

Consolidated Financial Statements for the First Nine Months of the Fiscal Year Ending March 2006

Company name: Shinoken Co., Ltd.	Stock code: 8909
(URL: http://www.shinoken.com)	Stock Exchange listing: JASDAQ
Representative: Hideaki Shinohara, Representative President and Director	
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1. Matters Related to the Preparation of Quarterly Financial Statements

(1) Adoption of the simplified principles for accounting: Yes

We have adopted the simplified method for booking corporate taxes and other items.

We have adopted some simplified methods for booking reserves.

(2) Changes in accounting principles from the recent consolidated fiscal years: None

(3) Changes in scope of consolidation and application of equity method: None

2. Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 2006

(April 1, 2005 – December 31, 2005)

(1) Consolidated Results of Operations

(All amounts are rounded down to the nearest million yen)

	Revenues		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
December 2005	9,889	38.5	553	116.9	357	114.9	(1,474)	-
December 2004	7,140	119.8	255	-	166	-	136	-
(For reference) March 2005	12,498		745		597		391	

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
December 2005	(53,641.08)	-
December 2004	9,905.85	-
(For reference) March 2005	28,350.39	-

Notes: 1. Percentages in revenues, operating income and other item represent change from the same quarter of the previous fiscal year.

2. We only have year-on-year figures for revenues for the same quarter of the previous fiscal year because we began disclosing quarterly financial statements starting the first quarter of the fiscal year ended March 2005.

[Qualitative Information Regarding Consolidated Business Results]

In November 2005, it was discovered that some of the properties our group sold had been built using falsified earthquake-resistance data. We sincerely regret the trouble and concern this has caused everyone.

Group sales in the first nine months (April 1, 2005 – December 31, 2005) of the current fiscal year totaled 9,889 million yen (+38.5% year-on-year), and ordinary income 357 million yen (+114.9%). However, we booked a net loss of 1,474 million yen (compared with a 136 million yen gain in the same period of the previous fiscal year) as we booked an extraordinary loss of 2,290 million yen related to the earthquake-resistance data falsification scandal that the Ministry of Land Infrastructure Transportation (MLIT) brought to light on November 17, 2005.

Revenues increased 2,749 million yen year-over-year due primarily to the delivery of 3 high-rise apartment houses (1 in the same period of the previous fiscal year), 87 low-rise apartment houses (47 in the same period of the previous fiscal year), 88 land plots (95 in the same period of the previous fiscal year), and 50 one-room condominium units (54 in the same period of the previous fiscal year).

In the industry we operate, most apartment house construction completes in March, the season when demand for apartments is strongest; as a result, sales and profits in our rental apartment building sales operations tend to concentrate in the fourth quarter.

Consolidated Financial Position

(All amounts are rounded down to the nearest million yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of Yen	Millions of Yen	%	Yen
December 2005	22,576	617	2.7	22,453.11
December 2004	10,758	1,860	17.3	135,309.35
(For reference) March 2005	12,277	2,114	17.2	153,813.39

[Consolidated Cash Flow Position]

(All amounts are rounded down to the nearest million yen)

	CF from operating activities	CF from investing activities	CF from financing activities	Cash and cash equivalents at end of period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
December 2005	(11,392)	(20)	11,703	2,605
December 2004	(590)	(114)	1,249	1,655
(For reference) March 2005	433	(250)	1,021	2,315

[Qualitative Information Concerning Changes to the Consolidated Financial Position]

Our financial position at the end of the third quarter, as compared with the end of the previous consolidated fiscal year, changed as follows:

Total assets increased 10,298 million yen to 22,576 million yen, mainly due to increase in real estate operation accounts due, real estate for sale and tangible assets.

Liabilities increased 11,795 million yen to 21,958 million yen, due to a decline in unpaid real estate accounts and accounts payable, and an increase in short-term borrowings, reserves related to the earthquake-resistance data falsification scandal, corporate bonds, convertible bonds, and long-term borrowings.

Shareholders' equity decreased 1,497 million yen to 617 million yen from net loss.

(Cash flow position)

Cash and cash equivalents (hereinafter called 'net cash') at the end of the current third quarter were 2,605 million yen, a increase of 949 million yen over the end of the third quarter of previous fiscal year.

(Operating activities)

Net cash used in operating activities was 11,392 million yen (up 10,802 million yen from a year earlier). Positive factors were the booking of 1,034 million yen in reserves for losses related to the earthquake-resistance data falsification scandal, and a 587 million yen decline in receivables. Negative factors included the booking of a net loss before income taxes of 1,932 million yen, an 8,794 million yen increase in inventories, and a 345 million yen decline in payables.

(Investing activities)

Net cash used in investing activities were 20 million yen (down 93 million yen from a year earlier), mainly due to an increase of 492 million yen in proceeds from cancellation of time deposits, but decrease of 362 million yen in payment for acquisition of tangible assets.

(Financing activities)

Net cash provided by financing activities were 11,703 million yen (up 10,453 million yen from a year earlier), mainly due to increase of a 9,021 million yen in short- and long-term borrowings, and a 2,964 million yen from a corporate bond issue; cash flow decreased from the payment of 140 million yen in interest on borrowings.

3. Estimated Business Performance for the Fiscal Year Ending March 2006 (April 1, 2005 - March 31, 2006)

	Revenues	Ordinary income	Net income
	Millions of Yen	Millions of Yen	Millions of Yen
Full year	17,700	900	(502)

Reference: Estimated net income per share (full year): (18,258.53) yen

[Qualitative Information Regarding Earnings Forecasts]

We maintain the forecasts for the fiscal year ending March 2006 we previously announced on December 27, 2005.

* The estimated values above have been prepared based on information available as of the announcement date of the summary.
Actual results of operations may differ from the estimated values depending on various factors.

Additional Materials

Quarterly Consolidated Balance Sheet (summary); Quarterly Consolidated Statements of Income (summary)

[Additional Materials]

1. Quarterly Consolidated Balance Sheet (summary)

(Thousand of yen)

Items	As of Dec. 31, 2005	As of Dec. 31, 2004	Change		As of Mar. 31, 2005
	Amount	Amount	Amount	%	Amount
Assets					
I Current assets					
1. Cash and deposits	2,693,407	2,068,327	625,079		2,776,402
2. Real estate operation accounts due and accounts receivable	196,429	145,681	50,748		1,174,543
3. Operating loans receivable	1,609,821	1,512,967	96,853		1,555,160
4. Real estate for sale	2,944,430	1,939,322	1,005,107		1,156,995
5. Real estate operation outlays	12,055,348	3,028,121	9,027,226		3,559,323
6. Other inventories	40,150	24,855	15,295		25,735
7. Deferred tax assets	280,065	7,658	272,406		28,138
8. Others	246,004	206,718	39,285		102,465
Allowance for doubtful accounts	(15,579)	(9,900)	(5,678)		(17,577)
Total current assets	20,050,077	8,923,753	11,126,324	124.7	10,361,187
II Fixed assets					
1. Tangible assets					
(1) Buildings and structures	552,798	556,103	(3,304)		563,422
(2) Land	1,090,161	739,769	350,392		739,769
(3) Others	219,510	194,896	24,613		211,179
Total tangible assets	1,862,470	1,490,769	371,701	24.9	1,514,371
2. Intangible assets					
(1) Consolidated adjustment accounts	122,151	129,503	(7,351)		127,665
(2) Others	2,964	2,964	-		2,964
Total intangible assets	125,116	132,467	(7,351)	(5.5)	130,629
3. Investments and other assets					
(1) Investments in securities	16,010	9,932	6,078		12,606
(2) Deferred tax assets	286,850	54,863	231,987		61,673
(3) Others	262,107	157,565	104,541		202,672
Allowance for doubtful accounts	(26,470)	(10,422)	(16,047)		(9,581)
Total investments and other assets	538,497	211,939	326,558	154.1	271,371
Total fixed assets	2,515,494	1,835,176	680,317	37.1	1,916,372
Total assets	22,576,162	10,758,929	11,817,232	109.8	12,277,559

Note: All amounts are rounded down to the nearest thousand yen.

(Thousand of yen)

Items	As of Dec. 31, 2005	As of Dec. 31, 2004	Change		As of Mar. 31, 2005
	Amount	Amount	Amount	%	Amount
Liabilities					
I Current liabilities					
1. Real estate operation unpaid accounts and accounts payable	317,002	220,147	96,854		1,541,906
2. Short-term borrowings	7,138,587	4,584,761	2,553,826		4,601,552
3. Corporate bonds due within one year	40,000	40,000	-		40,000
4. Accrued income taxes	15,608	42,772	(27,163)		161,152
5. Real estate operation advances payable	268,283	359,814	(91,531)		129,310
6. Deposits received	272,159	180,611	91,548		288,732
7. Accrued employees' bonuses	14,345	-	14,345		14,430
8. Allowance for construction compensation	1,237	1,068	169		1,094
9. Reserves for losses related to the earthquake-resistance data falsification scandal	1,034,404	-	1,034,404		-
10. Others	344,732	242,514	102,217		341,454
Total current liabilities	9,446,361	5,671,689	3,774,672	66.6	7,119,632
II Long-term liabilities					
1. Bonds	1,540,000	610,000	930,000		590,000
2. Convertible bonds	2,000,000	-	2,000,000		-
3. Long-term borrowings	8,452,650	2,153,487	6,299,163		1,968,581
4. Accrued employees' retirement benefits	15,493	12,151	3,342		11,120
5. Accrued officers' severance benefits	209,698	160,861	48,837		159,689
6. Others	294,632	290,643	3,989		314,063
Total long-term liabilities	12,512,474	3,227,143	9,285,331	287.7	3,043,454
Total liabilities	21,958,836	8,898,832	13,060,003	146.8	10,163,087
Minority interests					
Minority interests	-	-	-	-	-
Shareholders' equity					
I Common stock	567,420	567,420	-		567,420
II Capital surplus	499,304	499,304	-		499,304
III Retained earnings	(307,675)	935,096	(1,242,771)		1,189,471
IV Treasury stock	(141,723)	(141,723)	-		(141,723)
Total shareholders' equity	617,325	1,860,097	(1,242,771)	(66.8)	2,114,472
Total liabilities and shareholders' equity	22,576,162	10,758,929	11,817,232	109.8	12,277,559

Note: All amounts are rounded down to the nearest thousand yen.

2. Quarterly Consolidated Statements of Income (summary)

(Thousand of yen)

Items	April 1, 2005 – December 31, 2005	April 1, 2004 – December 31, 2004	Change		April 1, 2004 – March 31, 2005
	Amount	Amount	Amount	%	Amount
I Revenues	9,889,856	7,140,411	2,749,444	38.5	12,498,695
II Cost of revenues	7,923,476	5,738,482	2,184,994	38.1	10,110,432
Gross profit	1,966,379	1,401,929	564,450	40.3	2,388,262
III Selling and general administrative expenses	1,412,789	1,146,691	266,098	23.2	1,642,824
Operating income	553,589	255,237	298,352	116.9	745,438
IV Non-operating income	17,746	17,839	(92)	(0.5)	25,658
V Non-operating expenses	213,656	106,617	107,038	100.4	173,121
Ordinary income	357,679	166,459	191,220	114.9	597,974
VI Extraordinary gains	-	11,636	(11,636)	-	12,768
VII Extraordinary losses	2,290,000	155	2,289,844		155
Net income before income taxes	(1,932,320)	177,940	(2,110,260)	-	610,587
Income taxes	(457,512)	41,057	(498,569)	-	219,329
Net income	(1,474,807)	136,883	(1,611,690)	-	391,258

Note: All amounts are rounded down to the nearest thousand yen.

3. Quarterly Consolidated Statements of Cash Flows (summary)

(Thousand of yen)

	April 1, 2005 – December 31, 2005	April 1, 2004 – December 31, 2004	April 1, 2004 – March 31, 2005
	Amount	Amount	Amount
I Cash flows from operating activities			
1. Net income before income taxes	(1,932,320)	177,940	610,587
2. Depreciation	53,386	50,266	67,232
3. Amortization of consolidated adjustment accounts	5,513	5,513	7,351
4. Increase (decrease) in reserves for losses related to the earthquake-resistance data falsification scandal	1,034,404	-	-
5. Interest expenses	138,922	88,001	119,432
6. Interest income	(256)	-	(205)
7. Decrease (increase) in receivables	971,952	1,559,159	528,371
8. Decrease (increase) in inventories	(10,297,874)	(1,503,218)	(1,252,973)
9. Increase (decrease) in payables	(1,224,903)	(879,571)	442,187
10. Payment of increase in operating loans receivable	(241,100)	(207,573)	(290,473)
11. Proceeds from collection of operating loans receivable	186,438	118,472	159,180
12. Decrease in real estate operation advances payable	(856,368)	(413,513)	(1,119,729)
13. Increase in real estate operation advances payable	995,340	721,138	1,196,850
14. Others	(60,959)	(189,379)	199,614
Subtotal	(11,227,822)	(472,763)	667,427
Income taxes paid	(165,135)	(117,896)	(233,646)
Net cash provided by (used in) operating activities	(11,392,957)	(590,660)	433,780
II Cash flows from investing activities			
1. Payment for acquisition of tangible assets	(362,460)	(28,123)	(67,824)
2. Payment for time deposits	(120,102)	(258,001)	(296,006)
3. Proceeds from cancellation of time deposits	492,600	179,000	169,000
4. Payment for increase in key money/deposits extended	(24,567)	(12,679)	(13,255)
5. Proceeds from decrease of key money/deposits extended	1,240	10,580	7,174
6. Others	(7,333)	(5,306)	(49,518)
Net cash used in investing activities	(20,622)	(114,531)	(250,430)
III Cash flows from financing activities			
1. Net increase (decrease) in short-term borrowings	2,758,900	988,200	754,000
2. Proceeds from long-term borrowings	10,040,000	1,545,000	2,355,000
3. Repayment of long-term borrowings	(3,777,796)	(1,502,253)	(2,246,168)
4. Proceeds from new issues of corporate bonds	964,896	-	-
5. Proceeds from issuance of convertible bonds	2,000,000	-	-
6. Payment for redemption of corporate bonds	(20,000)	(20,000)	(40,000)
7. Proceeds from new issues of shares	-	487,577	487,577
8. Acquisition of treasury stock	-	(141,723)	(141,723)
9. Dividends paid	(22,338)	(41,598)	(41,598)
10. Interests paid	(140,751)	(73,364)	(106,853)
11. Others	(99,827)	7,736	867
Net cash provided by financing activities	11,703,082	1,249,575	1,021,101
IV Increase in cash and cash equivalents	289,503	544,383	1,204,452
V Cash and cash equivalents at the beginning of period	2,315,894	1,111,441	1,111,441
VI Cash and cash equivalents at the end of period	2,605,397	1,655,825	2,315,894

Note: All amounts are rounded down to the nearest thousand yen.

4. Segment Information

[Operating Segment Information]

Nine months period ended December 31, 2005 (April 1, 2005 – December 31, 2005)

(Thousand of yen)

	Rental apartment building sales operations	Real estate rental management operations	Finance operations	Other operations	Total	Elimination or corporate	Consolidated
Revenues							
(1) External sales	8,257,085	1,031,889	68,152	532,728	9,889,856	-	9,889,856
(2) Inter-segment sales and transfers	-	1,959	-	81	2,041	[2,041]	-
Total	8,257,085	1,033,848	68,152	532,810	9,891,897	[2,041]	9,889,856
Operating expenses	7,737,259	773,312	49,101	453,613	9,013,286	322,980	9,336,266
Operating income	519,826	260,536	19,051	79,196	878,611	[325,021]	553,589

Note: All amounts are rounded down to the nearest thousand yen.