February 10, 2015

Summary of Consolidated Financial Results for the Year Ended December 31, 2014

[Japanese GAAP]

Described below is an abstract in English of the financial result for the fiscal year ended December 31, 2014 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. Listing: First Section, Tokyo Stock Exchange
Stock code: 4321 URL: http://www.kenedix.com
Representative: Taisuke Miyajima, CEO & President
Contact: Masahiko Tajima, Director Tel: +81-3-5623-8400
Scheduled date of General Meeting of Shareholders: March 25, 2015
Scheduled date of payment of dividend: March 26, 2015
Scheduled date of filing of Annual Securities Report (*Yuka Shoken Houkokusho*): March 25, 2015
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and securities analysts)

(Amounts rounded off to million yen)

1. Consolidated Financial Results (Jan. 1, 2014 – Dec. 31, 2014)

(1) Consolidated results of operations *(Percentage figures for revenue and incomes represent year-on-year changes)*

	Revenue		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 31, 2014	26,212	16.7	8,147	17.8	6,406	31.3	4,844	143.9
Year ended Dec. 31, 2013	22,456	7.2	6,914	18.5	4,878	109.5	1,985	-

Note: Comprehensive income (million yen) Year ended Dec. 31, 2014: 6,591 (148.5%) Year ended Dec. 31, 2013: 2,652 (-%)

	Net income per share, (basic)	Net income per share, (diluted)	Return on equity	Ordinary income/ total assets	Operating income/ revenue
	Yen	Yen	%	%	%
Year ended Dec. 31, 2014	18.24	18.22	6.5	3.6	31.1
Year ended Dec. 31, 2013	8.29	-	3.3	3.6	30.8

Reference: Equity in earnings of affiliates (million yen) Year ended Dec. 31, 2014: 400 Year ended Dec. 31, 2013: 87

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2014	203,268	85,351	38.0	290.62
As of Dec. 31, 2013	148,398	74,341	48.0	268.27

Reference: Shareholders' equity (million yen) As of Dec. 31, 2014: 77,206 As of Dec. 31, 2013: 71,268

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Dec. 31, 2014	9,379	(50,797)	44,320	31,159
Year ended Dec. 31, 2013	(2,787)	8,947	9,036	29,622

2. Dividends

	Dividend per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends/ net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Dec. 31, 2013	-	0.00	-	0.00	0.00	-	-	-
Year ended Dec. 31, 2014	-	0.00	-	3.00	3.00	796	16.5	1.1
Year ending Dec. 31, 2015 (forecast)	-	0.00	-	4.00	4.00		17.7	

3. Forecast of Consolidated Income for the Year Ending December 31, 2015 (Jan. 1, 2015 – Dec. 31, 2015)

(Percentage figures represent year-on-year changes)

	Revenue		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	21,600	(17.6)	7,500	(7.9)	6,700	4.6	6,000	23.8	22.59

* Notes

(1) Changes in significant consolidated subsidiaries (*Tokutei Kogaisha*) during the period: Yes

Newly added: 2 (KRF43 Silent Partnership, KRF50 Silent Partnership) Excluded: -

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding at end of period (including treasury stock)

As of Dec. 31, 2014:	265,658,200 shares	As of Dec. 31, 2013:	265,658,200 shares

2) Number of shares of treasury stock at end of period

As of Dec. 31, 2014:	- shares	As of Dec. 31, 2013:	- shares

3) Average number of shares outstanding during the period

Year ended Dec. 31, 2014:	265,658,200 shares	Year ended Dec. 31, 2013:	239,492,525 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results (Jan. 1, 2014 – Dec. 31, 2014)

(1) Non-consolidated results of operations *(Percentage figures represent year-on-year changes)*

	Revenue		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 31, 2014	9,845	91.8	3,159	1,949.0	6,451	-	8,173	-
Year ended Dec. 31, 2013	5,132	5.4	162	-	(597)	-	(15,642)	-

	Net income per share, (basic)	Net income per share, (diluted)
	Yen	Yen
Year ended Dec. 31, 2014	30.77	30.74
Year ended Dec. 31, 2013	(65.32)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2014	102,886	78,200	75.9	293.95
As of Dec. 31, 2013	104,992	69,207	65.9	260.35

Reference: Shareholders' equity (million yen) As of Dec. 31, 2014: 78,090 As of Dec. 31, 2013: 69,163

* Information regarding the implementation of audit procedures

This summary of financial results is exempted from audit procedures based on the Financial Instruments and Exchange Law. At the time of disclosure, the audit procedures for the consolidated financial statements have not been completed.

* Explanation of appropriate use of earnings forecasts, and other special items

Cautionary statement with respect to forward-looking statements

Forecasts of future performance in this report are based on assumptions judged to be valid and information currently available to the Company. Actual results are affected by various factors and may differ substantially. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to page 3 of the attachments "Analysis of Results of Operations (Outlook for 2015)."

How to view supplementary materials for financial results

Kenedix plans to hold a financial results meeting for institutional investors and securities analysts on February 10, 2015. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

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1. Analysis of Results of Operations and Financial Position

In 2014, Japan's economy showed signs of weakness due to the downturn in demand following the rush to buy prior to the April 2014 consumption tax hike and to the higher cost of raw materials as the yen depreciated. But economic indicators are currently recovering because of rebounds in exports, capital expenditures and housing investments along with a steady improvement in jobs and personal income. As a result, the drop following the consumption tax hike has ended and Japan's economy appears to be poised to recover at a moderate pace.

Overseas, economies are recovering and expanding slowly in the United States and other industrialized countries. However, there are a number of sources of uncertainty. Economic growth is slowing in Europe, the price of crude oil has plummeted, the end of US monetary easing is impacting markets in emerging countries, and there are geopolitical risk factors. These events may have an effect on Japan's economy, too.

In the real estate services and real estate finance sectors, where the Kenedix Group operates, the decline in the real estate leasing market has ended and a recovery has started. Average vacancy rates and average monthly leasing rates are rebounding, primarily at high-quality properties. Furthermore, competition among buyers of real estate has become somewhat overheated, chiefly among Japanese real estate companies and overseas funds. Large properties in central Tokyo are being sold at relatively low expected returns as a result. Although real estate purchases by J-REITs were less than in 2013, activity in the REIT market remained high. Market capitalization of all J-REITs surpassed 10 trillion yen as IPOs raised the number of J-REITs, many J-REITs issued more stock, and more J-REIT buying by the Bank of Japan boosted their investment unit prices.

The Kenedix Group has been making good progress concerning the goals of the medium-term management plan that was announced on February 14, 2013 and reached these goals one year early.

(1) Analysis of Results of Operations

a. Summary of the fiscal year

There have been many activities in 2014 to build a stronger base for growth. Sales of consolidated properties continued and the proceeds from these sales, along with funds procured from the stock offering in 2013, were being used for investments and other actions.

There were many activities during 2014 that contributed to growth in assets under management. Office REIT and residential REIT managed by subsidiary Kenedix Real Estate Fund Management, Inc. sold stock to procure funds that were used to buy more properties. In addition, the private REIT Kenedix Private Investment Corporation started operations in March. Premier REIT Advisors Co., Ltd., which manages Premier Investment Corporation, joined the Kenedix Group as an affiliate. In another move to add assets under management, Kenedix has started making preparations for the establishment and stock listing of a retail J-REIT and a senior healthcare J-REIT.

Another significant event of the year was the establishment of Kenedix Property Management, Inc. All of these activities are aimed at building a stable base of operations by expanding businesses that are steady sources of fee income as well as further diversifying the operations of the Kenedix Group.

At the end of 2014, assets under management (AUM) totaled 1,480.6 billion yen. This was a net increase of 274.3 billion yen (22.7%) from the end of 2013.

Interest-bearing debt on a consolidated basis at the end of 2014 was 40,589 million yen more than at the end of 2013 because of the establishment of new funds for further growth. However, this debt was only 52.5% of total assets and the average interest rate on this debt decreased from 2.0% in 2013 to 1.4% in 2014. As a result, Kenedix was able to preserve its financial soundness while lowering interest and other financial expenses.

In 2014, consolidated revenue was up 16.7% year on year to 26,212 million yen, operating income increased 17.8% to 8,147 million yen, ordinary income increased 31.3% to 6,406 million yen and net income increased 143.9% to 4,844 million yen.

The following section explains performance by business segments.

1) Asset Management Business

In the Asset Management Business, asset management fees were stable and there was an increase in incentive fees, which are received based on the performance of a fund when it ends, and disposition fees, which are received when properties are sold. The result was a 19.6% (1,421 million yen) increase in revenue to 8,654 million yen and a 11.5% increase in operating income to 4,347 million yen.

2) Real Estate Investment Business

In the Real Estate Investment Business, revenue declined 17.9% (1,680 million yen) to 7,712 million yen because of a decrease in revenue from real estate sales. On the other hand, operating income increased 28.5% to 2,680 million yen because of gains on the sale of real estate, dividend income from investment in TK, and an increase in rental revenue due to growth in consolidated properties.

3) Real Estate Leasing Business

In the Real Estate Leasing Business, leasing revenue was higher as rental revenue increased along with growth in properties held in principal accounts. In addition, there was a growth in master lease revenue and rent income at Space Design, Inc., which became a consolidated subsidiary in 2013. The result was a 67.6% increase in revenue to 10,852 million yen and a 39.8% increase in operating income to 2,556 million yen.

b. Outlook for 2015

Kenedix expects revenue of 21,600 million yen, operating income of 7,500 million yen, ordinary income of 6,700 million yen and net income of 6,000 million yen in 2015. Based on the basic policies of its new medium-term management plan, Kenedix is aiming at: growth of stable earnings backed mainly by the Asset Management Business; growth of the Real Estate Investment Business primarily by using co-investments; and achieve the proper balance between financial soundness and the distribution of earnings to shareholders.

(2) Analysis of Financial Position

Balance Sheet Position

Total assets were 203,268 million yen as of December 31, 2014, 54,869 million yen more than as of December 31, 2013. Growth in properties held in principal accounts resulting from the establishment of new real estate funds and an investment in Kenedix Private Investment Corporation were mainly responsible for the increase in total assets.

Total liabilities increased 43,859 million yen to 117,916 million yen. Most of this increase was the result of growth in loans associated with the establishment and consolidation of new real estate funds.

Net assets increased 11,009 million yen to 85,351 million yen mainly because of net income and the increase in minority interests.

In some cases, consolidated subsidiaries use non-recourse loans to procure funds to acquire properties. Such loans are solely the responsibility of the subsidiary holding the properties, and loan repayments can be no greater than cash flows from assets held by the subsidiary. Consequently, these non-recourse loans should be excluded from consideration when analyzing the Group’s debt-equity ratio.

The following table presents changes in the debt-equity ratio.

Reference: Cash flow indicators *(Millions of yen)*

	Dec. 2010	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
Interest-bearing debt (1)	123,625	109,767	63,623	66,025	106,615
(Non-recourse loans included) (2)	(69,764)	(60,444)	(21,640)	(28,347)	(82,888)
Net assets (3)	71,147	71,435	56,071	74,341	85,351
Cash and deposits (4)	10,913	7,706	13,813	25,795	28,546
Net debt (5) ((1)-(2)-(4))	42,947	41,617	28,168	11,883	(4,819)
Net debt-equity ratio net of non-recourse loans (5)/(3) *(%)*	60.4	58.3	50.2	16.0	(5.6)

Cash Flows

Operating activities provided net cash of 9,379 million yen, financing activities provided net cash of 44,320 million yen and investing activities used net cash of 50,797 million yen. The result was an increase of 1,537 million yen in cash and cash equivalents during 2014 to 31,159 million yen as of the end of December 2014.

Operating Activities

Net cash provided by operating activities was 9,379 million yen, compared with 2,787 million yen used in 2013. This was mainly attributable to income before taxes of 3,930 million yen, and an increase in inventories of 5,085 million yen.

Investing Activities

Net cash used in investing activities was 50,797 million yen compared with 8,947 million yen provided in 2013. This was mainly attributable to the payments of 94,149 million yen for the purchase of property and equipment due to new consolidation, while there were proceeds of 49,779 million yen from the sales of property and equipment.

Financing Activities

Net cash provided by financing activities was 44,320 million yen, compared with 9,036 million yen used in 2013. This was mainly attributable to increases in non-recourse long-term borrowings, non-recourse bonds payable and short-term non-recourse borrowings due to new consolidation, and the proceeds of 6,447 million yen from minority interests. Minority interests represent primarily the investments of external parties in funds consolidated by the Group.

(3) Basic Policy for Allocation of Earnings and Dividend for 2014 and 2015

Kenedix positions 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 consolidated operating results. The dividend for each year is determined by taking into account all applicable factors, including operating results, the need to retain earnings to generate growth, the dividend payout ratio and other items.

In 2014, there were many initiatives for building a profit structure that can be consistently profitable. These actions were based on the medium-term management plan. Due to these initiatives, net income was 4.8 billion yen in 2014.

Due to the results of operations in 2014, Kenedix plans to resume dividend payments for the first time since the dividend applicable to 2007 by making a year-end payment of 3 yen per share applicable to 2014.

In 2015, Kenedix started a new three-year medium-term management plan called Partners in Growth 2017. The one of the basic policies of this plan is to increase stable earnings mainly through growth of the Asset Management Business. As part of this goal, one priority will be the consistent payment of a dividend that is supported by base earnings* derived from stable earnings.

* Base earnings are gross operating income from the Asset Management Business and Real Estate Related Business

less selling, general and administrative expenses. Kenedix has changed its business segments in 2015. Please see the presentation materials for Results of Operations for the Fiscal Year Ended December 31, 2014 dated February 10, 2015 for more information about the new business segments.

(4) Business Risk

The following is a list of items that may have a significant effect on investors' decisions. The Group is aware of these risks and is taking actions to prevent the occurrence of the problems and respond as necessary should a problem arise. Forward-looking statements in the document are based on the judgments of the Group's management as of the end of the fiscal year under review.

1) Economic downturn

The Group is engaged in the provision of real estate investment services and of real estate asset management services. An economic downturn, resulting from financial, political, or other factors whether in Japan or abroad, could depress real estate market conditions, for instance, by dampening interest in real estate investment, stifling real estate transactions, raising vacancy rates, and bringing down leasing rates. These events could adversely affect the Group's operating results.

2) Losses related to the re-valuation and impairment of assets invested in

The Company acquires real estate on its own investment account, as well as invests in real estate funds established by the Group. The value of assets invested in can be affected by re-valuation or asset impairment, or upon sale of the real estate, by losses from sales. These events could adversely affect the Group's operating results.

3) Fund procurement

The Group raises necessary funds through borrowings from financial institutions and the issuance of bonds, and carries out steady refinancing of its bank borrowings. There is a possibility that financial institutions may restrain their lending activities because of depressed financial or political conditions, or the Company's relationship with its creditors may deteriorate, or its credit worthiness (including credit rating) may substantially deteriorate. In any of these events, the Group may not be able to refinance its borrowings, or be forced to sell real estate owned by the Group on unfavorable terms in order to procure sufficient funds. This may adversely affect the Group's operating results and financial position.

4) Liquidity in the real estate market

Instability in the economic environment or real estate market may depress liquidity in real estate transactions. As a consequence, it may be impossible to sell real estate owned by the Company or by the Group's real estate funds, or to sell it as planned, or the real estate may have to be sold at unfavorable prices.
This may adversely affect the Group's operating results and financial position.

5) Financial covenant

Some of the Group's bank borrowings are subject to the financial covenants provided in the loan agreements. Infringement on these restrictions and the invocation of acceleration clauses may trigger cross default clauses which do not only require the repayment of these borrowings but of all other outstanding borrowings of and bonds issued by the Company. This would negatively impact the Group's financial position. Also, with certain syndicated loans and other loans extended to the Company, there are restrictions as a covenant, for instance, not to post ordinary losses in the consolidated full-term and interim statements of income. In the case of infringement, there may be a negative impact on the Group's operations, results, and financial position, unless the creditors concerned endorse it as they may refuse a request by the Company not to invoke the acceleration clause.

6) Competition

The performance of the real estate funds offered in the asset management business, the real estate investment business and the real estate leasing business, the Company’s core businesses, are expected to face intensified competition as their performance is evaluated relative to various financial products and investments. In the event that real estate funds become less attractive than other types of investments, the Group’s operating results may be adversely affected. Especially an early recovery in the real estate market may trigger increased competition.

7) Interest rates

In the event that interest rates rise in the future, the Group would see an increase in its cost of fund procurement as well as in the returns that client investors expect. Higher interest rates could also cause real estate prices to decline. These events may adversely affect the Group’s operating results.

8) Recruiting activities

The Group is dedicated to offering competitive services based on the knowledge and experience of its workforce concerning real estate investments. Offering these services requires a team of talented employees. Accordingly, the Company has a policy of recruiting individuals with outstanding skills as required. However, the Company may not be able to hire a sufficient number of these individuals or may have to deal with a large defection of talented employees. These events could have an effect on business operations and may also adversely affect the Group’s operating results.

9) Changes in laws and regulations

The Group is conducting its business activities in conformity with all currently applicable laws and regulations and subject to the risks associated with these laws and regulations. However, any future changes in these laws and regulations could have a negative impact on the Group’s business activities. The Group is primarily subject to the following laws and regulations: Financial Instruments and Exchange Law, Building Lots and Buildings Transaction Business Law, the Law Concerning Investment Trusts and Investment Corporations, Soil Contamination Countermeasures, the Special Measures Law Concerning the Claims Servicing Business, Money Lending Law, and the Law for Architects and Building Engineers.

Due to the enactment of the Financial Instruments and Exchange Law in Japan, the real estate funds managed by the Group are now subject to the provisions of this law. Future changes to the laws and regulations or their interpretation and application may affect the Group’s operating results.

10) Geographical bias and risk of disaster damage to real estate value

Most properties that the Group invests in, owns, or manages are located in the Tokyo area. Any deterioration in the economic conditions in this area may affect the Group’s operating results. Also, the Tokyo area and other regions where the Group’s properties are located may be subject to earthquakes, wars, terrorism, fires and other disasters. Such events could reduce the value of these properties, negatively affecting the Group’s operating results and financial position.

11) Medium-term management plan

The Group has established a medium-term management plan in February 2015 that covers the three-year period from 2015 to 2017. Based on this plan, the Group is aiming at: (1) Increase stable earnings mainly through growth of the Asset Management Business, (2) Expand the Real Estate Investment Business primarily by using co-investments, and (3) Achieve the proper balance between financial soundness and shareholder distributions. The Group will take numerous actions aimed at achieving the goals of the medium-term management plan.

The Group will continue to take the actions outlined above. However, operational changes and changes in the environment, including fund procurement, liquidity in the real estate market, and other economic aspects, may make it impossible to realize the management plan.

12) Risks associated with defects and other problems involving real estate

Real estate, the primary asset in which the Group invests, has the potential of having defects and problems involving holders of rights, soil conditions, structural integrity of buildings and other items. Prior to acquiring a property, the Group conducts a rigorous due-diligence. However, the Group may incur unexpected costs to resolve defects, falsified structural designs, and other problems that emerge following an acquisition. These expenses may have a negative effect on the Group's operating results and financial position.

13) Mergers and acquisitions, equity alliances, and other actions

The Group views mergers and acquisitions and equity alliances as effective means of achieving growth. Such actions will be taken only when they will contribute to growth in assets under management or diversification of real estate investments, and generate synergies with existing businesses.

The Group will conduct thorough examinations and take steps to reduce all risks prior to executing a merger, acquisition or equity alliance. However, it is possible that, after the transaction is finalized, contingent liabilities or other problems may arise or that the counterparty or the Company may not perform as expected. These events may have an effect on the Group's operating results and financial position.

14) Determining of the scope of consolidation

Most of the private funds that are formed and managed by the Group are structured using silent partnership agreements, and ordinarily the investment interest of the operator of the silent partnership is held by the general incorporated association to ensure bankruptcy remoteness. In the real estate fund and NPL investment fund industries the Group belongs to, it is recognized that in these industries the accounting practices for determining control and influence with respect to asset management agreements and servicer agreements under such a structure have not yet been established.

On September 8, 2006 the Accounting Standards Board of Japan released its Practical Issues Task Force (PITF) No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations," (Last revised on March 25, 2011), and the Group has applied the provisions of this PITF starting with the fiscal year 2006. Currently, the Group determines the scope of consolidation by deciding whether each fund or SPC is a subsidiary or affiliate by individually determining whether the Company exerts control or influence, taking into consideration the asset management agreement or silent partnership agreement.

In the event that accounting practices that differ greatly from the policies that have been adopted by the Company with respect to the determination of the scope of consolidation for SPCs become established as a result of the establishment of new accounting standards or the release of practical guidelines, this could cause substantial changes in the Company's policies for determining the scope of consolidation, having an effect on the operating results and financial position of the Group.

15) Management of personal information

The Group fully understands the importance of handling personal information of tenants and other parties, and stores all these information involved in a responsible way. However, if unforeseen circumstances were to result in an information leak, it may be subject to indemnity charges and thus incur losses, as well as hurt the Group's credibility. This may affect the Group's operating results and financial position.

2. The Kenedix Group

The Kenedix Group is made up of Kenedix, Inc., 52 subsidiaries and 14 affiliates. The operations of the Group consist of three business sectors: (1) asset management, (2) real estate investment, and (3) real estate leasing. These business segments are the same as the segment classifications listed in the section “Segment Information.”

(1) Asset Management Business

The asset management business provides real estate investors, which are the clients of Kenedix, with a return on their investments by providing investment opportunities concerning real estate, loans backed by real estate, and other assets and services for the operation and management of real estate (asset management service). In return for the provision of these services, we receive fees that can be divided into the following four general categories.

1) Acquisition fees: Fees received for providing real estate investors with investment opportunities

- We locate properties that match the needs of real estate investors and use funds in which our investors have contributed to purchase real estate and other assets.
- When we purchase real estate and other assets, we receive a fee that is a certain percentage of the purchase price.

2) Asset management fees: Fees received for the management of investments in real estate

- Our goal is to increase the value of assets by operating and managing real estate and other assets in a manner that preserves and increases revenue.
- We submit reports to real estate investors concerning the operations of portfolio properties.
- In return for these services, we receive a fee that is usually calculated as a certain percentage of the aggregate purchase prices of portfolio assets.

3) Disposition fees: Fees received in association with sales of real estate and other assets and the recovery of capital

- We earn profits by recovering invested capital through sales of real estate and other assets.
- When a property is sold, we receive a fee that is a certain percentage of the sales price.

4) Incentive fees: Fees received for achieving a particular return on investment

- When an investment reaches completion after all real estate and other assets have been sold, we receive a fee that is equal to part of the return, if any, that exceeds the target return that was determined in advance with the investors.

In addition to these four major categories of fees in the asset management business, we receive brokerage fees when we serve as a broker for a transaction, consulting fees when we use our real estate investment expertise to provide consulting and advisory services, and other types of fees.

(2) Real Estate Investment Business

The real estate investment business involves the ownership of real estate directly by the Group. In some cases, real estate is held temporarily prior to inclusion in a fund in order to facilitate the efficient establishment of a fund. In other cases, properties are held jointly in order to align the interests of a fund with those of the Group or held for other reasons. In addition, we purchase non-performing loans (NPL) for the purpose of making pure investments. Revenue in this business consists of the following items.

1) Leasing revenue

- This is leasing revenue from real estate for sale.

2) Revenue from real estate sales

- The sale of real estate for sale generates this revenue.

3) Dividend income from investment in TK

- As part of the asset management business, the Company makes minority equity investments with real estate investors, which are the client of Kenedix, in the funds that the Company has established and manages.
- Dividend income from investments in TK is the Company's share of the earnings or losses from funds.

4) Valuation loss of inventories

- The Company marks to market its real estate for sale at the end of each quarter.
- When the fair value of real estate for sale falls below book value, we record the difference as an inventory valuation loss.

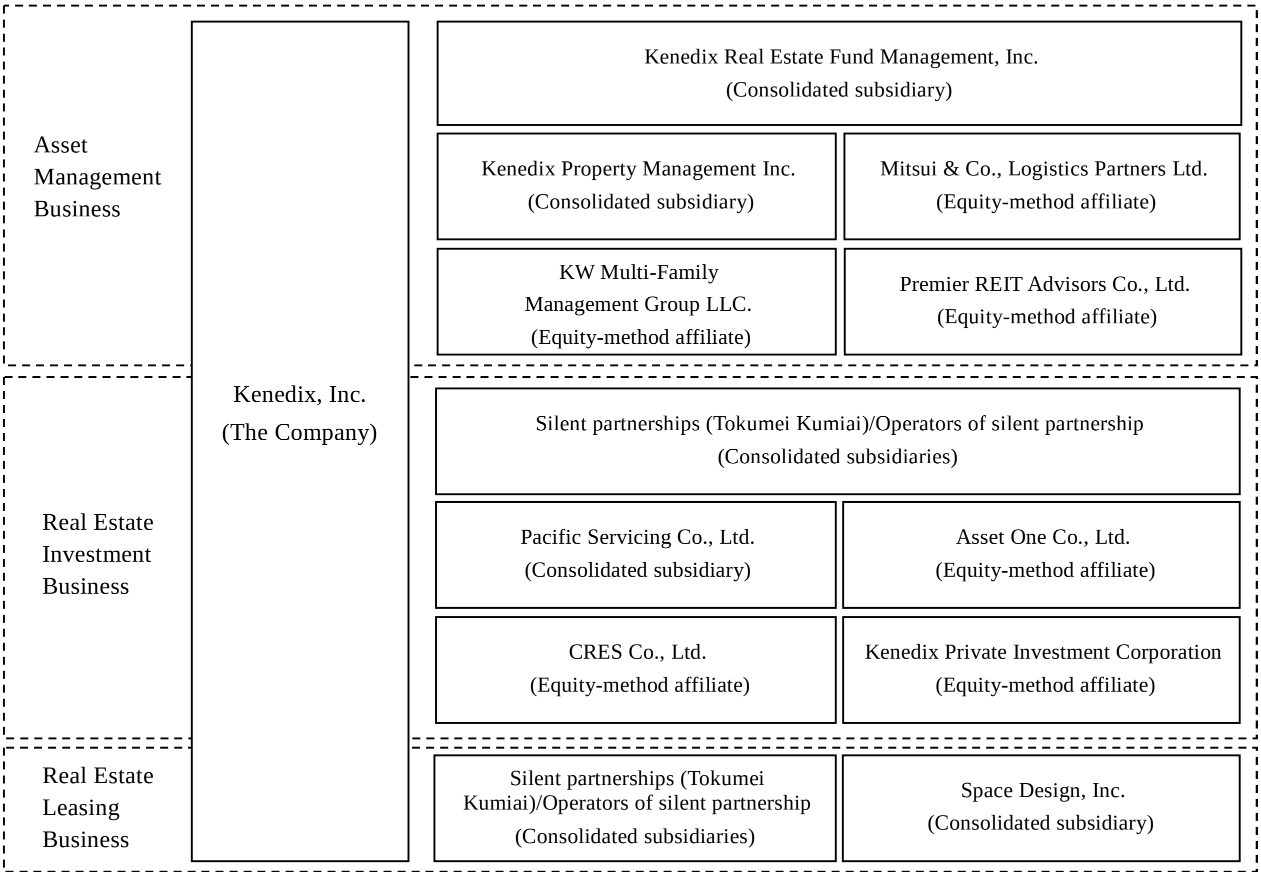
5) Gain/loss on sales and collection of acquired NPL

- The Company uses its expertise in real estate investing to invest in NPL.
- We record a profit or loss when we sell or collect an NPL that we have purchased.

(3) Real Estate Leasing Business

The real estate leasing business mainly involves the leasing of land and buildings that are long-term holdings classified as fixed assets. Our goal is to increase the value of these assets by raising their profitability. We plan to accomplish this by strengthening leasing operations to increase occupancy rates and by streamlining the management of real estate to cut expenses in this business.

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



3. Management Policies

(1) Fundamental Management Policy

The Group is an organization specializing in real estate services and real estate finance. The Group's overall goal is to maximize returns on investments to the real estate investors, which are clients of Kenedix. 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 retain its commitment to meeting targets and to sincerity. Our goal is to establish long-term relationships based on trust with clients, employees and investors and to comply strictly with laws, regulations and other guidelines. By taking these actions, the Group is determined to maximize its corporate value in order to contribute to society.

(2) Medium- and Long-term Management Strategy, Targeted Performance Indicators, and Inportant Management Issues.

In accordance with the above fundamental management policy, the Group has established a medium-term management plan called Partners in Growth 2017 that covers the three-year period ending in 2017. This plan includes the following basic policy, quantitative plan and major initiatives.

(1) Basic policy

a. Increase stable earnings mainly through growth of the Asset Management Business

b. Expand the Real Estate Investment Business primarily by using co-investments

c. Achieve the proper balance between financial soundness and shareholder distributions

(2) Quantitative plan (consolidated)

	Numerical targets
Increase stable earnings	Base earnings*1: 4 billion yen (2017)
Improve capital efficiency	Three-year average ROE*2: 8.0%

*1: Base earnings are gross operating income from the Asset Management Business and Real Estate Related Business less selling, general and administrative expenses. Kenedix has changed its business segments in 2015. Please see the presentation materials for 2014 results of operations dated February 10, 2015 for more information about the new business segments.

*2: The three-year average ROE is the return on equity in each year which is calculated by dividing net income by the average of equity at the beginning and end of each year.
These two targets do not incorporate the effects of goodwill resulting from acquisitions.

(3) Major initiatives

a. Increase stable earnings mainly through growth of the Asset Management Business

The goal is to build a more powerful profit structure centered on the Asset Management Business by taking the following actions.

- Use asset management expertise to expand AUM in many categories
- Add new categories of AUM, such as health care and infrastructure
- Offer more non-asset real estate services and provide services that raise the value of AUM
- Expand overseas operations by forming ties with new investors, making more overseas investments and other activities
- Further strengthen administrative operations, the foundation for improving asset management skills and the quality of services

b. Expand the Real Estate Investment Business primarily by using co-investments

Manage a real estate investment portfolio with emphasis on earning returns and sustaining growth while preserving the proper balance between recovering current investments and making new investments.

- Make co-investments with client investors
- Make investments that contribute to the growth of other Kenedix businesses (with emphasis on investments in retail and healthcare facilities)
- Upgrade monitoring and risk management for the investment portfolio
- Maintain an allocation of funds that anticipates upcoming changes in market conditions

c. Achieve the proper balance between financial soundness and shareholder distributions

Maintain the proper balance among financial soundness, the return on equity and shareholder distributions while taking into account the cycle of the real estate market.

- Hold non-consolidated debt to a suitable level for financial soundness
- Maintain the proper balance between real estate investments and equity
- Pay a dividend every year based on base earnings
- Increase retained earnings to support the timely and flexible distribution of earnings to shareholders

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2013 (As of Dec. 31, 2013)	FY2014 (As of Dec. 31, 2014)
Assets		
Current assets		
Cash and deposits	25,795	28,546
Deposits held in trust	1,103	3,290
Accounts receivable-trade	1,079	1,213
Securities	5,000	-
Real estate for sale	14,950	12,114
Acquired non-performing loans	353	95
Income taxes refundable	169	2,017
Deferred tax assets	156	932
Other	1,243	2,418
Allowance for doubtful accounts	(87)	(40)
Total current assets	49,763	50,588
Fixed assets		
Property and equipment		
Buildings and structures	31,089	37,618
Accumulated depreciation	(2,680)	(2,489)
Buildings and structures, net	28,408	35,129
Land	49,941	83,050
Other	309	961
Accumulated depreciation	(74)	(69)
Other, net	235	891
Total property and equipment	78,586	119,071
Intangible assets		
Leasehold right	2,861	2,856
Goodwill	412	870
Other	63	105
Total intangible assets	3,338	3,832
Investments and other assets		
Investment securities	11,889	22,387
Investment in capital	461	485
Long-term loans receivable	548	803
Deferred tax assets	63	146
Other	3,984	5,994
Allowance for doubtful accounts	(236)	(42)
Total investment and other assets	16,710	29,775
Total fixed assets	98,635	152,679
Total assets	148,398	203,268

(Millions of yen)

	FY2013 (As of Dec. 31, 2013)	FY2014 (As of Dec. 31, 2014)
Liabilities		
Current liabilities		
Accounts payable-trade	594	625
Short-term borrowings	3,541	4,630
Short-term non-recourse borrowings	-	837
Non-recourse bonds-due within one year	19	146
Long-term borrowings-due within one year	6,589	6,542
Long-term non-recourse borrowings-due within one year	622	1,210
Accrued income taxes	156	427
Provision for contingent loss	-	189
Other	1,729	3,657
Total current liabilities	13,253	18,267
Long-term liabilities		
Non-recourse bonds payable	2,909	8,334
Long-term borrowings	27,547	12,554
Long-term non-recourse borrowings	24,796	72,359
Deferred tax liabilities	1,389	556
Allowance for employees’ retirement benefits	107	-
Net difined benefit liability	-	123
Long-term security deposits	3,701	5,218
Other	351	503
Total long-term liabilities	60,803	99,649
Total liabilities	74,056	117,916
Net assets		
Shareholders’ equity		
Common stock	40,237	40,237
Additional paid-in capital	40,496	28,782
Retained earnings	(9,605)	6,967
Total shareholders’ equity	71,128	75,986
Accumulated other comprehensive income		
Net unrealized holding gains/losses on other securities	398	1,334
Deffered gains or losses on hedges	-	(10)
Foreign currency translation adjustments	(257)	(104)
Total accumulated other comprehensive income	140	1,219
Subscription rights to shares	44	110
Minority interests	3,028	8,035
Total net assets	74,341	85,351
Total liabilities and net assets	148,398	203,268

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	FY2013 (Jan. 1, 2013 – Dec. 31, 2013)	FY2014 (Jan. 1, 2014 – Dec. 31, 2014)
Revenue	22,456	26,212
Cost of revenue	11,378	12,693
Gross profit	11,077	13,519
Total selling, general and administrative expenses	4,162	5,371
Operating income	6,914	8,147
Non-operating income		
Interest income	26	68
Consumption taxes differential (after being offset by suspense payments and receipt)	5	0
Equity in earnings of affiliates	87	400
Foreign currency transaction gain	61	98
Other	94	129
Total non-operating income	275	697
Non-operating expenses		
Interest expenses	1,561	1,541
Commissions paid	563	526
Provision for contingent loss	-	189
Other	187	181
Total non-operating expenses	2,312	2,438
Ordinary income	4,878	6,406
Extraordinary income		
Gain on sales of fixed assets	144	3,375
Other	2	293
Total extraordinary income	146	3,669
Extraordinary loss		
Loss on sales of investment securities	241	29
Loss on valuation of investment securities	2	0
Loss on sales of fixed assets	1,855	3,866
Impairment loss	48	2,206
Office transfer expenses	132	-
Other	11	43
Total extraordinary losses	2,291	6,146
Income (loss) before income taxes and profit distribution to silent partners	2,734	3,930
Profit distribution to silent partnerships	(0)	0
Income (loss) before income taxes	2,734	3,930
Current income taxes	646	645
Deferred income taxes	72	(2,218)
Total income taxes	718	(1,572)
Income (loss) before minority interests	2,015	5,503
Minority interests	29	658
Net income (loss)	1,985	4,844

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2013 (Jan. 1, 2013 – Dec. 31, 2013)	FY2014 (Jan. 1, 2014 – Dec. 31, 2014)
Income (loss) before minority interests	2,015	5,503
Other comprehensive income		
Net unrealized holding gains/losses on other securities	465	936
Deffered gains or losses on hedges	-	(10)
Foreign currency translation adjustments	171	163
Total other comprehensive income	637	1,088
Comprehensive income	2,652	6,591
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,613	5,923
Comprehensive income attributable to minority interests	39	668

(3) Consolidated Statements of Changes in Net Assets

FY2013 (Jan. 1, 2013 – Dec. 31, 2013)

(Millions of yen)

	Shareholders' equity			
	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity
Balance as of Jan. 1, 2013	31,322	31,581	(11,593)	51,310
Changes in the fiscal year				
Issuance of new shares	8,915	8,915		17,830
Transfer to other capital surplus from legal capital surplus				-
Net income			1,985	1,985
Change of scope of consolidation			1	1
Net changes of items other than shareholders' equity				
Total changes in the fiscal year	8,915	8,915	1,987	19,818
Balance as of Dec. 31, 2013	40,237	40,496	(9,605)	71,128

(Millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Net unrealized holding gains/losses on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance as of Jan. 1, 2013	(57)	-	(429)	(486)	-	5,247	56,071
Changes in the fiscal year							
Issuance of new shares							17,830
Transfer to other capital surplus from legal capital surplus							-
Net income							1,985
Change of scope of consolidation							1
Net changes of items other than shareholders' equity	455	-	171	627	44	(2,219)	(1,547)
Total changes in the fiscal year	455	-	171	627	44	(2,219)	18,270
Balance as of Dec. 31, 2013	398	-	(257)	140	44	3,028	74,341

FY2014 (Jan. 1, 2014 – Dec. 31, 2014)

(Millions of yen)

	Shareholders' equity			
	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity
Balance as of Jan. 1, 2014	40,237	40,496	(9,605)	71,128
Changes in the fiscal year				
Issuance of new shares				-
Transfer to other capital surplus from legal capital surplus		(11,714)	11,714	-
Net income			4,844	4,844
Change of scope of consolidation			13	13
Net changes of items other than shareholders' equity				
Total changes in the fiscal year	-	(11,714)	16,572	4,858
Balance as of Dec. 31, 2014	40,237	28,782	6,967	75,986

(Millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Net unrealized holding gains/losses on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance as of Jan. 1, 2014	398	-	(257)	140	44	3,028	74,341
Changes in the fiscal year							
Issuance of new shares							-
Transfer to other capital surplus from legal capital surplus							-
Net income							4,844
Change of scope of consolidation							13
Net changes of items other than shareholders' equity	936	(10)	153	1,079	66	5,006	6,151
Total changes in the fiscal year	936	(10)	153	1,079	66	5,006	11,009
Balance as of Dec. 31, 2014	1,334	(10)	(104)	1,219	110	8,035	85,351

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2013 (Jan. 1, 2013 – Dec. 31, 2013)	FY2014 (Jan. 1, 2014 – Dec. 31, 2014)
Operating activities		
Income before income taxes	2,734	3,930
Depreciation and amortization	960	1,320
Increase (decrease) in allowance for doubtful accounts	(306)	(241)
Interest income	(26)	(68)
Interest expense	1,561	1,541
Equity in (earnings) losses of non-consolidated subsidiaries and affiliates	(87)	(400)
Loss (gain) on sales of fixed assets	1,710	490
Loss (gain) on sales of investment securities	239	40
Loss (gain) on valuation of investment securities	2	0
Impairment loss	48	2,206
Decrease (increase) in notes and accounts receivable-trade	548	(133)
Increase (decrease) in notes and accounts payable-trade	88	31
Decrease (increase) in inventories	(10,691)	5,085
Decrease (increase) in acquired non-performing loans	1,270	257
Decrease (increase) in silent partnership	1,879	(2,095)
Other, net	(700)	614
Subtotal	(770)	12,579
Interests and dividends received	50	93
Interests paid	(1,650)	(1,475)
Income taxes paid	(1,150)	(2,113)
Income taxes refund	733	294
Net cash provided by (used in) operating activities	(2,787)	9,379
Investing activities		
Payment for purchase of property and equipment	(396)	(94,149)
Proceeds from sale of property and equipment	16,447	49,779
Payment for purchase of intangible assets	(2,276)	(130)
Payment for purchase of investment securities	(2,095)	(1,375)
Proceeds from redemption of investment securities	1,016	120
Payments into time deposits	(2,003)	(36)
Proceeds from withdrawal of time deposits	100	2,124
Payment for purchase of stocks of subsidiaries and affiliates	(602)	(6,724)
Proceeds from sales of stocks of subsidiaries and affiliates	0	1,096
Payment for purchase of investment in subsidiaries involving change in scope of consolidation	(1,822)	(1,632)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	76	-
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	20	-
Other, net	482	130
Net cash provided by investing activities	8,947	(50,797)

(Millions of yen)

	FY2013 (Jan. 1, 2013 – Dec. 31, 2013)	FY2014 (Jan. 1, 2014 – Dec. 31, 2014)
Financing activities		
Increase (decrease) in short-term borrowings	1,349	(220)
Increase (decrease) in non-recourse short-term borrowings	-	837
Proceeds from long-term borrowings	18,154	550
Repayment of long-term borrowings	(29,552)	(15,590)
Proceeds from non-recourse long-term borrowings	18,440	76,314
Repayment of non-recourse long-term borrowings	(14,052)	(28,162)
Proceeds from issuance of non-recourse bonds	999	6,537
Payment for redemption of non-recourse bonds	(1,519)	(1,019)
Proceeds from issuance of new shares	17,647	-
Proceeds from minority interests	1,403	6,447
Dividends to minority interests	(134)	(110)
Distributions to minority interests	(3,691)	(1,252)
Other, net	(6)	(8)
Net cash provided by (used in) financing activities	9,036	44,320
Effect of exchange rate changes on cash and cash equivalents	137	120
Increase (decrease) in cash and cash equivalents	15,335	3,022
Cash and cash equivalents at beginning of period	14,452	29,622
Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	(164)	(1,485)
Cash and cash equivalents at end of period	29,622	31,159

Segment Information

FY2013 (Jan. 1, 2013 – Dec. 31, 2013) *(Millions of yen)*

	Reportable segment			Adjustment	Amount recorded in consolidated statements of income
	Asset Management Business	Real Estate Investment Business	Real Estate Leasing Business		
Revenue	7,233	9,393	6,476	(647)	22,456
Segment operating income	3,900	2,085	1,829	(899)	6,914
Segment assets	5,483	29,392	89,922	23,599	148,398

FY2013 (Jan. 1, 2014– Dec. 31, 2014) *(Millions of yen)*

	Reportable segment			Adjustment	Amount recorded in consolidated statements of income
	Asset Management Business	Real Estate Investment Business	Real Estate Leasing Business		
Revenue	8,654	7,712	10,852	(1,007)	26,212
Segment operating income	4,347	2,680	2,556	(1,436)	8,147
Segment assets	7,175	43,613	133,367	19,112	203,268