balance of retained earnings at beginning of year							
II Increase in retained earnings							
Net income		777,030	777,030	2,719,793	2,719,793	4,757,022	4,757,022
Decrease in retained earnings							
1 Cash dividends paid		118,225		352,946		118,225	
2 Bonuses to directors		33,000	151,225	96,000	448,946	33,000	151,225
Retained earnings at end of year			4,453,992		10,704,831		8,433,984

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

Account title	Period	First Quarter of 2005	First Quarter of 2006	Year 2005
		(Jan.1, 2005 - Mar.31, 2005)	(Jan.1, 2006 - Mar.31, 2006)	(Jan.1, 2005 - Dec.31, 2005)
		Amount	Amount	Amount
I Operating activities				
1. Income before provision for income taxes		1,341,303	4,461,997	8,028,044
2. Gain on sale and collection of notes purchased		(200,498)	(68,316)	(289,236)
3. Profit distribution on principal investment in silent partnerships		(247,761)	(1,306,405)	(1,488,431)
4. Increase (decrease) in provision for doubtful accounts		51	(5,195)	(39,977)
5. Increase (decrease) in provision for accrued bonuses		73,183	178,930	-
6. Increase (decrease) in provision for employee retirement benefits		714	638	4,551
7. Increase (decrease) in provision for directors' retirement benefits		4,217	12,375	27,589
8. Interest income		(5,952)	(7,288)	(31,549)
9. Interest expense		106,013	247,419	607,094
10. Profit distribution to silent partners		64,231	404,038	175,257
11. Equity in earnings of non-consolidated affiliates, etc.		(26,538)	(108,077)	(182,164)
12. Gains on sale of real estate held for sale		(771,042)	(3,053,363)	(2,301,653)
13. Gain on sale of investment securities		(90,156)	-	(90,156)
14. Increase (decrease) in accounts receivable - trade		(117,513)	(37,586)	(206,795)
15. Payment for acquisition of real estate held for sale		(11,455,064)	(25,734,793)	(68,811,402)
16. Proceed from sale of real estate held for sale		8,013,921	15,448,628	40,398,814
17. Increase (decrease) in accounts payable - trade		336,186	52,671	129,088
18. Purchase of notes		(978,687)	(6,056,614)	(1,154,951)
19. Proceeds from sale and collection of notes purchased		348,302	135,749	771,465
20. Distributions from silent partnerships		175,707	2,375,975	12,756,307
21. Contribution paid in silent partnerships		(2,430,000)	(8,630,998)	(12,484,400)
22. Proceeds from receipt of deposits for contribution to silent partnerships		276,915	164,900	494,785
23. Redemption of contribution received from silent partners		(18,400)	(1,002,237)	(588,731)
24. Directors' bonuses		-	(96,000)	(33,000)
25. Others		719,295	361,365	1,334,529
Subtotal		(4,881,569)	(22,262,186)	(22,974,920)
26. Interest received		1,126	(429)	26,170
27. Interest paid		(129,373)	(247,843)	(595,509)
28. Income taxes paid		(1,178,559)	(2,800,091)	(1,703,407)
Net cash used in operating activities		(6,188,375)	(25,310,550)	(25,247,666)

Account title	Period	First Quarter of 2005 (Jan.1, 2005 - Mar.31, 2005)	First Quarter of 2006 (Jan.1, 2006 - Mar.31, 2006)	Year 2005 (Jan.1, 2005 - Dec.31, 2005)
		Amount	Amount	Amount
II Investing activities				
1. Payment for purchase of fixed assets		(3,631)	(4,251)	(35,373)
2. Payment for loans		(194,510)	(274,850)	(603,827)
3. Proceeds from repayment of loans		36,406	3,973	499,431
4. Payment for acquisition of investment securities		(130,500)	(558,149)	(3,828,925)
5. Proceeds from sale of investment securities		108,085	-	108,085
6. Proceeds from capital reduction with compensation of investment securities		-	-	83,500
7. Payment for capital investment in affiliates		(550,900)	(1,060,890)	(1,985,620)
8. Proceeds from capital investments in affiliates		2,033	6,000	93,944
9. Proceeds from capital reduction of affiliates		-	-	7,000
10. Increase of investment in subsidiaries involving change in scope of consolidation		-	(24,433)	4,762
11. Decrease of investment in subsidiaries involving change in scope of consolidation		-	-	2,295
12. Others		(32,295)	(127,906)	(308,169)
Net cash provided by (used in) investing activities		(765,311)	(2,040,506)	(5,962,897)
III Financing activities				
1. Proceeds from short-term borrowings		12,529,000	45,174,000	65,358,400
2. Repayment of short-term borrowings		(7,276,876)	(22,260,735)	(53,499,226)
3. Proceeds from long-term borrowings		8,464,230	10,575,000	18,718,080
4. Repayment of long-term borrowings		(599,247)	(4,386,438)	(3,133,307)
5. Proceeds from issuance of stock		2,317	8,303	13,720,982
6. Proceeds from issuance of bonds		2,917,523	1,548,233	6,277,873
7. Payment for redemption of bonds		(1,060,000)	(360,000)	(1,420,000)
8. Proceeds from minority interests		-	-	8,000
9. Dividends paid		(118,225)	(352,946)	(118,225)
Net cash provided by (used in) financing activities		14,858,722	29,945,416	45,912,577
IV Effect of exchange rate changes on cash and cash equivalents		-	(467)	113,428
V Net increase (decrease) in cash and cash equivalents		7,905,034	2,593,891	14,815,441
VI Cash and cash equivalents at beginning of period		4,365,707	19,178,342	4,365,707
VII Increase in cash and cash equivalents resulting from changes in scope of consolidation		-	11,743	(2,806)
VIII Cash and cash equivalents at end of period		12,270,742	21,783,976	19,178,342

(5) Segment Information on Revenues (Consolidated Basis)

(Thousands of yen)

	First Quarter of 2005 (Jan.1,2005-Mar.31,2005)	First Quarter of 2006 (Jan.1,2006-Mar.31,2006)	(Reference) Year 2005 (Jan.1,2005-Dec.31,2005)
Real Estate Investment Advisory Business	1,746,210	5,419,040	8,189,702
Asset Management Business	458,860	637,261	4,512,973
Note Investment Management Business	286,048	626,960	1,255,846
Total Revenue	2,491,120	6,683,261	13,958,522