

## Summary of Consolidated Financial Results for the Third Quarter of 2006 (January 1, 2006 – September 30, 2006)

Described below is an abstract in English of the financial result for the Third quarter of 2006 ended September 30, 2006 that was released today in Tokyo. The translation is prepared and provided for the purpose of the readers convenience only. All of readers are strongly recommended to refer to the original version in Japanese of the news release for complete and accurate information

Company name: Kenedix, Inc.  
 Stock code: 4321  
 URL: <http://www.kenedix.com>  
 Stock Exchange listing: First Section, Tokyo Stock Exchange  
 Company Domicile: Tokyo  
 Contact: Taiji Yoshikawa, Member of the Board of Directors and Executive Officer, CFO  
 Tel: +81-3-3519-2530  
 Changes in Accounting Method: None  
 Changes in Consolidated Subsidiaries and Affiliates Accounted For Under the Equity Method:  
     Consolidated subsidiaries   New: 20   Excluded: -  
     Affiliates                    New: 15   Excluded: 4

### 1. Consolidated Financial Results (Jan. 1, 2006 – Sep. 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 (%)
Third Quarter of 2006	19,148	97.9	14,254	129.7	12,642	128.2
Third Quarter of 2005	9,673	114.1	6,205	145.5	5,539	153.1
(ref.) Year ended Dec 2005	13,958	130.6	9,140	186.5	8,113	196.8

	Net income (after taxes)		Net income per share, (basic)	Net income per share, (diluted)
	Million yen	YoY change (%)	Yen	Yen
Third Quarter of 2006	7,195	119.6	25,372.97	24,813.75
Third Quarter of 2005	3,277	147.3	13,321.59	13,021.61
(ref.) Year ended Dec. 2005	4,757	191.2	18,326.81	17,734.92

*Note: Percentage figures shown in the above represent year-on-year changes.*

## (2) Consolidated Financial Position

	Total assets	Net assets/ Shareholders' equity	Equity ratio	Net assets/ Shareholders' equity per share
	Million yen	Million yen	%	Yen
Third Quarter ended September 2006	115,257	35,083	30.4	123,026.94
Third Quarter ended September 2005	80,281	26,439	32.9	93,843.40
(ref.)Year ended Dec. 2005	95,593	28,561	29.9	100,815.44

## (3) Consolidated Cash Flow Position

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Third Quarter ended September 2006	10,238	(7,818)	(3,233)	18,795
Third Quarter ended September 2005	(14,364)	(4,558)	33,883	19,399
(ref.)Year ended Dec. 2005	(25,247)	(5,962)	45,912	19,178

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

	Revenue	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full year	22,000	13,300	7,700

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

Note: Judging from information available to us as of November 7, 2006, the above forecast, which was released on July 10, 2006, 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		September 30,2005		September 30,2006		(ref.) December 31,2005	
	Amount	%	Amount	%	Amount	%		
	<b>Assets</b>							
I Current assets								
1 Cash and deposits	18,428,283		17,023,512		18,658,721			
2 Deposits held in trust	1,410,903		3,076,032		1,632,013			
3 Accounts receivable - trade	1,193,195		685,320		616,399			
4 Inventories	40,426,695		60,845,129		54,790,419			
5 Acquired non-performing loan	1,301,629		6,261,953		1,254,598			
6 Other	2,798,971		4,642,301		1,720,931			
7 Allowance for doubtful accounts	(88,853)		(31,955)		(42,783)			
Total current assets	65,470,824	81.6	92,502,294	80.3	78,630,299	82.3		
II Fixed assets								
1 Tangible assets								
(1) Buildings	76,745		78,075		75,326			
(2) Other	52,580		61,961		134,812			
Total tangible assets	129,326	0.1	140,036	0.1	134,812	0.1		
2 Intangible assets	8,808	0.0	8,841	0.0	8,242	0.0		
3 Investment and other assets								
(1) Investment securities	11,595,410		17,596,276		13,190,976			
(2) Investment in capital	1,816,285		3,107,878		2,418,095			
(3) Long-term loans receivable	757,680		1,351,073		800,920			
(4) Other	502,895		551,169		410,337			
Total investment and other assets	14,672,272	18.3	22,606,397	19.6	16,820,330	17.6		
Total fixed assets	14,810,406	18.4	22,755,275	19.7	16,963,385	17.7		
Total assets	80,281,231	100.0	115,257,570	100.0	95,593,684	100.0		

(Thousands of yen)

Account title	Year		September 30,2005		September 30,2006		(ref.) December 31,2005	
	Amount	%	Amount	%	Amount	%		
	<b>Liabilities</b>							
<b>I Current liabilities</b>								
1 Accounts payable - trade	295,779		813,446		264,482			
2 Short-term borrowings	19,249,935		26,767,895		29,014,200			
3 Long-term borrowings - due within one year	2,387,500		3,689,500		2,485,000			
4 Corporate bonds - due within one year	1,086,000		2,986,000		1,636,000			
5 Accrued income taxes	1,793,419		3,791,850		2,763,130			
6 Allowance for accrued bonuses payable	303,166		640,256		-			
7 Security deposits	1,320,418		2,729,485		1,497,520			
8 Other	830,799		1,146,640		1,010,182			
Total current liabilities	27,267,018	34.0	42,565,073	36.9	38,670,516	40.4		
<b>II Long-term liabilities</b>								
1 Bonds payable	5,804,000		10,468,000		6,554,000			
2 Long-term borrowings	18,993,412		25,097,207		19,872,858			
3 Silent partnership contribution received	1,524,608		1,549,602		1,275,013			
4 Allowance for employee retirement benefits	9,424		11,646		10,791			
5 Allowance for directors' retirement benefits	127,400		152,820		140,050			
6 Other	101,220		329,551		492,147			
Total long-term liabilities	26,560,066	33.1	37,608,827	32.7	28,344,861	29.7		
Total liabilities	53,827,084	67.1	80,173,901	69.6	67,015,378	70.1		
<b>Minority interest</b>								
Minority interest	14,236	0.0	-	-	16,359	0.0		
<b>Shareholders' equity</b>								
I Common stock	9,487,193	11.8	-	-	9,507,752	10.0		
II Additional paid-in capital	9,746,328	12.1	-	-	9,766,887	10.2		
III Retained earnings	6,953,967	8.7	-	-	8,433,984	8.8		
IV Net unrealized gains on investment securities	210,771	0.3	-	-	739,893	0.8		
Foreign currency translation adjustments	41,649	0.0	-	-	113,428	0.1		
Total shareholders' equity	26,439,910	32.9	-	-	28,561,946	29.9		
Total liabilities, shareholders' equity, and minority interest	80,281,231	100.0	-	-	95,593,684	100.0		

(Thousands of yen)

Account title	Year				(ref.)
	September 30,2005		September 30,2006		December 31,2005
<b>Net assets</b>					
I Common stock	-		9,615,186	8.3	-
II Additional paid-in capital	-		9,874,321	8.6	-
III Retained earnings	-		15,176,467	13.1	-
IV Treasury stock	-		(42,040)	(0.0)	-
<b>Valuation and translation adjustments</b>					
I Net unrealized gains on investment securities	-		438,276	0.4	-
II Foreign currency translation adjustments	-		(153,767)	(0.1)	-
III Deferred losses on hedges	-		126,924	0.1	-
<b>Minority interests in consolidated subsidiaries</b>	-		48,300	0.0	-
Total net assets	-		35,083,668	30.4	-
Total liabilities and net assets	-		115,257,570	100.0	-

**(2) Consolidated Statements of Income**

(Thousands of yen)

Account title	Year		Third Quarter of 2005 (Jan. 1, 2005 – Sep. 30, 2005)		Third Quarter of 2006 (Jan. 1, 2006 – Sep. 30, 2006)		Year 2005 (Jan. 1, 2005 – Dec. 31, 2005)	
			Amount	%	Amount	%	Amount	%
I Revenue			9,673,432	100.0	19,148,227	100.0	13,958,522	100.0
II Cost of revenue			1,554,441	16.1	2,209,810	11.5	2,208,840	15.8
Gross profit			8,118,990	83.9	16,938,416	88.5	11,749,682	84.2
III Selling, general and administrative expenses								
1 Provision for doubtful accounts			12,475		-		210	
2 Directors' salaries			160,027		179,900		218,277	
3 Salaries and bonuses			527,164		646,557		1,220,324	
4 Provision for accrued bonus			303,166		640,256		-	
5 Provision for employee retirement benefits			4,721		6,385		5,480	
6 Provision for directors' retirement benefits			14,939		12,770		27,589	
7 Other fees and commissions			181,139		284,092		254,756	
8 Other			709,485	19.7	913,880	14.1	882,532	18.7
Operating income			6,205,871	64.2	14,254,573	74.4	9,140,511	65.5
IV Non-operating income								
1 Interest income			24,920		41,452		31,549	
2 Equity in earnings of non-consolidated affiliates, etc.			188,440		139,618		182,164	
3 Consumption taxes differential (after being offset by suspense payments and receipt)			-		-		65,753	
4 Other			43,818	2.7	78,459	1.4	65,388	2.4
V Non-operating expenses								
1 Interest expense			429,586		765,785		607,094	
2 New stock issue expenses			70,489		2,112		71,649	
3 Bond issue expenses			144,626		185,275		172,126	
4 Other fees and commissions			232,097		786,172		437,423	
5 Other			46,389	9.6	132,496	9.8	83,927	9.8
Ordinary income			5,539,860	57.3	12,642,261	66.0	8,113,146	58.1
VI Extra-ordinary income								
1 Gain on sale of investment securities			90,156	0.9	20,297	0.1	90,156	0.7
Income before provision for income taxes and profit distribution to silent partners			5,630,017	58.2	12,662,558	66.1	8,203,302	58.8
Profit distribution to silent partners			137,194	1.4	476,926	2.5	175,257	1.3
Income before provision for income taxes			5,492,823	56.8	12,185,632	63.6	8,028,044	57.5
Current income taxes			2,412,175		5,455,494		3,429,183	
Deferred income taxes			(207,291)	22.8	(467,349)	26.0	(167,571)	23.3
Minority interest			10,933	0.1	2,118	0.0	9,410	0.1
Net income			3,277,005	33.9	7,195,369	37.6	4,757,022	34.1

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

Account title	Year	Year 2005 (Jan. 1, 2005– Sep. 30 , 2005)		Year 2005 (Jan. 1, 2005 – Dec. 31, 2005)	
		Amount		Amount	
<b>Additional paid in capital</b>					
I Additional paid-in capital at beginning of year			2,871,512		2,871,512
II Increase in additional paid-in capital					
1 Stock issued		6,869,117		6,889,676	
2 Exercise of stock acquisition rights		5,586		5,586	
3 Transfer from stock acquisition rights		112	6,874,815	112	6,895,374
III Additional paid-in capital at end of year			9,746,328		9,766,887
<b>Retained earnings</b>					
I Retained earnings at beginning of year			3,828,187		3,828,187
Balance of retained earnings at beginning of year					
II Increase in retained earnings					
Net income		3,277,005	3,277,005	44,757,022	4,757,022
Decrease in retained earnings					
1 Cash dividends paid		118,225		118,225	
2 Bonuses to directors		33,000	151,225	33,000	151,225
Retained earnings at end of year			6,953,967		8,433,984

( 4 ) Consolidated statement of changes in net assets

(Thousands of yen)

	Shareholders' equity					
	Shares of common stock	Common stock	Additional paid -in capital	Retained earnings	Treasury stock	Total
<b>Balance as of 31 December, 2005</b>	282,357	9,507,752	9,766,887	8,433,984	-	27,708,624
Exercise of warrant and stock subscription right	2,508	107,433	107,433	-	-	214,867
Net income	-	-	-	7,195,369	-	7,195,369
Cash dividends	-	-	-	(352,946)	-	(352,946)
Bonuses to directors	-	-	-	(99,940)	-	(99,940)
Purchase of treasury stock	-	-	-	-	(42,040)	(42,040)
Net changes of item other than Shareholders' equity	-	-	-	-	-	-
Net increase in Minority interests in consolidated subsidiaries	-	-	-	-	-	-
<b>Balance as of 30 September, 2006</b>	284,865	9,615,186	9,874,321	15,176,467	(42,040)	34,623,934

	Valuation and translation adjustments				Minority interests in consolidated subsidiaries	Total net assets
	Net unrealized gains on investment securities	Foreign currency translation adjustments	Deferred losses on hedges	Total		
<b>Balance as of 31 December, 2005</b>	739,893	113,428	-	853,322	16,359	28,578,306
Exercise of warrant and stock subscription right	-	-	-	-	-	214,867
Net income	-	-	-	-	-	7,195,369
Cash dividends	-	-	-	-	-	(352,946)
Bonuses to directors	-	-	-	-	-	(99,940)
Purchase of treasury stock	-	-	-	-	-	(42,040)
Net changes of item other than Shareholders' equity	(301,616)	13,495	(153,767)	(441,889)	-	(409,948)
Net increase in Minority interests in consolidated subsidiaries	-	-	-	-	31,940	31,940
<b>Balance as of 30 September, 2006</b>	438,276	126,924	(153,767)	411,433	48,300	35,083,668

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

Account title	Period	Third Quarter of 2005 (Jan. 1, 2005 - Sep. 30, 2005)	Third Quarter of 2006 (Jan. 1, 2006 - Sep. 30, 2006)	Year 2005 (Jan. 1, 2005 - Dec. 31, 2005)
		Amount	Amount	Amount
<b>I Operating activities</b>				
1. Income before provision for income taxes		5,492,823	12,185,632	8,028,044
2. Gain on sale and collection of acquired non-performig loan purchased		(280,960)	(229,840)	(289,236)
3. Profit distribution on principal investment in silent partnerships		(1,336,155)	(1,892,532)	(1,488,431)
4. Increase (decrease) in provision for doubtful accounts		6,092	(10,827)	(39,977)
5. Increase (decrease) in reserve for accrued bonuses		303,166	640,256	-
6. Increase (decrease) in provision for employee retirement benefits		3,184	854	4,551
7. Increase (decrease) in provision for directors' retirement benefits		14,939	12,770	27,589
8. Interest income		(24,920)	(41,452)	(31,549)
9. Interest expense		429,586	765,785	607,094
10. Profit distribution to silent partners		137,194	476,926	175,257
11. Equity in earnings of non-consolidated affiliates, etc.		(188,440)	(139,618)	(182,164)
12. Gains on sale of real estate held sale		(1,457,514)	(9,773,849)	(2,301,653)
13. Gain on sale of investment securities		(90,156)	(20,297)	(90,156)
14. Increase (decrease) in accounts receivable - trade		(783,591)	(68,770)	(206,795)
15. Payment for acquisition of real estate held for sale		(37,854,085)	(55,597,579)	(68,811,402)
16. Proceed from sale of real estate held for sale		23,034,472	81,152,180	40,398,814
17. Increase (decrease) in accounts payable - trade		155,363	545,066	129,088
18. Purchase of notes		(1,092,954)	(8,368,109)	(1,154,951)
19. Proceeds from sale and collection of notes purchased		654,200	1,478,594	771,465
20. Distributions from silent partnerships		11,839,328	5,201,252	12,756,307
21. Contribution paid in silent partnerships		(11,859,000)	(10,839,948)	(12,484,400)
22. Proceeds from sale of silent partnerships		-	700,000	-
23. Proceeds from receipt of deposits for contribution to silent partnerships		843,408	214,000	494,758
24. Redemption of contribution received from silent partners		(651,997)	(1,071,202)	(588,731)
25. Bonuses to directors		(33,000)	(99,940)	(33,000)
26. Other, net		518,789	181,362	1,334,529
Subtotal		(12,220,226)	15,400,710	(22,974,920)
27. Interest received		25,864	37,803	26,170
28. Interest paid		(433,311)	(772,887)	(595,509)
29. Income taxes paid		(1,736,469)	(4,427,321)	(1,703,407)
Net cash provided by (used in) operating activities		(14,364,141)	10,238,304	(25,247,666)

Account title	Period	Third Quarter of 2005 (Jan. 1, 2005 - Sep. 30, 2005)	Third Quarter of 2006 (Jan. 1, 2006 - Sep. 30, 2006)	Year 2005 (Jan. 1, 2005 - Dec. 31, 2005)
		Amount	Amount	Amount
<b>II Investing activities</b>				
1. Payment for purchase of property and equipment		(23,611)	(26,030)	(35,373)
2. Drawdown of loans receivable		(499,087)	(814,085)	(603,827)
3. Proceeds from repayment of loans receivable		437,931	100,932	499,431
4. Payment for acquisition of investment securities		(2,950,906)	(4,412,735)	(3,828,925)
5. Proceeds from sale of investment securities		108,085	25,680	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		(1,325,238)	(2,058,901)	(1,985,620)
8. Proceeds from capital investments in affiliates		86,720	14,067	93,944
9. Proceeds from capital redemption of affiliates		7,000	-	7,000
10. Increase of investment in subsidiaries involving change in scope of consolidation		-	(24,433)	4,762
11. Decrease in funds owing to sale of investment in subsidiaries due to change in scope of consolidation		2,295	-	2,295
12. Other, net		(451,598)	(632,575)	(308,169)
Net cash provided by (used in) investing activities		(4,558,410)	(7,818,330)	(5,962,897)
<b>III Financing activities</b>				
1. Proceeds from short-term borrowings		43,717,400	67,904,600	65,358,400
2. Repayment of short-term borrowings		(41,622,491)	(71,150,905)	(53,499,226)
3. Proceeds from long-term borrowings		15,838,080	14,975,000	18,718,080
4. Repayment of long-term borrowings		(1,206,003)	(19,912,581)	(3,133,307)
5. Proceeds from issuance of stock		13,681,024	212,755	13,720,982
6. Proceeds from issuance of bonds		5,005,373	6,414,724	6,277,873
7. Payment for redemption of bonds		(1,420,000)	(1,336,000)	(1,420,000)
8. Proceeds from minority interests		8,000	12,000	8,000
9. Payment for dividend		(118,225)	(352,946)	(118,225)
Net cash provided by (used in) financing activities		33,883,158	(3,233,352)	45,912,577
<b>IV Effect of exchanges on cash and cash equivalents</b>		41,649	13,169	113,428
<b>V Net increase in cash and cash equivalents</b>		15,002,255	(800,209)	14,815,441
<b>VI Cash and cash equivalents at beginning of period</b>		4,365,707	19,178,342	4,365,707
Increase in cash and cash equivalents resulting from change in scope of consolidation		31,699	416,977	(2,806)
Cash and cash equivalents at end of period		19,399,662	18,795,110	19,178,342

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

	Third Quarter of 2005 (Jan. 1,2005-Sep. 30,2005)	Third Quarter of 2006 (Jan. 1,2006-Sep. 30,2006)	(Reference) Year 2005 (Jan. 1,2005-Dec. 31,2005)
Real Estate Investment Advisory Business	6,163,909	15,589,897	8,189,702
Real Estate Asset Management Business	2,388,651	2,545,919	4,512,973
NPL Investment Management Business	1,120,871	1,012,410	1,255,846
Total Revenue	9,673,432	19,148,227	13,958,522