KENEDIX

February 13, 2007

Summary of Consolidated Financial Results for the Year Ended December 31, 2006

Described below is an abstract in English of the financial result for the fiscal year ended December 31, 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 CFO
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Date of board meeting for approving consolidated financial results: February 13, 2007

U.S. GAAP standards: The company does not apply U.S. GAAP standards for accounting.

1. Consolidated Financial Results (Jan. 1, 2006 – Dec. 31, 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 (%)
Year ended December 2006	27,044	93.7	18,637	103.9	16,461	102.9
Year ended December 2005	13,958	130.6	9,140	186.5	8,113	196.8

	Net income		Net income per share, (basic)	Net income per share, (diluted)
	Million yen	YoY change (%)	Yen	Yen
Year ended December 2006	9,015	89.5	31,750.48	30,625.34
Year ended December 2005	4,757	191.2	18,326.81	17,734.92

	Return on equity	Ordinary income/ Total assets	Ordinary income/ Revenue
	%	%	%
Year ended December 2006	27.4	13.0	60.9
Year ended December 2005	25.1	11.9	58.1

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

Year ended December 2006: 170 million yen

Year ended December 2005: 182 million yen

2. Average number of shares outstanding (consolidated)

Year ended December 2006: 283,953 shares

Year ended December 2005: 254,328 shares

3. Changes in accounting method: No

4. Percentage figures shown in revenue, operating income, ordinary income and net income 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 December 31, 2006	158,147	39,794	23.5	130,380.08
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 December 31, 2006: 285,402 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
Year ended December 2006	(2,900)	(8,894)	28,283	37,074
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: 65

Non-consolidated subsidiaries accounted for under the equity method: 8

Affiliates accounted for under the equity method: 75

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

Consolidated subsidiaries:
New: 28
Excluded: -

Affiliates accounted for under the equity method:
New: 39
Excluded: 8

2. Forecast of Consolidated Income for the Year Ending December 31, 2007 (Jan. 1, 2007 – Dec. 31, 2007)

	Revenue	Ordinary income	Net income (after taxes)
	Million yen	Million yen	Million yen
First half	19,400	12,500	6,300
Full year	31,700	18,800	10,000

Reference: Estimated consolidated net income per share for the full year: 17,389.91yen

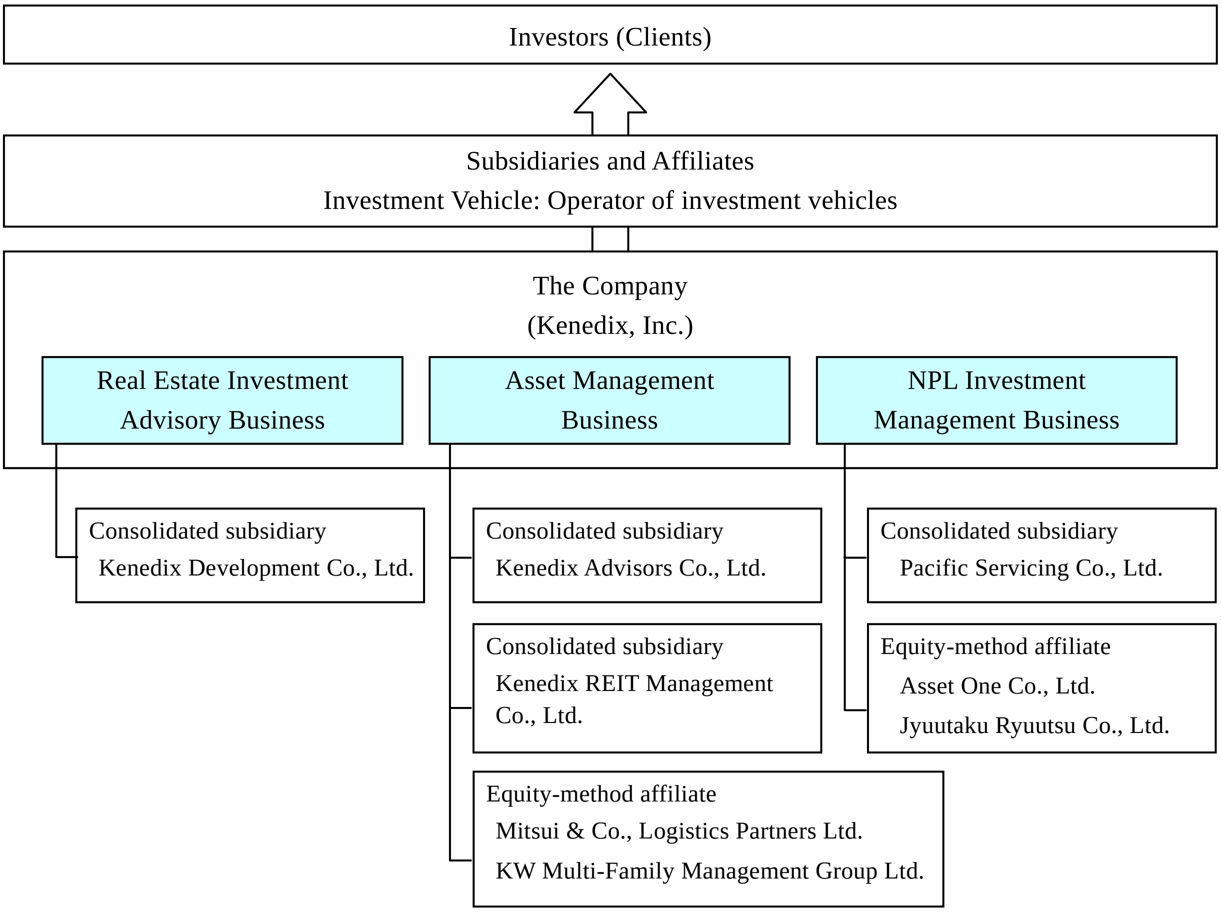
This figure is based on the assumed number of stocks after the stocks outstanding on the record date of June 30, 2007 will be split by 2:1 on July 1, 2007, as released on February 13, 2007. Without the stock split, this figure will be doubled, i.e. 34,779.82 yen.

Note: The above forecast is based on information available as of the announcement date of the summary. Actual results are affected by various factors and may differ substantially.
Please refer to page 11 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), 81 consolidated subsidiaries and 75 affiliates. 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 by funds. 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) NPL Investment Management Business

The Group invests in real estate-backed NPLs (Non-performing loans) 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 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 3,000 yen per share of common stock applicable to 2006, which will result in a consolidated dividend payout ratio of 9.4%. 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. A meeting of the Board of Directors on February 13, 2007 resolved, in light of the current share price of the Company, that one common share of the Company held by the shareholders shown or recorded in the shareholders list of June 30, 2007 shall be split into two common shares. The Company will continue to carefully consider the various methods with the aim of maximizing shareholders value, enhancing the liquidity, and increasing the number of investors in shares of the Company.

(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 fiscal year, these assets totaled approximately 544.4 billion yen, 41.2% more than one year 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. In 2006, the return on equity was 27.4%, 2.3 points higher than in 2005.

(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 are listed on the Tokyo Stock Exchange. These are Japan Logistics Fund, Inc., which was formed jointly with Mitsui & Co., Ltd. and The Chuo Mitsui Trust & Banking Co., Ltd., and Kenedix Realty Investment Corp., which is operated as 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) Results of Operations

In the fiscal year under review, the Japanese economy continued its moderate expansion thanks to increased capital spending and a general uptrend in wages as corporate earnings remained at a high level.

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 December 31, 2006, Japan Logistics Fund had assets of 70 billion yen and Kenedix Realty Investment had investments of 150.9 billion yen.

As of December 31, 2006, total assets under management at the Group, including these two REITs, amounted to 544.4 billion yen.

During 2006, the Company has 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. Turning to the financial position, in December 2006 the Company issued 20 billion yen of euro-yen denominated convertible bonds with stock acquisition rights. While minimizing interest costs by the zero-coupon format, this fund procurement also promises to bolster equity when they are converted to shares as the Company's share price rises in the future. The proceeds are slated to be used to acquire various investment properties.

Due to these factors the Company reported strong performance in 2006, consolidated revenue increased 93.7% to 27,044 million yen, ordinary income rose 102.9% to 16,461 million yen and net income was up 89.5% to 9,015 million yen.

Results by business segment were as follows.

A) Real Estate Investment Advisory Business

Performance mainly reflected an increase 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 159.5% increase in revenue to 21,253 million yen and a 165.5% increase in operating income to 15,420 million yen.

B) Asset Management Business

In the fiscal year under review, operating revenue totaled 5,255 million yen, up 16.4% from a year earlier, and operating income totaled 3,346 million yen, down 0.7% from a year earlier. On the operating revenue side, asset management fees grew as assets under management increased. However, all of the capital gains associated with a principal fund that the Company stopped managing in the year under review belonged to the Company, and there were no incentive fees under the agreement, so the increase in operating revenue was smaller than it has been in the past. In operating expenses, labor costs grew as the Company added personnel, mainly to handle the increase in assets under management for J-REITs formed by the Group.

C) NPL Investment Management Business

Consolidated revenue increased 4.3% to 1,309 million yen and operating income was down 4.9% to 553 million yen mainly due to increase in incentive fees and earnings from the collection of notes.

(2) 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 Group has established a commitment line to facilitate the stable and flexible procurement of funds as well as to permit participation in large projects, and has a 56.7 billion yen commitment line that was established as of the end of December 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 Group’s debt-equity ratio.

In December 2006 the Company issued 20 billion yen of convertible bonds with stock acquisition rights. The proceeds will be used to acquire various investment properties, and while minimizing interest costs by the zero-coupon format, this fund procurement also promises to bolster equity when they are converted to shares as the Company’s share price rises in the future.

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

	Dec. ‘03	Dec. ‘04	Dec. ‘05	Dec. ‘06
Interest-bearing debt (1) *(Millions of yen)* (Note)	4,922	27,022	59,562	106,630
[Non-recourse loans included] (2) *(Millions of yen)*	[-]	[1,742]	[11,049]	[29,640]
Net assets (3) *(Millions of yen)*	5,499	9,360	28,561	39,794
Debt-equity ratio (1)/(3) *(%)*	89.5	288.7	208.5	268.0
Debt-equity ratio net of non-recourse loans ((1) – (2))/(3) *(%)*	[89.5]	[270.1]	[169.9]	[193.5]

Note: Includes 20 billion yen of zero coupon convertible bonds with stock acquisition rights issued in December 2006.

Cash Flow Position

Consolidated-basis cash and cash equivalents increased 17,896 million yen from a year earlier to 37,074 million yen at the end of the fiscal year under review. We used 2,900 million yen in operating activities, mainly to acquire real estate held for sale, but near to the end of the year we raised 20,000 million yen by issuing euro-yen denominated convertible bonds with stock acquisition rights.

A) Operating Activities

Net cash used in operating activities was down 88.5% to 2,900 million yen. Income from the sale of real estate held for sale exceeded outlays for the purchase of real estate held for sale by 6,461 million yen. However, outlays for investments in silent partnerships exceeded income from distributions from investments in silent partnerships by 3,905 million yen, and outlays for the purchase of credit assets exceeded income from sale and collection of notes purchased by 4,145 million yen.

B) Investing Activities

Net cash used in investing activities was up 49.2% to 8,894 million yen. This was mainly due to 5,377 million yen in payment for purchase of investment securities, and 2,090 million yen in payment for capital investment in affiliates and other factors.

C) Financing Activities

Net cash used in investing activities was down 38.4% to 28,283 million yen. This is primarily attributable to the 26,616 million yen in income from issuing bonds, mainly 20,000 million yen of convertible bonds with stock acquisition rights.

(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.

With the provisions of the Financial Instruments and Exchange Law going into effect in 2007, the real estate funds managed by the Group may become subject to regulation. The Group is moving to address this legislation, but the finer points of the law have not yet been interpreted and depending on legal trends and interpretations it may not be able to adequately address this new law, particularly with respect to acquiring necessary approvals and licenses, and this could have an affect on the Group's operating results.

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.

10) Determining of the scope of consolidation

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

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

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

(4) Outlook for the Fiscal Year 2007

The Company expects the continued growth of assets under management from client investors with investment policies emphasizing stable returns over the long term. With respect to its investments, the Company intends to create funds that invest in income properties that are more diversified that ever before. The structuring of these funds and acquisition of properties is expected to generate growth in acquisition fees that are received when properties are acquired and in asset management fees that are received following purchases. The Company also expects to generate earnings upon the completion and sales of real estate development projects, a business sector where the Company has been active for some time. Consequently, the Company is forecasting growth in revenue and earnings in 2007.

Due to the above items, the Company is forecasting a 17.2% increase in revenue to 31,700 million yen, a 14.2% increase in ordinary income to 18,800 million yen and a 10.9% increase in net income to 10,000 million yen.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Thousands of yen)

	Year 2005 (As of Dec. 31, 2005)			Year 2006 (As of Dec. 31, 2006)		
Account title	Amount		%	Amount		%
Assets						
I Current assets						
1. Cash and deposits		18,658,721			34,390,919	
2. Deposits held in trust		1,632,013			4,821,714	
3. Accounts receivable - trade		616,399			866,838	
4. Inventories		54,790,419			86,848,563	
5. Acquired non-performing loans		1,254,598			3,603,043	
6. Deferred tax assets		381,658			579,496	
7. Other		1,339,272			3,488,466	
8. Allowance for doubtful accounts		(42,783)			(32,982)	
Total current assets		78,630,299	82.3		134,566,060	85.1
II Fixed assets						
1. Property and equipment						
(1) Buildings	91,831			110,075		
Accumulated depreciation	16,504	75,326		22,866	87,209	
(2) Other	91,739			111,209		
Accumulated depreciation	32,252	59,486		45,206	66,002	
Total tangible assets		134,812	0.1		153,212	0.1
2. Intangible assets		8,242	0.0		8,583	0.0
3. Investments and other assets						
(1) Investment securities		13,190,976			17,558,361	
(2) Investment in capital		2,418,095			3,126,246	
(3) Long-term loans receivable		800,920			1,431,962	
(4) Deferred tax assets		30,453			77,435	
(5) Other		379,883			1,225,729	
Total investment and other assets		16,820,330	17.6		23,419,735	14.8
Total fixed assets		16,963,385	17.7		23,581,531	14.9
Total assets		95,593,684	100.0		158,147,591	100.0

(Thousands of yen)

	Year 2005 (As of Dec. 31, 2005)		Year 2006 (As of Dec. 31, 2006)	
Account title	Amount	%	Amount	%
Liabilities				
I Current liabilities				
1. Accounts payable - trade	264,482		362,917	
2. Short-term borrowings	29,014,200		35,900,260	
3. Long-term borrowings - due within one year	2,485,000		3,810,550	
4. Corporate bonds – due within one year	1,636,000		2,785,000	
5. Accrued income taxes	2,763,130		5,066,563	
6. Security deposits	1,497,520		3,575,875	
7. Accrued director’s and corporate auditor’s bonuses	-		270,000	
8. Other	1,010,182		1,552,262	
Total current liabilities	38,670,516	40.4	53,323,428	33.7
II Long-term liabilities				
1. Bonds payable	6,554,000		30,519,000	
2. Long-term borrowings	19,872,858		33,615,425	
3. Silent partnership contribution received	1,275,013		279,379	
4. Deferred tax liabilities	444,517		303,554	
5. Allowance for employees’ retirement benefits	10,791		13,299	
6. Allowance for directors’ and corporate auditor’s retirement benefits	140,050		164,420	
7. Other	47,630		135,045	
Total long-term liabilities	28,344,861	29.7	65,030,124	41.1
Total liabilities	67,015,378	70.1	118,353,553	74.8
Minority interests				
Minority interests	16,359	0.0	-	-
Shareholders’ Equity				
Ⅰ Common stock	9,507,752	10.0	-	-
Ⅱ Additional paid-in capital	9,766,887	10.2	-	-
Ⅲ Retained earnings	8,433,984	8.8	-	-
Ⅳ Net unrealized holding gains/losses on other securities	739,893	0.8	-	-
Ⅴ Foreign currency translation adjustments	113,428	0.1	-	-
Total shareholders’ equity	28,561,946	29.9	-	-
Total liabilities and shareholders’ equity	95,593,684	100.0	-	-

(Thousands of yen)

	Year 2005 (As of Dec. 31, 2005)		Year 2006 (As of Dec. 31, 2006)	
Account title	Amount	%	Amount	%
Net Assets				
I Shareholders' equity				
1. Common stock	-	-	9,648,405	6.1
2. Additional paid-in capital	-	-	9,907,540	6.2
3. Retained earnings	-	-	16,996,744	10.8
4. Treasury stock	-	-	(42,040)	(0.0)
Total shareholders' equity	-	-	36,510,650	23.1
II Valuation and translation adjustments				
1. Net unrealized holding gains/losses on other securities	-	-	674,060	0.4
2. Deferred losses on hedges	-	-	(111,859)	(0.0)
3. Foreign currency translation adjustments	-	-	137,884	0.1
Total valuation and translation adjustments	-	-	700,085	0.5
III Minority interests in consolidated subsidiaries	-	-	2,583,302	1.6
Total net assets	-	-	39,794,037	25.2
Total liabilities and net assets	-	-	158,147,591	100.0

(2) Consolidated Statements of Income

(Thousands of yen)

	Year 2005 (Jan. 1, 2005 – Dec. 31, 2005)			Year 2006 (Jan. 1, 2006 – Dec. 31, 2006)		
Account title	Amount		%	Amount		%
I Revenue		13,958,522	100.0		27,044,262	100.0
II Cost of revenue		2,208,840	15.8		4,659,457	17.2
Gross profit		11,749,682	84.2		22,384,,805	82.8
III Selling, general and administrative expenses						
1. Provision for doubtful accounts	210			-		
2. Directors' and corporate auditors' salaries	218,277			240,400		
3. Salaries and bonuses	1,220,324			1,536,805		
4. Provision for accrued directors' and corporate auditors' bonuses	-			270,000		
5. Provision for employees' retirement benefits	5,480			8,118		
6. Provision for directors' and corporate auditors' retirement benefits	27,589			24,370		
7. Commissions paid	254,756			403,579		
8. Other	882,532	2,609,170	18.7	1,264,,463	3,747,738	13.9
Operating income		9,140,511	65.5		18,637,067	68.9
IV Non-operating income						
1. Interest income	31,549			63,503		
2. Equity in earnings of non-consolidated subsidiaries and affiliates	182,164			170,849		
3. Consumption taxes differential (after being offset by suspense payments and receipt)	65,753			77,220		
4. Other	65,388	344,855	2.4	65,371	376,944	1.4
V Non-operating expenses						
1. Interest expense	607,094			1,223,488		
2. Stock issue expenses	71,649			2,844		
3. Bond issue expenses	172,126			283,196		
4. Commissions paid	437,423			879,168		
5. Other	83,927	1,372,220	9.8	164,078	2,552,775	9.5
Ordinary income		8,113,146	58.1		16,461,236	60.9
VI Extra-ordinary income						
1. Gain on sale of investment securities	90,156	90,156	0.7	20,297	20,297	0.0
Income before income taxes and profit distribution to silent partners		8,203,302	58.8		16,481,533	60.9
Profit distribution to silent partners		175,257	1.3		474,522	1.7
Income before income taxes		8,028,044	57.5		16,007,010	59.2
Current income taxes	3,429,183			6,739,424		
Deferred income taxes	(167,571)	3,261,612	23.3	(263,876)	6,475,547	24.0
Minority interests		9,410	0.1		515,816	1.9
Net income		4,757,022	34.1		9,015,646	33.3

(3) Consolidated Statements of Retained Earnings

(Thousands of yen)

	Year 2005 (Jan. 1, 2005 – Dec. 31, 2005)	
Account title	Amount	
Capital reserve		
I Additional paid-in capital at beginning of period		2,871,512
II Increase in additional paid-in capital		
1. New stock issuance	6,889,676	
2. New stock issuance for stock acquisition rights	5,586	
3. Transfer from stock acquisition rights	112	6,895,374
III Additional paid-in capital at end of period		9,766,887
Retained earnings		
I Retained earnings at beginning of period		3,828,187
II Increase in retained earnings		
Net income	4,757,022	4,757,022
III Decrease in retained earnings		
1. Dividends paid	118,225	
2. Directors' and corporate auditors' bonuses	33,000	151,225
IV Retained earnings at end of period		8,433,984

(4) Consolidated Statement of Changes in Net Assets

Year 2006 (Jan. 1, 2006 – Dec. 31, 2006)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	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 fiscal year					
New stock issue	140,653	140,653	-	-	281,306
Cash dividends	-	-	(352,946)	-	(352,946)
Bonuses to directors and corporate auditors	-	-	(99,940)	-	(99,940)
Net income	-	-	9,015,646	-	9,015,646
Acquisition of treasury stocks	-	-	-	(42,040)	(42,040)
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes in the fiscal year	140,653	140,653	8,562,760	(42,040)	8,802,025
Balance as of December 31, 2006	9,648,405	9,907,540	16,996,744	(42,040)	36,510,650

	Valuation and translation adjustments				Minority interest in consolidated subsidiaries	Total net assets
	Net unrealized holding gain /losses on other securities	Deferred losses on hedges	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 fiscal year						
New stock issue	-	-	-	-	-	281,306
Cash dividends	-	-	-	-	-	(352,946)
Bonuses to directors and corporate auditors	-	-	-	-	-	(99,940)
Net income	-	-	-	-	-	9,015,646
Acquisition of treasury stocks	-	-	-	-	-	(42,040)
Net changes of items other than shareholders' equity	(65,832)	(111,859)	24,455	(153,237)	2,566,942	2,413,705
Total changes in the fiscal year	(65,832)	(111,859)	24,455	(153,237)	2,566,942	11,215,730
Balance as of December 31, 2006	674,060	(111,859)	137,884	700,085	2,583,302	39,794,037

(5) Consolidated Statement of Cash Flows

(Thousands of yen)

	Year 2005 (Jan. 1, 2005 – Dec. 31, 2005)	Year 2006 (Jan. 1, 2006 – Dec. 31, 2006)
Account title	Amount	Amount
I Operating activities		
1. Income before provision for income taxes	8,028,044	16,007,010
2. Gain on sales and collection of acquired non performing loans	(289,236)	(314,559)
3. Profit distribution from silent partnerships	(1,488,431)	(2,287,300)
4. Increase (decrease) in allowance for doubtful accounts	(39,977)	(9,800)
5. Increase (decrease) in accrued directors' and corporate auditors' bonuses	-	270,000
6. Increase (decrease) in allowance for employees' retirement benefits	4,551	2,508
7. Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits	27,589	24,370
8. Interest income	(31,549)	(63,503)
9. Interest expense	607,094	1,223,488
10. Profit distribution to silent partners	175,257	474,522
11. Equity in earnings of non-consolidated subsidiaries and affiliates	(182,164)	(170,849)
12. Gain on sale of real estate held for sale	(2,301,653)	(10,848,683)
13. Gain on sale of investment securities	(90,156)	(20,297)
14. Decrease (increase) in accounts receivable - trade	(206,795)	(246,196)
15. Payment for acquisition of real estate held for sale	(68,811,402)	(86,082,640)
16. Proceeds from sale of real estate held for sale	40,398,814	92,544,103
17. Increase (decrease) in accounts payable - trade	129,088	86,893
18. Purchase of acquired non-performing loans	(1,154,951)	(8,368,109)
19. Proceeds from sale and collection of acquired non-performing loans	771,465	4,222,223
20. Distributions from silent partnerships	12,756,307	6,453,846
21. Contribution paid in silent partnerships	(12,484,400)	(10,359,641)
22. Proceeds from sale of silent partnerships	-	700,000
23. Proceeds from receipt of deposits for contribution to silent partnerships	494,785	159,100
24. Redemption of silent partners contribution received	(588,731)	(804,748)
25. Directors' and corporate auditors' bonuses	(33,000)	(99,940)
26. Other, net	1,334,529	336,221
Subtotal	(22,974,920)	2,828,016
27. Interests and dividends received	26,170	57,784
28. Interests paid	(595,509)	(1,349,217)
29. Income taxes paid	(1,703,407)	(4,436,857)
Net cash used in operating activities	(25,247,666)	(2,900,273)

(Thousands of yen)

Account title	Year 2005 (Jan. 1, 2005 – Dec. 31, 2005) Amount	Year 2006 (Jan. 1, 2006 – Dec. 31, 2006) Amount
II Investing activities		
1. Payment for purchase of property and equipment	(35,373)	(52,610)
2. Proceeds from sale of property and equipment	-	6,329
3. Payment for loans receivable	(603,827)	(948,295)
4. Proceeds from repayment of loans receivable	499,431	143,002
5. Payment for acquisition of investment securities	(3,828,925)	(5,377,148)
6. Proceeds from sales of investment securities	108,085	28,680
7. Proceeds from capital reduction with compensation of investment securities	83,500	17,250
8. Payment for capital investment in affiliates	(1,985,620)	(2,090,029)
9. Proceeds from capital investments in affiliates	93,944	86,770
10. Proceeds from capital reduction of affiliates	7,000	-
11. Purchase of investment in subsidiaries involving change in scope of consolidation	4,762	(24,433)
12. Sales of investment in subsidiaries involving change in scope of consolidation	2,295	-
13. Other, net	(308,169)	(684,285)
Net cash used in investing activities	(5,962,897)	(8,894,769)
III Financing activities		
1. Proceeds from short-term borrowings	65,358,400	88,406,589
2. Repayment of short-term borrowings	(53,499,226)	(82,520,529)
3. Proceeds from long-term borrowings	18,718,080	23,565,000
4. Repayment of long-term borrowings	(3,133,307)	(25,127,743)
5. Proceeds from issuance of stock	13,720,982	278,461
6. Proceeds from issuance of bonds	6,277,873	26,616,803
7. Payment for redemption of bonds	(1,420,000)	(1,786,000)
8. Proceeds from minority interest	8,000	1,030,672
9. Distributions to minority interest	-	(1,826,581)
10. Dividends paid	(118,225)	(352,946)
Net cash provided by financing activities	45,912,577	28,283,726
IV Effect of exchange rate changes on cash and cash equivalents	113,428	14,871
V Increase (decrease) in cash and cash equivalents	14,815,441	16,503,555
VI Cash and cash equivalents at beginning of period	4,365,707	19,178,342
VII Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	(2,806)	1,392,826
VIII Cash and cash equivalents at end of period	19,178,342	37,074,723

(6) Segment Information

(Thousands of yen)

	Year 2005 (Jan. 1, 2005 – Dec. 31, 2005)				
	Real Estate Investment Advisory Business	Asset Management Business	NPL Investment Management Business	Adjusts and Elimination	Consolidated
Revenue	8,189,702	4,512,973	1,255,846	-	13,958,522
Costs and expenses	2,381,662	1,143,168	673,897	619,282	4,818,010
Operating income	5,808,039	3,369,805	581,949	(619,282)	9,140,511

(Thousands of yen)

	Year 2006 (Jan. 1, 2006 – Dec. 31, 2006)				
	Real Estate Investment Advisory Business	Asset Management Business	NPL Investment Management Business	Adjusts and Elimination	Consolidated
Revenue	21,253,016	5,255,057	1,309,996	(773,808)	27,044,262
Costs and expenses	5,832,166	1,908,478	756,463	(89,912)	8,407,195
Operating income	15,420,850	3,346,579	553,533	(683,896)	18,637,067