

## Summary of Consolidated Interim Financial Results for the Year Ending December 2006 (Six months ended June 30, 2006)

Described below is an abstract in English of the financial result for the interim period ended June 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  
 President: Ryosuke Homma  
 Contact: Taiji Yoshikawa, Member of the Board of Directors and Executive Officer, CFO  
 Tel: +81-3-3519-2530  
 Date of board meeting for approving consolidated interim financial results: August 10, 2006  
 U.S. GAAP standards: The company does not apply U.S. GAAP standards for accounting.

### 1. Consolidated Interim Financial Results (Jan. 1, 2006 – Jun. 30, 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 half ended June 2006	16,859	205.6	13,367	298.4	12,515	329.1
First half ended June 2005	5,517	86.9	3,354	101.4	2,916	88.3
Year ended December 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 half ended June 2006	7,140	315.1	25,220.75	24,828.00
First half ended June 2005	1,720	86.3	7,249.27	7,138.15
Year ended December 2005	4,757	191.2	18,326.81	17,734.92

Notes: 1. Equity in earnings of non-consolidated subsidiaries and affiliates

First half ended June 2006: 95 million yen

First half ended June 2005: 85 million yen

Year ended December 2005: 182 million yen

2. Average number of shares outstanding (consolidated)

First half ended June 2006: 283,138 shares

First half ended June 2005: 237,301 shares

Year ended December 2005: 254,328 shares

3. Changes in accounting method: None

4. Percentage figures shown in the above represent year-on-year changes.

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2006	100,024	35,021	35.0	123,043.04
As of June 30, 2005	61,682	11,123	18.0	46,662.13
As of December 31, 2005	95,593	28,561	29.9	100,815.44

Note: Number of shares outstanding at the end of the period (consolidated)

As of June 30, 2006:	284,427 shares
As of June 30, 2005:	238,383 shares
As of December 31, 2005:	282,357 shares

## (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 half ended June 2006	25,245	(6,165)	(16,671)	21,612
First half ended June 2005	(13,804)	(1,651)	18,016	6,983
Year ended December 2005	(25,247)	(5,962)	45,912	19,178

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

Consolidated subsidiaries: 51

Non-consolidated subsidiaries accounted for under the equity method: 3

Affiliates accounted for under the equity method: 59

## (5) Changes in Scope of Consolidation and the Application of the Equity Method

Consolidated subsidiaries:

New: 14

Excluded: -

Affiliates accounted for under the equity method:

New: 11

Excluded: -

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

	Revenue	Ordinary income	Net income (after taxes)
	Million yen	Million yen	Million yen
Full year	22,000	13,300	7,700

Reference: Estimated consolidated net income per share for the full year: 27,084.81 yen

*Note: Estimated consolidated net income per share is calculated using the estimated average number of shares outstanding for the fiscal year ending December 2006.*

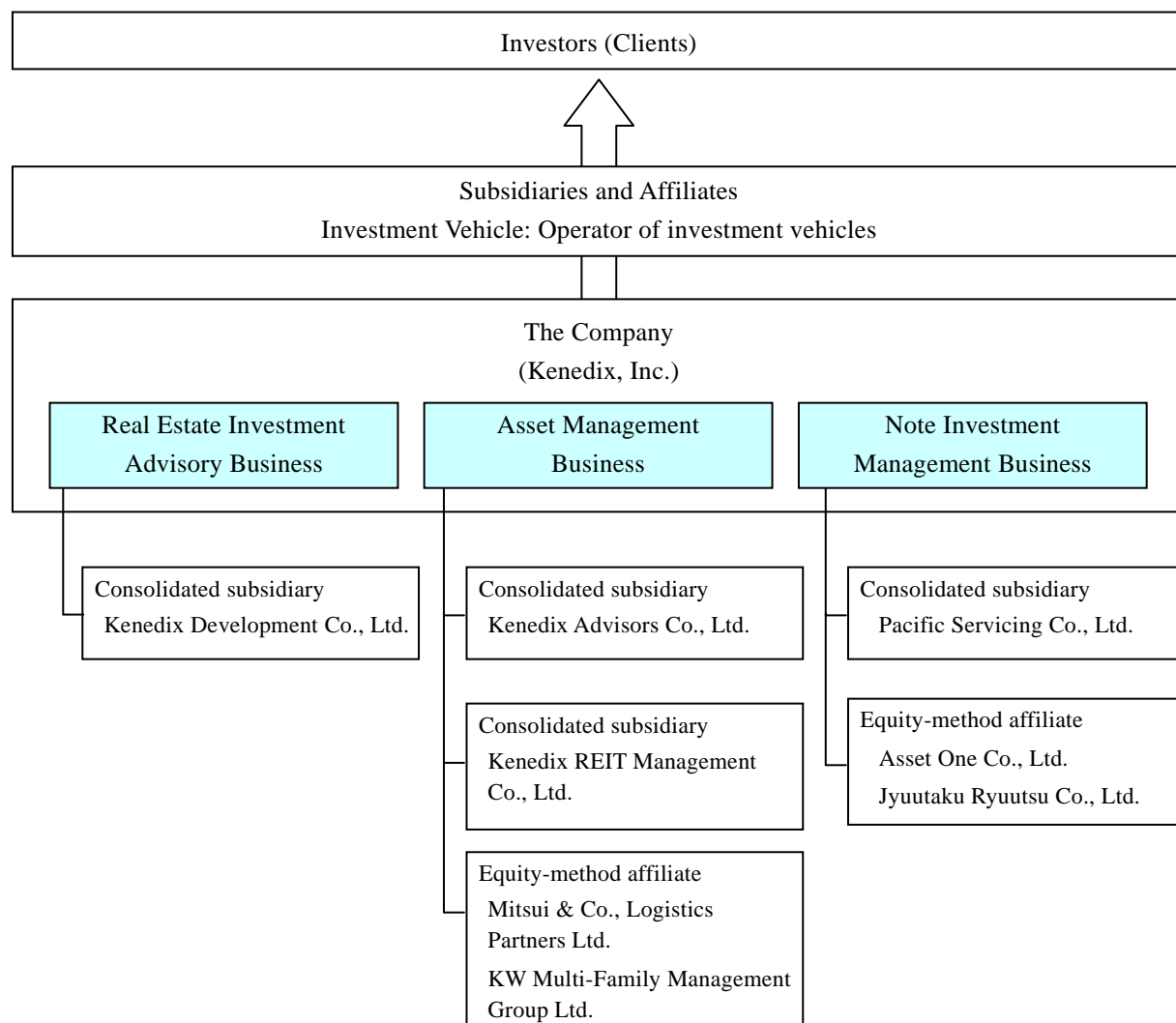
*The above forecast is based on information available to us as of August 10, 2006. The actual results are affected by various factors and may differ substantially.*

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

## 1. The Kenedix Group

The Kenedix Group (the Group) is made up of Kenedix, Inc. (the Company), 62 consolidated subsidiaries and 59 affiliated companies. The Group is engaged in the real estate investment advisory business, asset management business and note investment management business.

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



### (1) Real Estate Investment Advisory Business

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

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

Another objective is meeting the diverse needs of corporate pension funds and other Japanese institutional investors through the sale of entire real estate portfolios structured to deliver specific risk-return profiles. To assemble portfolios of quality properties, the Company uses investment vehicles (consolidated subsidiaries) to maintain an inventory of properties that are held in its own account. This makes it possible to acquire suitable properties before

they are required for inclusion in a fund. The Company earns leasing income from the properties until their sale and generates capital gains when selling these properties by taking steps to increase their value.

### **(2) Asset Management Business**

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

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

### **(3) Note Investment Management Business**

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

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

In addition, the Group in some cases provides advice and other assistance for the creation of investment schemes for parties involved in the resolution of bad debt at financial institutions and corporate rehabilitation procedures. In this case, the Group earns consulting fees and other fees.

## **2. Management Policies**

### **(1) Fundamental Management Policy**

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

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

### **(2) Basic Policy for Allocation of Earnings**

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

The Company is currently in a growth phase. Accordingly, management believes this is a period when retained earnings are needed for investments, such as for the acquisition of high-return properties held in principal investment, and other actions to generate future growth.

The Company therefore determines the dividend based on operating results, the need to retain earnings to generate growth, the dividend payout ratio and other items.

The Company plans to pay a dividend of 2,500 yen per share of common stock applicable to 2006, which will result in a consolidated dividend payout ratio of 9.2%. The Company will try to increase its payout ratio in the future. At

the same time, retained earnings will be used for the acquisition of properties held in principal investment that can contribute to further growth.

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

### **(3) Policy Regarding Reduction in Investment Unit**

The Company regards a reduction in the investment unit as an effective means of raising the liquidity of its stock and attracting a broader spectrum of investors. The Company will continue to carefully consider a reduction by evaluating the stock price and stock market trends, as well as potential benefits relative to the costs. At this time, no decisions have been made regarding the specific measures and timing.

### **(4) Targeted Performance Indicators**

Placing priority on further stabilizing its operations, the Company is concentrating on expanding the asset management business, which provides a steady source of revenues. In line with this policy, management regards the volume of real estate assets under management as a key performance indicator. At the end of the interim period, these assets totaled approximately 493.9 billion yen, 28% more than six months earlier.

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

### **(5) Medium-term Management Strategy**

The real estate services and finance fields, which are the core businesses of the Group, are expected to continue growing backed by progress in separation of real estate ownership and management. Another notable development is the growing recognition of real estate as an important investment vehicle, as is demonstrated by the growth of Japan's REIT market and the success of the Company's real estate investments for pension funds. In this environment, demand for the kind of specialized knowledge and creativity offered by the Group is expected to continue to grow. In response, the Group's policy is to act aggressively to offer a comprehensive line of investment services that cover all client investment objectives.

The goal of the Group is to become one of Japan's most prominent real estate asset managers. This is to be accomplished by building a highly stable and profitable corporate group. One element will be the growth of assets under management, which is a source of consistent earnings. Activities will also include earning incentive fees, which have a high profit margin, and executing highly profitable real estate and note investments.

In order to increase investments in highly profitable real estate, the Group plans aggressively to enlarge its business activities by targeting a broader range of properties.

The Group has expanded the scope of its real estate funds from office buildings and rental residential properties to include commercial and logistics facilities as well. At this time, the Group is further enlarging this scope to acquire attractive properties where investment income is dependent on the operation of facilities. Examples include nursing care facilities and other health care facilities and hotels. In addition, 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.

Additionally, the Group gathers, analyzes and examines information on financial and real estate trends in many countries and regions. The objectives are to respond in a timely manner to investor needs involving global capital flows, as Japanese investors purchase overseas real estate and foreigners invest in real estate in Japan. The Group wants to become a "gatekeeper" that can match client investors with suitable real estate investments.

### **(6) Important Management Issues**

Interest in real estate investments is rising along with the growth of the J-REIT market and advancements in the real estate securitization business. The resulting growth in the number of new entrants in this industry is leading to even more intense competition for the acquisition of quality properties. In this environment, ensuring the stable procurement of quality properties is the most important issue concerning the Group's business activities. For this purpose, the Company is stepping up efforts to identify and acquire quality properties. The Company is targeting a more diverse range of properties, taking steps such as participating in development projects and extending geographic coverage to various regions of Japan as well as to other countries.

Regarding client investors, efforts will be increased to attract pension funds and other institutions with long-term investment policies that emphasize stability.

Two J-REITs formed by the Group conducted IPOs in 2005 and are now listed on the Tokyo Stock Exchange. One is Japan Logistics Fund, Inc., which was formed jointly with Mitsui & Co., Ltd. and The Chuo Mitsui Trust & Banking Co., Ltd. The other is Kenedix Realty Investment Corp., which is managed by a wholly owned subsidiary of the Group. The Group believes that the sustained growth of these J-REITs will contribute to the consistent growth of the Group itself. Consequently, the Group is taking steps to continue expanding its J-REIT business.

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

### **3. Results of Operations and Financial Position**

#### **(1) Summary of the First Half of 2006**

During the first half of 2006, Japan's economy was strong due to rising capital expenditures along with higher employment income and consumer spending as corporate earnings remained strong. In response, the Bank of Japan ended its policy of quantitative easing, signaling the end of a deflationary economic period.

In the real estate services and finance industries, where the Group is active, growth of the real estate investment market is continuing, as is evident in the rising number of publicly owned real estate investment trusts (J-REIT) and their aggregate market capitalization.

In this environment, the Group concentrated on locating quality properties and providing investment opportunities to client investors in the fields of both real estate and real estate-backed notes. Efforts also targeted enhancing capabilities in the asset management business.

Japan Logistics Fund, Inc., which was formed jointly with Mitsui & Co., Ltd. and The Chuo Mitsui Trust & Banking Co., Ltd., conducted a public offering of stock in February 2006. This was followed in May by a public stock offering of Kenedix Realty Investment Corp., which is managed by a wholly owned subsidiary of the Group. In association with these fund procurement activities, the Group and private funds managed by the Group sold properties to these two REITs, and the assets of these REITs increased substantially. As of June 30, 2006, Japan Logistics Fund had assets of 69.3 billion yen and Kenedix Realty Investment had investments of 140.3 billion yen.

As of June 30, 2006, total assets under management at the Group, including these two REITs, amounted to 493.9 billion yen.

During the first half of 2006, the Company acquired a 20% equity stake in an asset management company that invests in apartment buildings. This company is an affiliate of U.S.-based Kennedy Wilson, Inc., the Company's former parent company. The investment is one element of actions to rapidly expand overseas operations, a long-term strategic goal of the Group. As of June 2006, this affiliate had assets under management of US\$779 million (about 91.5 billion yen). These assets are not included in the above figure for Group's total assets under management.

Due to these factors, consolidated revenue increased 205.6% to 16,859 million yen, ordinary income rose 329.1% to 12,515 million yen and net income was up 315.1% to 7,140 million yen.

Results by business segment were as follows.

#### A) Real Estate Investment Advisory Business

Performance mainly reflected an increase in acquisition fees due to the large volume of property acquisitions growth in gains on sales from properties held in principal investment following the completion and sale of development projects in which the Company has been participating, and an increase in profit distribution received from silent partnerships. The result was a 334.6% increase in revenue to 14,062 million yen and a 437.2% increase in operating income to 12,057 million yen.

#### B) Asset Management Business

Asset management fees increased along with growth in assets under management and there was an increase in incentive fees associated with private funds managed by the Group. As a result, revenue increased 60.8% to 2,234 million yen and operating income rose 29.5% to 1,162 million yen.

#### C) Note Investment Management Business

Operating results were somewhat lower than one year earlier. First-half revenue decreased 5.4% to 843 million yen and operating income was down 10.8% to 478 million yen. Although incentive fees increased, there were declines in earnings from the collection of notes and earnings from partnerships.

### (2) Changes in Financial Position

The Group purchases and holds real estate through consolidated subsidiaries for the purpose of building a portfolio of quality properties in its own account.

These real estate acquisitions represent up-front investments for the purpose of generating a steady stream of earnings through the incorporation of these properties in real estate funds for pension funds and other investors. Since each property is held for a short period of time, the Group's total assets fluctuate considerably depending on the volume of principal investment properties at a particular time.

Short-term bank loans are the primary source of funds used to purchase properties held by the Group. Consequently, these loans also fluctuate considerably depending on the volume of principal investment properties.

The Company has established a commitment line to facilitate the stable and flexible procurement of funds as well as to permit participation in large projects. The Company has a 44.6 billion yen commitment line that was established as of the end of June 2006.

In some cases, consolidated subsidiaries use non-recourse loans to procure funds to acquire a property. Such loans are solely the responsibility of the subsidiary holding the property, and loan repayments can be no greater than an amount determined by the applicable property. Consequently, non-recourse loans should be excluded from consideration when analyzing the Company's debt-equity ratio.

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

	Dec. '03	Dec. '04	Dec. '05	Jun. '06
Interest-bearing debt (1) (Millions of yen)	4,922	27,022	59,562	53,141
[Non-recourse loans included] (2) (Millions of yen)	[-]	[1,742]	[11,049]	[12,686]
Shareholders' equity (Net assets) (3) (Millions of yen)	5,499	9,360	28,561	35,021
Debt-equity ratio (1)/(3) (%)	89.5	288.7	208.5	151.7
Debt-equity ratio net of non-recourse loans ((1) – (2))/(3) (%)	[89.5]	[270.1]	[169.9]	[115.5]

## **Cash Flow Position**

Cash and cash equivalents at the end of June 2006 totaled 21,612 million yen, 2,433 million yen more than at the end of December 2005. Net cash provided by operating activities was 25,245 million yen, primarily due to proceeds from the sale of real estate for sale. In investing activities, cash was used mainly for purchases of investment securities and of stock and other investments in affiliated companies. In financing activities, repayments of loans were the primary use of cash.

### **A) Operating Activities**

Net cash provided by operating activities was 25,245 million yen compared with a negative cash flow of 13,804 million yen one year earlier. There were payments of 10,340 million yen for investments in partnerships, but proceeds from sales of real estate for sale exceeded payments for the purchase of real estate for sale by 40,406 million yen.

### **B) Investing Activities**

Net cash used in investing activities was up 273.3% to 6,165 million yen. This was mainly due to 2,921 million yen in payment for purchase of investment securities, and 2,033 million yen in payment for capital investment in affiliates and other factors.

### **C) Financing Activities**

Net cash used in financing activities was 16,671 million yen. One year earlier, financing activities provided net cash of 18,016 million yen. The difference was mainly due to the use of proceeds from the sale of real estate for sale to repay loans. During the first half of 2006, there were net payments of 19,180 million yen for the reduction of long-term and short-term loans.

## **(3) Business Risk**

The following is a list of items concerning the Group's business activities 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.

### **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 could impact real estate market conditions, such as by raising vacancy rates and bringing down leasing rates. These events could adversely affect the Group's operating results.

### **2) Competition**

In recent years, there has been a growing number of companies in Japan that are active in the real estate investment advisory business and the asset management business, the Company's two core businesses. This situation may adversely affect the Group's operating results by heightening competition to acquire properties, increasing price-based competition involving various fees, and creating other challenges.

Furthermore, real estate funds are expected to become subject to competition based on the relative performances of 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.

### **3) 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.

#### 4) 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 works hard on recruiting individuals with outstanding skills. However, the Group 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.

#### 5) Changes in laws and regulations

The Group is conducting its business activities in conformity with all currently applicable laws and regulations and based on 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: Building Lots and Buildings Transaction Business Law, registrations based on the Real Estate Investment Advisory Business Registration Code, the Law for Regulating Securities Investment Advisory Business, the Law Concerning Investment Trusts and Investment Corporations, registration as a seller of trust beneficiary rights as prescribed by the Trust Business Law, the Law for Architects and Building Engineers, and the Special Measures Law Concerning the Claims Servicing Business.

#### 6) Risk of impact of fires and other disasters on value of investment properties

Properties that the Group owns and invests in are located in regions that might 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 condition.

#### 7) Changes in financial condition and operating results

The Group has consistently posted rapid growth since it became a publicly owned company. Management believes that the Group is still in a phase of rapid growth. The Group plans to continue to purchase properties to be held in principal investment, make small investments in the funds the Group structures, and take other actions of this nature. These actions will cause increases in inventories and investment securities that raise total assets and the need for debt to fund these assets. There may be changes in the Group's financial condition and operating results as a result of these actions. The Group will place priority on expanding scale of operations while increasing equity and reinforcing its financial soundness. Management plans to achieve steady growth and limit risk exposure by maintaining the proper balance between growth and financial soundness.

#### 8) 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 and other problems that emerge following an acquisition. These expenses may have a negative effect on the Group's financial condition and operating results.

Based on information gathered by examinations performed by the Group, the Group's assets under management include no properties with involvement by architecture firms associated with the scandal concerning falsified structural designs.

#### 9) Mergers and acquisitions, equity alliances, and other actions

The Group is following a policy of aggressively expanding business activities by diversifying the types of properties in which it invests. This policy is adopted from the standpoints of increasing assets under management and increasing investments in real estate that can generate high returns.

The Group has expanded the scope of its real estate funds from office buildings and rental residential properties to

include commercial and logistics facilities as well. At this time, the Group is further enlarging this scope to acquire attractive properties where investment income is dependent on the operation of facilities. Examples include nursing care facilities and other health care facilities and hotels. In addition, 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 of the Group may not perform as expected. These events may have a negative effect on the Group's financial condition and operating results.

#### (4) Outlook for the Full Year

Although competition for acquiring properties is intensifying, there is immense demand for real estate investments among pension funds and other institutions in Japan. As in the first half of 2006, the Group will focus on increasing assets under management to serve client investors, such as pension funds and other that have investment policies stressing stable, long-term returns. The Group will also move aggressively to participate in real estate developments and other projects with high profit margins.

As explained in "3. Results of Operations and Financial Position (1) Summary of the First Half of 2006", capital gains exceeded the plan for the first half. The primary cause was sales of properties to two J-REITs managed by the Group following their stock offerings. In addition, the Group received incentive fees from private funds that sold properties to these two J-REITs. Due to the posting of a large volume of earnings in the first half, earnings in this period were far above the Group's forecast.

On the other hand, there is a growing possibility that certain property that were to be sold in the second half will not be sold until 2007. The Group thus expects second half earnings to be less than the initial forecast. Furthermore, the Group is establishing a framework for the flexible procurement of funds through additional debt, such as by increasing its credit facility, in order to procure funds to purchase properties and for other needs. Based on this outlook, the Group expects that second half financial expenses will be greater than the initial forecast.

Due to the above items, the Company is forecasting consolidated revenue of 22,000 million yen, ordinary income of 13,300 million yen and net income of 7,700 million yen.

#### 4. Sales Performance

Business segment	Year 2006 Interim (January 1, 2006 – June 30, 2006)	
	Amount (Thousands of yen)	YoY change (%)
Real Estate Investment Advisory Business	14,062,828	434.6
Asset Management Business	1,953,105	140.6
Note Investment Management Business	843,325	94.6
Total	16,859,258	305.6

Note: Above amounts do not include consumption taxes.

## Consolidated Interim Financial Statements

### (1) Consolidated Balance Sheets

(Thousands of yen)

Account title	Year 2005 Interim (As of June 30, 2005)		Year 2006 Interim (As of June 30, 2006)		Year 2005 Summary (As of Dec. 31, 2005)	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
I Current assets						
1. Cash and cash equivalents	6,146,718		20,414,950		18,658,721	
2. Deposits held in trust	1,473,497		3,778,224		1,632,013	
3. Accounts receivable - trade	1,185,142		1,179,502		616,399	
4. Inventories	29,776,063		42,082,790		54,790,419	
5. Note receivable (loan pool)	1,363,461		6,197,092		1,254,598	
6. Others	2,147,363		4,199,932		1,720,931	
7. Allowance for doubtful accounts	(92,219)		(43,143)		(42,783)	
Total current assets	42,000,026	68.1	77,809,349	77.8	78,630,299	82.3
II Fixed assets						
1. Tangible assets	130,708	0.2	142,613	0.1	134,812	0.1
2. Intangible assets	8,701	0.0	9,175	0.0	8,242	0.0
3. Investment and other assets						
(1) Investment securities	17,132,768		17,260,697		13,190,976	
(2) Investment in capital	1,127,713		3,127,626		2,418,095	
(3) Long-term loans	1,018,772		1,323,531		800,920	
(4) Others	263,351		351,873		410,337	
Total investment and other assets	19,542,606	31.7	22,063,730	22.1	16,820,330	17.6
Total fixed assets	19,682,016	31.9	22,215,519	22.2	16,963,385	17.7
Total assets	61,682,042	100.0	100,024,868	100.0	95,593,684	100.0

(Thousands of yen)

Account title	Year 2005 Interim (As of June 30, 2005)		Year 2006 Interim (As of June 30, 2006)		Year 2005 Summary (As of Dec. 31, 2005)	
	Amount	%	Amount	%	Amount	%
<b>Liabilities</b>						
<b>I Current liabilities</b>						
1. Accounts payable - trade	143,051		326,317		264,482	
2. Short-term borrowings	20,472,670		17,891,630		29,014,200	
3. Long-term borrowings - due within one year	1,640,000		3,626,200		2,485,000	
4. Corporate bonds – due within one year	720,000		2,386,000		1,636,000	
5. Accrued income taxes	1,210,526		5,270,080		2,763,130	
6. Security deposits	1,490,589		3,091,229		1,497,520	
7. Accrued bonuses	180,000		400,000		-	
8. Others	1,080,616		1,465,581		1,010,182	
Total current liabilities	26,937,453	43.7	34,457,038	34.5	38,670,516	40.4
<b>II Long-term liabilities</b>						
1. Bonds payable	4,380,000		8,578,000		6,554,000	
2. Long-term borrowings	17,959,790		20,659,394		19,872,858	
3. Silent partnership contribution received	1,119,521		871,989		1,275,013	
4. Allowance for employees' retirement benefits	8,275		10,500		10,791	
5. Allowance for directors' retirement benefits	126,350		153,520		140,050	
6. Others	11,983		273,280		492,147	
Total long-term liabilities	23,605,921	38.2	30,546,685	30.5	28,344,861	29.7
Total liabilities	50,543,374	81.9	65,003,723	65.0	67,015,378	70.1
<b>Minority interests</b>						
Minority interests	15,208	0.1	-	-	16,359	0.0
<b>Net assets</b>						
<b>I Shareholders' equity</b>						
1. Capital	2,658,964	4.3	9,601,387	9.6	9,507,752	10.0
2. Capital surplus	2,918,088	4.7	9,860,521	9.8	9,766,887	10.2
3. Retained earnings	5,397,222	8.7	15,125,993	15.1	8,433,984	8.8
4. Treasury stock	-	-	(42,040)	(0.0)	-	-
Total shareholders' equity	10,974,275	17.7	34,545,861	34.5	27,708,624	29.0
<b>II Valuation and translation adjustments</b>						
1. Net unrealized holding gains/losses on other securities	120,434	0.2	416,682	0.4	739,893	0.8
2. Deferred hedge gain (loss)	-	-	(84,718)	(0.0)	-	-
3. Foreign currency translation adjustments	28,749	0.1	118,937	0.1	113,428	0.1
Total valuation and translation adjustments	149,184	0.3	450,901	0.5	853,322	0.9
<b>III Minority interests</b>	-	-	24,381	0.0	-	-
Total net assets	11,123,459	18.0	35,021,144	35.0	28,561,946	29.9
Total liabilities and net assets	61,682,042	100.0	100,024,868	100.0	95,593,684	100.0

## (2) Consolidated Statements of Income

(Thousands of yen)

Account title	Year 2005 Interim (Jan. 1, 2005 – Jun. 30, 2005)		Year 2006 Interim (Jan. 1, 2006 – Jun. 30, 2006)		Year 2005 Summary (Jan. 1, 2005 – Dec. 31, 2005)				
	Amount	%	Amount	%	Amount	%			
I Revenue		5,517,234	100.0		16,859,258	100.0		13,958,522	100.0
II Cost of revenue		892,072	16.2		1,706,163	10.1		2,208,840	15.8
Gross profit		4,625,161	83.8		15,153,094	89.9		11,749,682	84.2
III Selling, general and administrative expenses									
1. Provision for doubtful accounts	12,435			859			210		
2. Directors' salaries	101,777			117,250			218,277		
3. Salaries and bonuses	364,595			449,217			1,220,324		
4. Provision for accrued bonuses	180,000			400,000			-		
5. Provision for employees' retirement benefits	3,441			3,033			5,480		
6. Provision for directors' retirement benefits	13,889			13,470			27,589		
7. Other fees and commissions	109,512			167,539			254,756		
8. Others	484,657	1,270,308	23.0	634,370	1,785,739	10.6	882,532	2,609,170	18.7
Operating income		3,354,853	60.8		13,367,354	79.3		9,140,511	65.5
IV Non-operating income									
1. Interest income	15,841			23,933			31,549		
2. Equity in earnings of non-consolidated affiliates, etc.	85,800			95,360			182,164		
3. Consumption taxes differential (after being offset by suspense payments and receipt)	-			-			65,753		
4. Others	16,665	118,307	2.2	56,540	175,834	1.0	65,388	344,855	2.4
V Non-operating expenses									
1. Interest expense	263,156			524,352			607,094		
2. New stock issue expenses	7,776			1,585			71,649		
3. Bond issue expenses	82,476			97,544			172,126		
4. Commissions paid	152,213			350,720			437,423		
5. Others	50,608	556,231	10.1	53,576	1,027,778	6.1	83,927	1,372,220	9.8
Ordinary income		2,916,929	52.9		12,515,409	74.2		8,113,146	58.1
VI Extra-ordinary income									
1. Gain on sale of investment securities	90,156	90,156	1.6	20,297	20,297	0.2	90,156	90,156	0.7
Income before provision for income taxes and profit distribution to silent partners		3,007,085	54.5		12,535,706	74.4		8,203,302	58.8
Profit distribution to silent partners		66,458	1.2		456,349	2.8		175,257	1.3
Income before provision for income taxes		2,940,626	53.3		12,079,357	71.6		8,028,044	57.5
Current income taxes	1,339,048			5,265,693			3,429,183		
Deferred income taxes	(130,587)	1,208,461	21.9	(325,717)	4,939,975	29.2	(167,571)	3,261,612	23.3
Minority interest		11,905	0.2		(1,573)	(0.0)		9,410	0.1
Net income (after taxes)		1,720,260	31.2		7,140,955	42.4		4,757,022	34.1

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

Account title	Year 2005 Interim (Jan. 1, 2005 – Jun. 30, 2005)		Year 2005 Summary (Jan. 1, 2005 – Dec. 31, 2005)	
	Amount		Amount	
<b>Capital reserve</b>				
I Capital surplus at beginning of period		2,871,512		2,871,512
II Increase in capital surplus				
1. New stock issuance	41,422		6,889,676	
2. New stock issuance for stock acquisition rights	5,051		5,586	
3. Transfer from stock acquisition rights	101	46,575	112	6,895,374
III Capital surplus at end of period		2,918,088		9,766,887
<b>Retained earnings</b>				
I Retained earnings at beginning of period		3,828,187		3,828,187
II Increase in retained earnings				
Net income	1,720,260	1,720,260	4,757,022	4,757,022
III Decrease in retained earnings				
1. Dividends paid	118,225		118,225	
2. Directors' bonuses	33,000	151,225	33,000	151,225
IV Retained earnings at end of period		5,397,222		8,433,984

#### (4) Consolidated Statement of Changes in Shareholders' Equity

(Thousands of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2005	9,507,752	9,766,887	8,433,984	-	27,708,624
Changes in the consolidated interim period					
New stock issue	93,634	93,634	-	-	187,268
Dividend of surplus	-	-	(352,946)	-	(352,946)
Directors' bonuses	-	-	(96,000)	-	(96,000)
Net income	-	-	7,140,955	-	7,140,955
Acquisition of treasury stocks	-	-	-	(42,040)	(42,040)
Changes (net) in items other than shareholders' equity	-	-	-	-	-
Total changes in the consolidated interim period	93,634	93,634	6,692,008	(42,040)	6,837,236
Balance as of June 30, 2006	9,601,387	9,860,521	15,125,993	(42,040)	34,545,861

	Valuation and translation adjustments				Minority interest	Total net assets
	Net unrealized holding gain (loss) on other securities	Deferred hedge gain (loss)	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of December 31, 2005	739,893	-	113,428	853,322	16,359	28,578,306
Changes in the consolidated interim period						
New stock issue	-	-	-	-	-	187,268
Dividend of surplus	-	-	-	-	-	(352,946)
Directors' bonuses	-	-	-	-	-	(96,000)
Net income	-	-	-	-	-	7,140,955
Acquisition of treasury stocks	-	-	-	-	-	(42,040)
Changes (net) in items other than shareholders' equity	(323,210)	(84,718)	5,508	(402,420)	8,021	(394,399)
Total changes in the consolidated interim period	(323,210)	(84,718)	5,508	(402,420)	8,021	6,442,837
Balance as of June 30, 2006	416,682	(84,718)	118,937	450,901	24,381	35,021,144

**(5) Consolidated Statement of Cash Flows***(Thousands of yen)*

	Year 2005 Interim (Jan. 1, 2005 – Jun. 30, 2005)	Year 2006 Interim (Jan. 1, 2006 – Jun. 30, 2006)	Year 2005 Summary (Jan. 1, 2005 – Dec. 31, 2005)
Account title	Amount	Amount	Amount
<b>I Operating activities</b>			
1. Income before provision for income taxes	2,940,626	12,079,357	8,028,044
2. Gain on sale and collection of notes purchased	(224,053)	(189,391)	(289,236)
3. Profit distribution on principal investment in silent partnerships	(515,507)	(1,819,696)	(1,488,431)
4. Increase (decrease) in provision for doubtful accounts	9,458	360	(39,977)
5. Increase (decrease) in reserve for accrued bonuses	180,000	400,000	-
6. Increase (decrease) in provision for employees' retirement benefits	2,035	(290)	4,551
7. Increase (decrease) in provision for directors' retirement benefits	13,889	13,470	27,589
8. Interest income	(15,841)	(23,933)	(31,549)
9. Interest expense	263,156	524,352	607,094
10. Profit distribution to silent partners	66,458	456,349	175,257
11. Equity in earnings of non-consolidated affiliates, etc.	(85,800)	(95,360)	(182,164)
12. Gain on sale of real estate held for sale	(1,206,996)	(9,453,539)	(2,301,653)
13. Gain on sale of investment securities	(90,156)	(20,297)	(90,156)
14. Decrease (increase) in accounts receivable - trade	(775,538)	(563,102)	(206,795)
15. Payment for acquisition of real estate held for sale	(18,082,682)	(35,045,132)	(68,811,402)
16. Proceeds from sale of real estate held for sale	13,730,274	75,451,798	40,398,814
17. Increase (decrease) in accounts payable - trade	2,635	61,835	129,088
18. Purchase of notes	(1,021,518)	(8,137,271)	(1,154,951)
19. Proceeds from sale and collection of notes purchased	484,985	1,272,169	771,465
20. Distributions from silent partnerships	1,996,979	4,823,517	12,756,307
21. Contribution paid in silent partnerships	(10,845,000)	(10,340,241)	(12,484,400)
22. Proceeds from sale of silent partnerships	-	700,000	-
23. Proceeds from receipt of deposits for contribution to silent partnerships	309,585	214,000	494,785
24. Redemption of contribution received from silent partners	(452,539)	(1,073,372)	(588,731)
25. Directors' bonuses	(33,000)	(96,000)	(33,000)
26. Others	978,366	(641,563)	1,334,529
Subtotal	(12,370,184)	28,498,015	(22,974,920)
27. Interests and dividends received	4,891	34,807	26,170
28. Interests paid	(272,996)	(528,448)	(595,509)
29. Income taxes paid	(1,165,964)	(2,759,255)	(1,703,407)
Net cash provided by (used in) operating activities	(13,804,253)	25,245,119	(25,247,666)

*(Thousands of yen)*

	Year 2005 Interim (Jan. 1, 2005 – Jun. 30, 2005)	Year 2006 Interim (Jan. 1, 2006 – Jun. 30, 2006)	Year 2005 Summary (Jan. 1, 2005 – Dec. 31, 2005)
Account title	Amount	Amount	Amount
<b>II Investing activities</b>			
1. Payment for purchase of tangible assets	(19,333)	(21,993)	(35,373)
2. Payment for loans	(438,129)	(722,685)	(603,827)
3. Proceeds from repayment of loans	85,881	37,073	499,431
4. Payment for acquisition of investment securities	(719,650)	(2,921,007)	(3,828,925)
5. Proceeds from sale of investment securities	108,085	25,261	108,085
6. Proceeds from capital reduction with compensation of investment securities	50,000	9,750	83,500
7. Payment for capital investment in affiliates	(599,631)	(2,033,954)	(1,985,620)
8. Proceeds from capital investments in affiliates	86,720	6,000	93,944
9. Proceeds from capital reduction of affiliates	-	-	7,000
10. Increase(decrease) of investment in subsidiaries involving change in scope of consolidation	-	(24,433)	4,762
11. Increase(decrease) of investment in subsidiaries involving change in scope of consolidation	2,295	-	2,295
12. Others	(208,094)	(519,786)	(308,169)
Net cash used in investing activities	(1,651,856)	(6,165,775)	(5,962,897)
<b>III Financing activities</b>			
1. Proceeds from short-term borrowings	25,249,000	53,350,100	65,358,400
2. Repayment of short-term borrowings	(21,931,356)	(64,472,670)	(53,499,226)
3. Proceeds from long-term borrowings	13,731,080	10,575,000	18,718,080
4. Repayment of long-term borrowings	(867,175)	(18,633,114)	(3,133,307)
5. Proceeds from issuance of stock	87,278	185,683	13,720,982
6. Proceeds from issuance of bonds	2,917,523	3,502,455	6,277,873
7. Payment for redemption of bonds	(1,060,000)	(826,000)	(1,420,000)
8. Proceeds from minority interest	8,000	-	8,000
9. Dividends paid	(118,225)	(352,946)	(118,225)
Net cash provided by (used in) financing activities	18,016,125	(16,671,491)	45,912,577
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	28,749	5,508	113,428
<b>V Increase (decrease) in cash and cash equivalents</b>	2,588,764	2,413,360	14,815,441
<b>VI Cash and cash equivalents at beginning of period</b>	4,365,707	19,178,342	4,365,707
<b>VII Increase(decrease) in cash and cash equivalents resulting from changes in scope of consolidation</b>	28,951	20,318	(2,806)
<b>VIII Cash and cash equivalents at end of period</b>	6,983,423	21,612,021	19,178,342