

Summary of Consolidated Financial Results for the Third Quarter of 2005 (January 1, 2005 – September 30, 2005)

Described below is an abstract in English of the financial result for the Third quarter of 2005 ended September 30, 2005 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
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 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: 10 Excluded: 1
 Affiliates New: 7 Excluded: 1

1. Consolidated Financial Results (Jan. 1, 2005 – Sep. 30, 2005)

(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 (%)
Third Quarter of 2005	9,673	114.1	6,205	145.5	5,539	153.1
Third Quarter of 2004	4,517	52.3	2,527	91.9	2,188	104.9
(ref.) Year ended Dec 2004	6,052	19.3	3,190	63.5	2,733	87.0

	Net income (after taxes)		Net income per share, (basic)	Net income per share, (diluted)
	Million yen	YoY change (%)	Yen	Yen
Third Quarter of 2005	3,277	147.3	13,321.59	13,021.61
Third Quarter of 2004	1,325	128.1	18,357.73	17,644.43
(ref.) Year ended Dec. 2004	1,633	87.4	21,739.21	20,729.14

*Note: Percentage figures shown in the above represent year-on-year changes.
 One common stock was split into 3 on February 21, 2005.*

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
Third Quarter ended September 2005	80,281	26,439	32.9	93,843.40
Third Quarter ended September 2004	38,764	8,964	23.1	117,145.02
(ref.)Year ended Dec. 2004	40,283	9,360	23.2	118,758.66

(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
Third Quarter ended September 2005	(14,364)	(4,558)	33,883	19,399
Third Quarter ended September 2004	(590)	(16,574)	23,504	12,070
(ref.)Year ended Dec. 2004	(25,466)	(204)	24,304	4,365

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

	Revenue	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full year	12,300	6,800	4,000

Reference: Estimated consolidated net income per share for the full year: 15,931.30 yen

Note: Judging from information available to us as of November 8, 2005, the above forecast, which was released on August 11, 2005, remains unchanged. 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.)	
	September 30,2004		September 30,2005		December 31,2004	
	Amount	%	Amount	%	Amount	%
Assets						
I Current assets						
1Cash and cash equivalents	12,070,960		18,428,283		4,089,466	
2Deposits held in trust	–		1,410,903		1,487,232	
3Accounts receivable - trade	277,128		1,193,195		409,604	
4Inventories	–		40,426,695		23,707,174	
5Note receivable (loan pool)	648,929		1,301,629		602,874	
6Others	1,578,527		2,798,971		1,655,000	
7Allowance for doubtful accounts	(83,362)		(88,853)		(82,761)	
Total current assets	14,492,182	37.4	65,470,824	81.6	31,868,592	79.1
II Fixed assets						
1Tangible assets						
(1)Buildings held in trust	3,332,505		–		–	
(2)Lands held in trust	12,579,064		–		–	
(3)Others	1,098,897		129,326		124,876	
Total tangible assets	17,010,467	43.9	129,326	0.1	124,876	0.3
2Intangible assets	8,065	0.0	8,808	0.0	8,348	0.0
3Investment and other assets						
(1)Investment securities	566,335		11,595,410		6,924,553	
(2)Investment in capital	397,705		1,816,285		386,806	
(3)Investments in silent partnerships	4,207,867		–		–	
(4)Long-term loans	661,025		757,680		696,524	
(5)Deposits held in trust	1,157,148		–		–	
(6)Others	263,748		502,895		273,682	
Total investment and other assets	7,253,831	18.7	14,672,272	18.3	8,281,566	20.6
Total fixed assets	24,272,363	62.6	14,810,406	18.4	8,414,791	20.9
Total assets	38,764,546	100.0	80,281,231	100.0	40,283,383	100.0

(Thousands of yen)

Account title	Year				(ref.)	
	September 30,2004		September 30,2005		December 31,2004	
	Amount	%	Amount	%	Amount	%
Liabilities						
I Current liabilities						
1 Accounts payable - trade	178,055		295,779		140,415	
2 Short-term borrowings	16,226,726		19,249,935		17,155,026	
3 Long-term borrowings - due within one year	647,500		2,387,500		680,000	
4 Corporate bonds - due within one year	120,000		1,086,000		120,000	
5 Accrued income taxes	820,237		1,793,419		1,037,476	
6 Allowance for accrued bonuses payable	220,279		303,166		-	
7 Security deposits	-		1,320,418		1,188,139	
8 Others	379,883		830,799		522,118	
Total current liabilities	18,592,682	48.0	27,267,018	34.0	20,843,177	51.7
II Long-term liabilities						
1 Bonds payable	3,040,000		5,804,000		3,040,000	
2 Long-term borrowings	6,260,000		18,993,412		6,027,136	
3 Silent partnership contribution received	743,268		1,524,608		875,966	
4 Allowance for employee retirement benefits	5,468		9,424		6,240	
5 Allowance for directors' retirement benefits	100,860		127,400		112,460	
6 Security deposits	1,044,155		1,751		-	
7 Others	-		99,468		-	
Total long-term liabilities	11,193,753	28.9	26,560,066	33.1	10,061,803	25.0
Total liabilities	29,786,435	76.9	53,827,084	67.1	30,904,980	76.7
Minority interest						
Minority interest	13,705	0.0	14,236	0.0	18,200	0.1
Shareholders' equity						
I Capital	2,553,658	6.6	9,487,193	11.8	2,610,382	6.5
II Capital surplus	2,854,841	7.3	9,746,328	12.1	2,871,512	7.1
III Consolidated retained earnings	3,519,482	9.1	6,953,967	8.7	3,828,187	9.5
IV Net unrealized holding gains/losses on other securities	36,423	0.1	210,771	0.3	50,118	0.1
V Translation adjustments	-	-	41,649	0.0	-	-
Total shareholders' equity	8,964,405	23.1	26,439,910	32.9	9,360,202	23.2
Total liabilities, shareholders' equity, and minority interest	38,764,546	100.0	80,281,231	100.0	40,283,383	100.0

(2) Consolidated Statements of Income

(Thousands of yen)

Account title	Year		Third Quarter of 2004 (Jan. 1, 2004 – Sep. 30, 2004)		Third Quarter of 2005 (Jan. 1, 2005 – Sep. 30, 2005)		Year 2004 (Jan. 1, 2004 – Dec. 31, 2004)		
	Amount	%	Amount	%	Amount	%			
I Revenue		4,517,646	100.0		9,673,432	100.0		6,052,274	100.0
II Cost of revenue		707,625	15.7		1,554,441	16.1		1,016,706	16.8
Gross profit		3,810,021	84.3		8,118,990	83.9		5,035,568	83.2
III Selling, general and administrative expenses									
1 Provision for doubtful accounts	51,525			12,475			52,053		
2 Directors' salaries	126,342			160,027			169,673		
3 Salaries and bonuses	389,711			527,164			875,232		
4 Provision for accrued bonus	220,279			303,166			–		
5 Provision for employee retirement benefits	2,201			4,721			3,123		
6 Provision for directors' retirement benefits	5,570			14,939			17,170		
7 Secondment fees	29,700			–			35,335		
8 Other fees and commissions	124,761			181,139			180,643		
9 Others	332,385	1,282,477	28.4	709,485	1,913,119	19.7	512,226	1,845,457	30.5
Operating income		2,527,543	55.9		6,205,871	64.2		3,190,110	52.7
IV Non-operating income									
1 Interest income	22,122			24,920			28,093		
2 Equity in earnings of non-consolidated affiliates, etc.	113,225			188,440			179,412		
3 Others	10,080	145,428	3.2	43,818	257,178	2.7	15,982	223,488	3.7
V Non-operating expenses									
1 Interest expense	180,206			429,586			287,434		
2 New stock issue expenses	20,078			70,489			21,602		
3 Bond issue expenses	47,900			144,626			47,900		
4 Other fees and commissions	213,615			232,097			271,638		
5 Others	22,430	484,231	10.7	46,389	923,189	9.6	51,234	679,809	11.2
Ordinary income		2,188,740	48.4		5,539,860	57.3		2,733,788	45.2
VI Extra-ordinary income									
1 Gain on sale of investment securities	84,335	84,335	1.9	90,156	90,156	0.9	84,335	84,335	1.4
Income before provision for income taxes and profit distribution to silent partners		2,273,076	50.3		5,630,017	58.2		2,818,124	46.6
Profit distribution to silent partners		22,179	0.5		137,194	1.4		33,578	0.6
Income before provision for income taxes		2,250,896	49.8		5,492,823	56.8		2,784,546	46.0
Current income taxes	1,115,505			2,412,175			1,333,693		
Deferred income taxes	(198,262)	917,243	20.3	(207,291)	2,204,884	22.8	(196,100)	1,137,593	18.8
Minority interest		8,591	0.2		10,933	0.1		13,185	0.2
Net income		1,325,061	29.3		3,277,005	33.9		1,633,766	27.0

(3) Consolidated Statements of Retained Earnings

(Thousands of yen)

Account title	Year	Year 2004 (Jan. 1, 2004– Sep. 30 , 2004)		Year 2005 (Jan. 1, 2005– Sep. 30 , 2005)		Year 2004 (Jan. 1, 2004 – Dec. 31, 2004)	
		Amount		Amount		Amount	
Capital reserve							
I Capital surplus at beginning of year			1,796,368		2,871,512		1,796,368
II Increase in capital surplus							
1 New stock issuance for capital increase		1,051,817		6,869,117		1,051,817	
2 New stock issuance for stock acquisition rights		6,534		5,586		22,869	
3 Transfer from stock acquisition rights		121	1,058,472	112	6,874,815	457	1,075,143
III Capital surplus at end of year			2,854,841		9,746,328		2,871,512
Retained earnings							
I Retained earnings at beginning of year							
Balance of retained earnings at beginning of year			2,194,421		3,828,187		2,194,421
II Increase in retained earnings							
Net income		1,325,061	1,325,061	3,277,005	3,277,005	1,633,766	1,633,766
III Decrease in retained earnings							
1 Cash dividends paid		–		118,225		–	
2 Bonuses to directors		–	–	33,000	151,225	–	–
IV Retained earnings at end of year			3,519,482		6,953,967		3,828,187

(4) Consolidated Statements of Cash Flow

(Thousands of yen)

Account title	Period	Third Quarter of 2004 (Jan. 1, 2004 - Sep. 30, 2004)	Third Quarter of 2005 (Jan. 1, 2005 - Sep. 30, 2005)	Year 2004 (Jan. 1, 2004 - Dec. 31, 2004)
		Amount	Amount	Amount
I Operating activities				
1. Income before provision for income taxes		2,250,896	5,492,823	2,784,546
2. Gain on sale and collection of notes purchased		(682,567)	(280,960)	(753,397)
3. Profit distribution on principal investment in silent partnerships		(385,191)	(1,336,155)	(639,564)
4. Increase (decrease) in provision for doubtful accounts		50,389	6,092	49,788
5. Increase (decrease) in reserve for accrued bonuses		220,279	303,166	-
6. Increase (decrease) in provision for employee retirement benefits		2,201	3,184	2,973
7. Increase (decrease) in provision for directors' retirement benefits		5,570	14,939	17,170
8. Interest income		(22,122)	(24,920)	(28,093)
9. Interest expense		180,206	429,586	287,434
10. Profit distribution to silent partners		22,179	137,179	33,578
11. Equity in earnings of non-consolidated affiliates, etc.		(113,225)	(188,440)	(179,412)
12. Gains on sale of real estate held sale		-	(1,457,514)	(528,083)
13. Gain on sale of fixed assets		(571,287)	-	-
14. Loss on sale of fixed assets		49,203	-	-
15. Gain on sale of investment securities		(84,335)	(90,156)	(84,335)
16. Increase (decrease) in accounts receivable - trade		(9,770)	(783,591)	(142,246)
17. Payment for acquisition of real estate held for sale		-	(37,854,085)	(51,632,172)
18. Proceed from sale of real estate held for sale		-	23,034,472	28,453,080
19. Increase (decrease) in accounts payable - trade		153,105	155,363	115,466
20. Purchase of notes		(3,815,819)	(1,092,954)	(3,817,224)
21. Proceeds from sale and collection of notes purchased		4,773,835	654,200	4,892,124
22. Distributions from silent partnerships		1,080,891	11,839,328	1,710,113
23. Contribution paid in silent partnerships		(2,723,695)	(11,859,000)	(5,117,495)
24. Proceeds from sale of silent partnerships		157,000	-	157,000
25. Proceeds from receipt of deposits for contribution to silent partnerships		710,000	843,408	876,300
26. Redemption of contribution received from silent partners		(118,844)	(651,997)	(163,844)
27. Bonuses to directors		-	(33,000)	-
28. Others		(927,004)	518,804	(878,143)
Subtotal		201,895	(12,220,226)	(24,584,437)
29. Interest received		11,771	25,864	36,911
30. Interest paid		(191,705)	(4,333,11)	(305,556)
31. Income taxes paid		(612,591)	(1,736,469)	(613,488)
Net cash used in operating activities		(590,629)	(14,364,141)	(25,466,570)

Account title	Period	Third Quarter of 2004 (Jan. 1, 2004 - Sep. 30, 2004)	Third Quarter of 2005 (Jan. 1, 2005 - Sep. 30, 2005)	Year 2004 (Jan. 1, 2004 - Dec. 31, 2004)
		Amount	Amount	Amount
II Investing activities				
1. Payment for purchase of fixed assets		(35,884,733)	(23,611)	(61,220)
2. Proceeds from sale of fixed assets		19,466,314	-	-
3. Drawdown of loans		(225,230)	(499,087)	(320,578)
4. Repayment of loans		422,775	437,931	452,625
5. Payment for acquisition of investment securities		(7,500)	(2,950,906)	(116,300)
6. Proceeds from sale of investment securities		109,472	108,085	109,472
7. Payment for capital investment		-	50,000	-
8. Payment for capital investment in affiliates		(98,689)	(1,325,238)	(129,162)
9. Proceeds from capital investments in affiliates		2,400	86,720	5,683
10. Proceeds from capital redemption of affiliates		-	7,000	33,500
11. Decrease in funds owing to sale of investment in subsidiaries due to change in scope of consolidation		(3,739)	2,295	(3,514)
12. Others		(325,120)	(451,598)	(174,860)
Net cash provided by (used in) investing activities		(16,574,051)	(4,558,410)	(204,357)
III Financing activities				
1. Proceeds from short-term borrowings		27,814,000	43,717,400	40,136,000
2. Repayment of short-term borrowings		(13,131,643)	(41,622,491)	(24,525,343)
3. Proceeds from long-term borrowings		19,267,500	15,838,080	21,559,636
4. Repayment of long-term borrowings		(14,433,013)	(1,206,003)	(16,925,513)
5. Proceeds from issuance of stock		2,127,158	13,681,024	2,200,218
6. Proceeds from issuance of bonds		1,900,000	5,005,373	1,900,000
7. Payment for redemption of bonds		(40,000)	(1,420,000)	(40,000)
8. Proceeds from minority interests		-	8,000	-
9. Payment for dividend		-	(118,225)	-
Net cash provided by (used in) financing activities		23,504,001	33,883,158	24,304,997
IV Effect of exchanges on cash and cash equivalents		-	41,649	-
V Net increase in cash and cash equivalents		6,339,321	15,002,255	(1,365,931)
VI Cash and cash equivalents at beginning of period		5,731,638	4,365,707	5,731,638
VII Increase in cash and cash equivalents resulting from change in scope of consolidation		-	31,699	-
VIII Cash and cash equivalents at end of period		12,070,960	19,399,662	4,365,707

(5) Segment Information on Revenues (Consolidated Basis)*(Thousands of yen)*

	Third Quarter of 2004 (Jan. 1,2004-Sep. 30,2004)	Third Quarter of 2005 (Jan. 1,2005-Sep. 30,2005)	(Reference) Year 2004 (Jan. 1,2004-Dec. 31,2004)
Real Estate Investment Advisory Business	2,404,875	6,163,909	3,451,302
Asset Management Business	1,061,963	2,388,651	1,382,577
Note Investment Management Business	1,050,807	1,120,871	1,218,395
Total Revenue	4,517,646	9,673,432	6,052,274