KENEDIX

August 13, 2008

Summary of Interim Financial Results for the Year Ending December 31, 2008
(Six Months Ended June 30, 2008)

Described below is an abstract in English of the financial result for the interim period ended June 30, 2008 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. Listing: First Section, Tokyo Stock Exchange
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(Amounts rounded off to million yen)

1. Consolidated Interim Financial Results (January 1, 2008 – June 30, 2008)

(1) Consolidated results of operations *(Percentage figures year-on-year changes)*

	Revenue		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 2008	80,217	(19.5)	15,443	(23.1)	12,034	(31.1)	5,517	(44.6)
Six months ended June 2007	99,670	491.2	20,088	50.3	17,471	39.6	9,949	39.3
Year ended December 2007	138,025	-	30,863	-	26,120	-	14,662	-

	Net income per share, (basic)	Net income per share, (diluted)
	Yen	Yen
Six months ended June 2008	8,681.88	7,982.01
Six months ended June 2007	34,797.02	31,523.83
Year ended December 2007	24,833.95	22,375.29

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates (million yen)
June 2008: 30 June 2007: 242 December 2007: 813

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2008	433,886	95,171	14.7	100,465.24
As of June 30, 2007	265,167	66,508	17.9	165,125.67
As of December 31, 2007	338,509	80,488	18.0	95,872.59

Reference: Shareholders' equity (million yen)
June 2008: 63,920 June 2007: 47,380 December 2007: 60,836

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Six months ended June 2008	(66,408)	(11,879)	67,433	33,595
Six months ended June 2007	945	(27,404)	24,267	35,803
Year ended December 2007	(48,778)	(35,962)	91,886	44,962

2. Dividends

	Dividend per share (Yen)		
(Record date)	Interim	Year-end	Annual
Year ended December 2007	-	2,350.00	2,350.00
Year ending December 2008 (results)	-	-	
Year ending December 2008 (forecast)	-	2,350.00	2,350.00

3. Forecast of Consolidated Income for the Year Ending December 31, 2008
(January 1, 2008 – December 31, 2008)

(Percentage figures represent year-on-year changes)

	Revenue		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	188,100	36.3	31,800	3.0	24,300	(7.0)	12,500	(14.7)	19,636.18

4. Others

(1) Changes in significant consolidated subsidiaries (*Tokutei Kogaisha*) during the period (changes in scope of consolidation): Yes

Newly added: 2 companies

Note: Please refer to “2. The Kenedix Group” on page 8 for further information.

(2) Changes in accounting principles, procedures and presentation methods for preparation of interim consolidated financial statements

1) Changes caused by revision of accounting standards: No

2) Other changes: No

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding at end of period (including treasury stock)

June 2008:	636,832 shares	June 2007:	287,023 shares	December 2007:	635,140 shares

2) Number of treasury stock at end of period

June 2008:	587 shares	June 2007:	87 shares	December 2007:	587 shares

(Reference) Summary Non-consolidated Interim Financial Results

1. Non-consolidated Interim Financial Results (January 1, 2008 – June 30, 2008)

(1) Non-consolidated results of operations *(Percentage figures represent year-on-year changes)*

	Revenue		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 2008	13,320	(20.3)	11,307	(24.1)	12,066	(19.2)	7,965	(15.0)
Six months ended June 2007	16,721	33.4	14,895	35.9	14,940	39.7	9,375	44.2
Year ended December 2007	26,674	-	23,106	-	21,686	-	13,352	-

	Net income per share, (basic)
	Yen
Six months ended June 2008	12,523.75
Six months ended June 2007	32,777.12
Year ended December 2007	22,606.96

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2008	250,006	63,667	25.5	99,975.18
As of June 30, 2007	143,009	44,710	31.3	155,774.92
As of December 31, 2007	179,431	57,680	32.1	90,814.88

Reference: Shareholders’ equity (million yen)

June 2008:	63,667	June 2007:	44,710	December 2007:	57,680

2. Forecast of Non-consolidated Income for the Year Ending December 31, 2008
(January 1, 2008 – December 31, 2008) *(Percentage figures represent year-on-year changes)*

	Revenue		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	28,900	8.3	24,000	3.9	23,000	6.1	14,200	6.4	22,307.00

<u>* Cautionary statement with respect to forward-looking statements</u>

Forecasts of future performance in this report are based on assumptions judged to be valid and information currently available to the Company. Actual results are affected by various factors and may differ substantially. Please refer to “1. Results of Operations, (1) Analysis of Results of Operations, b. Outlook for the Fiscal Year 2008” on page 4 or further information concerning above projections.

1. Results of Operations

(1) Analysis of Results of Operations

a. Summary of the first half

In the first half of the current fiscal year to December 2008, the outlook for the Japanese economy became increasingly uncertain, affected by escalating raw material prices and concerns over a possible recession in the U.S. triggered by the subprime mortgage issue.

The operating environment in the real estate services and finance industries, in which the Kenedix Group (the Group) is active, also started to change, as financial institutions tightened credit screening for real estate financing in the wake of the financial market turmoil caused by the subprime mortgage issue. The real estate investment market has entered a period of uncertainty as the market has become less liquid. But there are investors, mostly foreign investors, who continue to show strong interest in investing in real estate in Japan.

In this environment, the Group concentrated on locating quality properties and providing investment opportunities to client investors. Efforts also targeted enhancing capabilities in the asset management business.

In February 2008, the Company sold nine office buildings valued at 31.9 billion yen to Challenger Kenedix Japan Trust, a listed property trust established by Kenedix, Inc. (the Company), as a part of the program to support the growth of the fund. In addition the Company established a 40 billion yen (approximately) private fund investing only in residences (Pension Fund No. 10) for pension funds. As a result of the above and other initiatives, total assets under management at the Group showed a strong increase, rising to approximately 840 billion yen as of June 30, 2008. There were some drawbacks also. The establishment of a private placement fund for investment in commercial facilities originally planned for the first half has been delayed to the second half.

Due to these factors, first-half consolidated revenue decreased 19.5% year-on-year to 80,217 million yen. In addition, operating income declined 23.1% to 15,443 million yen and ordinary income fell 31.1% to 12,034 million yen. Net income was down 44.6% to 5,517 million yen.

The following section explains performance by business segments.

A) Real Estate Investment Advisory Business
In the real estate investment advisory business, revenue declined 54.1% year-on-year to 1,702 million yen, and operating income was down 61.4% to 1,173 million yen, on lower acquisition fees and profit distributions from silent partnerships.

B) Real Estate Investment Business
In the real estate investment business, leasing income increased steadily. In addition, the Company sold certain properties held in principal investment to REITs managed by the Group. On the other hand, postponement of the establishment of a private fund for investment in commercial facilities to the second half affected real estate sales revenue. As a result, revenue declined 16.6% year-on-year to 76,973 million yen but operating income was up 0.5% to 13,371 million yen.

C) Asset Management Business
Although asset management fees increased, reflecting steady growth in assets under management, incentive fees associated with the sale of assets under management declined since sale of assets under management to external customers were lower. As a result, revenue declined 39.9% year-on-year to 3,417 million yen and operating income was down 56.0% to 1,908 million yen.

D) NPL Investment Management Business
Segment revenue declined 76.5% year-on-year to 243 million yen and there was an operating loss of 44 million yen. Operating profit of 672 million yen in the same period a year earlier. This was due mainly to a decline in gain on collection of non-performing loans and lower profit distributions from silent partnerships.

b. Outlook for the Fiscal Year 2008

The Company expects to establish several new private funds, in addition to the one for investment in commercial facilities that was originally to be established in the first half, and to further promote the sale of properties, including sales to external customers, held in principal investments. Establishment of new funds and real estate sales associated with their investments will translate into revenue from sales of real estate, and increase acquisition fees and asset management fees associated with purchases of real estate. The Company also expects to generate development profits upon the completion of real estate development projects and their sale to investment funds. Consequently, the Company is forecasting steady growth in revenue and earnings in the second half of 2008.

The Company forecasts consolidated operating income of 31,800 million yen, ordinary income of 24,300 million yen, and net income of 12,500 million yen on revenue of 188,100 million yen for the fiscal year 2008. This forecast is based on the conservative estimate on the sales revenue in light the current real estate market conditions.

(2) Analysis of 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 62.5 billion yen commitment line that was established as of the end of June 2008.

In some cases, consolidated subsidiaries use non-recourse loans to procure funds to acquire properties. Such loans are solely the responsibility of the subsidiary holding the properties, and loan repayments can be no greater than cash flows from assets held by the subsidiary. Consequently, non-recourse loans should be excluded from consideration when analyzing the Group’s debt-equity ratio.

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

(Millions of yen)

	Dec. 2005	Dec. 2006	Dec. 2007	Jun. 2008
Interest-bearing debt (1)	59,562	106,630	238,269	312,610
[Non-recourse loans included] (2)	[11,049]	[29,640]	[120,366]	[134,959]
Net assets (3)	28,561	39,794	80,488	95,171
Cash and deposits (4)	18,658	34,390	39,369	26,769
Net debt (5) (1-2-4)	29,853	42,599	78,533	150,881
Net debt-equity ratio net of non-recourse loans (5)/(3) *(%)*	104.5	107.0	97.6	158.5

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

Balance Sheet Position

Total assets amounted to 433,886 million yen on June 30, 2008, 95,376 million yen more than at the end of December 2007. This was mainly attributable to a 103,322 million yen increase in inventories

Total liabilities increased 80,693 million yen to 338,714 million yen. This was mainly the result of additional debt to fund the growth in inventories.

Net assets increased 14,683 million yen to 95,171 million yen. One reason was a 3,967 million yen increase in retained earnings because of first-half net income. There was also an 11,598 million yen increase in minority interests in consolidated subsidiaries, which represent primarily the investments of external parties in funds consolidated by the Group.

Cash Flow Position

Operating activities used net cash of 66,408 million yen, investing activities used net cash of 11,879 million yen and financing activities provided net cash of 67,433 million yen. The result was a net decrease of 11,367 million yen in cash and cash equivalents during the first half of 2008 to 33,595 million yen as of June 30, 2008.

Operating Activities

Net cash used in operating activities was 66,408 million yen, compared to the net cash provided of 945 million yen a year earlier. This was mainly due to an increase in inventories of 76,015 million yen.

Investing Activities

Net cash used in investing activities decreased 56.6% to 11,879 million yen. This was mainly attributable to the decrease of 14,736 million yen in payment for purchases of investments in subsidiaries. This represents purchases of stock in subsidiaries and other investments, mostly for the acquisition of interests in silent partnerships.

Financing Activities

Net cash provided by financing activities increased 177.9% to 67,433 million yen. Cash was provided mainly by an increase in debt to fund the growth in inventories and the purchase of stock in subsidiaries and other investments. During the first half of 2008, proceeds from minority interests amounted to 8,283 million yen. These proceeds represent primarily the investments of external parties in funds consolidated by the Group.

(3) Basic Policy for Allocation of Earnings and Dividend for the Current Fiscal Year

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 consolidated operating results.

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 2,350 yen per share of common stock applicable to 2008. 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.

(4) Business Risk

The following is a list of items 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. Forward-looking statements in the document are based on the judgments of the Group's management as of the end of the period under review.

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.

The Group raises necessary funds through the borrowings from the financial institutions and the issuance of corporate bonds. In the event that the financial institutions restrain their lending activities, or the company's credit substantially deteriorates , the Group may not be able to procure sufficient funds , and its operation may be adversely affected.

2) Competition

The performance of the real estate funds offered in the Company's real estate investment advisory business and the asset management business, the Company's two core businesses, are expected to face intensified competition as their performance is evaluated relative to 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 Company 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: Financial Instruments and Exchange Law, Building Lots and Buildings Transaction Business Law, the Law Concerning Investment Trusts and Investment Corporations, the Special Measures Law Concerning the Claims Servicing Business, Money Lending Law, and the Law for Architects and Building Engineers.

Due to the enactment of the Financial Instruments and Exchange Law in Japan, the real estate funds managed by the Group are now subject to the provisions of this law. 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, and this could have an affect on the Group's operating results.

6) Risk of impact of 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, falsified structural designs, and other problems that emerge following an acquisition. These expenses may have a negative effect on the Group's financial condition and operating results.

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

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 NPL 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.

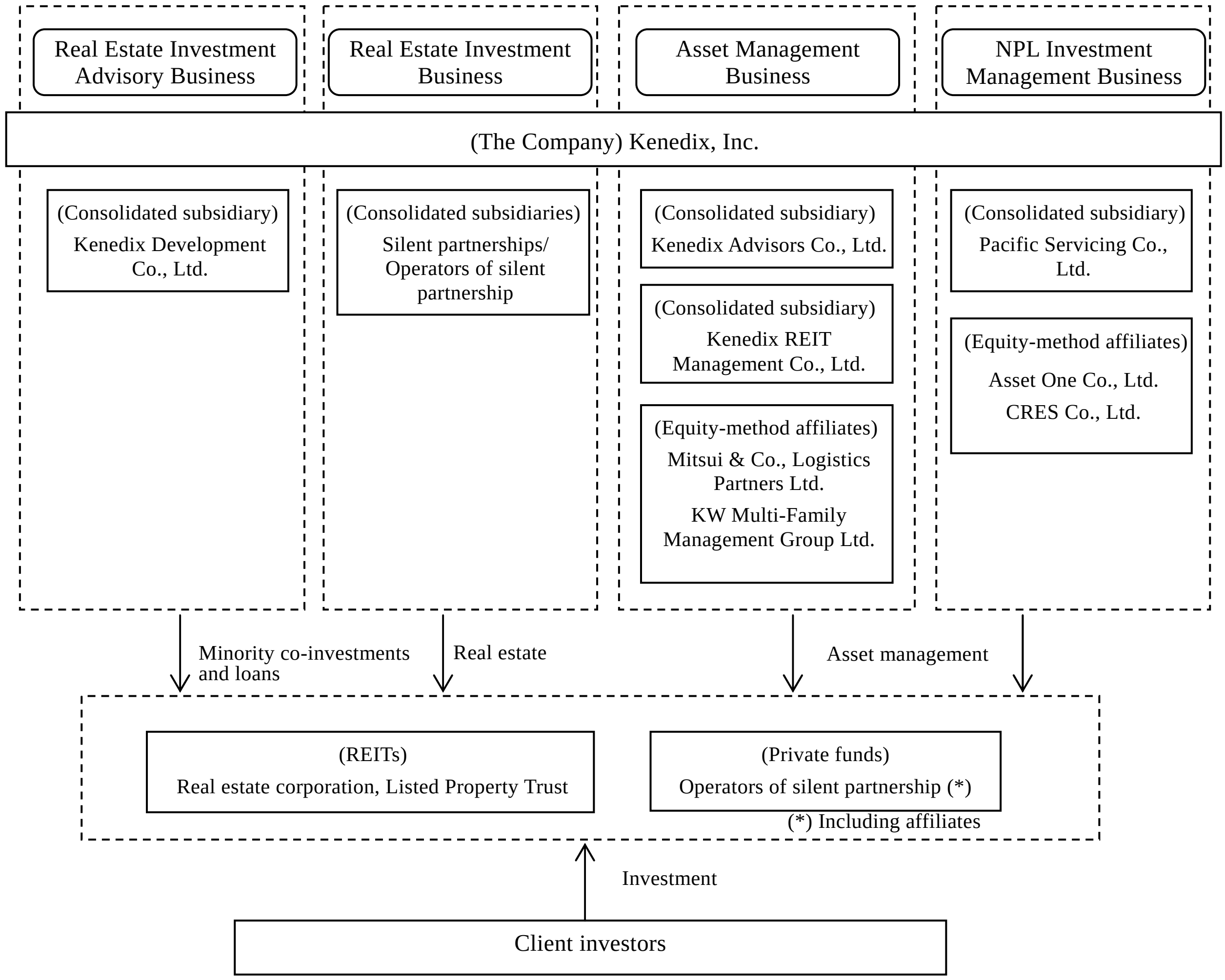
On September 8, 2006 the Accounting Standards Board of Japan released its PITF No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations," and the Group has applied the provisions of this PITF starting with the fiscal year 2006. Currently, the Group 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.

2. The Kenedix Group

The Kenedix Group is made up of Kenedix, Inc., 128 subsidiaries and 63 affiliates. The Group is engaged in the real estate investment advisory business, real estate investment business, asset management business and NPL investment management business. The Group provides a comprehensive line of investment services that cover all client investment objectives. Using REITs and private funds, the Group creates investment strategies and offers advice, operates and administers investments and performs other services for investments by clients in real estate, real estate-secured loans and other assets. For some investment schemes where the Company establishes, 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 has properties held in principal investment in order to temporarily hold properties until they are transferred to funds.

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



Note: Jyuutaku Ryuutsu Co., Ltd. changed the company name to CRES Co., Ltd.

(Changes in significant subsidiaries)

The following subsidiaries are classified as specified subsidiaries (*Tokutei Kogaisha*). The Company invests in several silent partnerships (*Tokumei Kumiai*). They are also included in the consolidation.

Name	Address	Capital or investments (Millions of yen)	Business	Voting rights		Relationship
				Owned by the Company (%)	Owned by the third parties (%)	
(Consolidated subsidiary)						
Tokumei-Kumiai KDX10	Minato Ward, Tokyo	12,101	Real estate investment	-	-	Investment vehicle for real estate investment
Tokumei-Kumiai KW Fifth	Minato Ward, Tokyo	5,300	Real estate investment	-	-	Investment vehicle for real estate investment

(Note) Tokumei-Kumiai KDX10 was renamed from Tokumei-Kumiai KRF20.

3. Management Policies

(1) Fundamental Management Policy

The 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) 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 balance of real estate assets under management as a key performance indicator. At the end of June 2008, these assets amounted to 840 billion yen, a net increase of 105 billion yen, or 14.3%, compared with the end of 2007.

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

(3) 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 J-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, residential properties and logistics facilities to include nursing-care facilities, a class of assets where investment income is dependent on facility operation. We consider this business strategy as important from the standpoint of enhancing stability by making the Group more resilient to changes in the operating environment of a single asset class. In addition, the Group views mergers and acquisitions and capital 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.

Foreign institutional investors investing globally view Japan as the cornerstone of their Asian real estate investments. Promoting business with this class of overseas investors by addressing their needs will expand our customer base and strengthen our operating foundation.

(4) Important Management Issues

Japan's real estate market is growing increasingly uncertain, due in part to the turmoil in the financial markets. Nevertheless, a large number of foreign investors remain interested in actively investing in Japanese real estate. In this environment, acquiring quality properties at reasonable prices, even as the real estate market goes through a correction phase, represents a major management issue. We must maintain a strong balance sheet to actively and steadily expand our base. Specifically, we will aim at a well balanced earning structure by maintaining an optimum balance between fee income and investment returns while maintaining an adequate level of principal investments.

Regarding client investors, the Group's policy is to attract more pension funds and other institutions with long-term investment policies that emphasize stability. At the same time, over the short-term, the Group will focus on acquiring more foreign client investors who have higher tolerance of risk, in order to diversify the client base.

Two J-REITs formed by the Group are listed on the Tokyo Stock Exchange: Kenedix Realty Investment Corporation and Japan Logistics Fund, Inc. In addition, Challenger Kenedix Japan Trust is listed on the Australian Securities Exchange. The Group believes that the sustained growth of these trusts will contribute to the consistent growth of the Group itself. Based on this position, the Group will take actions aimed at increasing the amount of assets in these trusts.

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.

Furthermore, the Group is monitoring changes in laws and regulations, such as Japan's enactment of the Financial Instruments and Exchange Law, and building an effective compliance system.

(5) Other Important Management Matters

Not applicable.

4. Consolidated Interim Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	First half of 2007 (As of Jun. 30, 2007)		First half of 2008 (As of Jun. 30, 2008)		Year 2007 Summary (As of Dec. 31, 2007)	
Account title	Amount	%	Amount	%	Amount	%
Assets						
I Current assets						
1. Cash and deposits	30,708		26,769		39,369	
2. Deposits held in trust	7,065		11,517		6,966	
3. Accounts receivable-trade	680		1,129		971	
4. Inventories	178,280		347,218		243,895	
5. Acquired non-performing loans	13,345		5,595		5,532	
6. Other	8,558		8,268		11,358	
7. Allowance for doubtful accounts	(329)		(52)		(327)	
Total current assets	238,310	89.9	400,446	92.3	307,766	90.9
II Fixed assets						
1. Property and equipment	179	0.1	200	0.1	203	0.1
2. Intangible assets						
(1) Goodwill	-		2,283		-	
(2) Other	532		23		973	
Total intangible assets	532	0.2	2,306	0.5	973	0.3
3. Investments and other assets						
(1) Investment securities	20,669		26,962		25,131	
(2) Investment in capital	2,284		280		188	
(3) Long-term loans receivable	1,165		1,036		1,920	
(4) Other	2,027		3,111		2,326	
(5) Allowance for doubtful accounts	-		(458)		-	
Total investment and other assets	26,146	9.8	30,932	7.1	29,566	8.7
Total fixed assets	26,857	10.1	33,439	7.7	30,743	9.1
Total assets	265,167	100.0	433,886	100.0	338,509	100.0

(Millions of yen)

	First half of 2007 (As of Jun. 30, 2007)		First half of 2008 (As of Jun. 30, 2008)		Year 2007 Summary (As of Dec. 31, 2007)	
Account title	Amount	%	Amount	%	Amount	%
Liabilities						
I Current liabilities						
1. Accounts payable - trade	411		7,632		477	
2. Short-term borrowings	53,657		105,732		60,720	
3. Commercial paper	4,000		1,000		6,000	
4. Long-term borrowings-due within one year	8,742		19,305		17,312	
5. Corporate bonds-due within one year	3,385		4,664		3,435	
6. Accrued income taxes	9,601		2,450		8,409	
7. Security deposits	4,196		7,842		5,405	
8. Accrued employees' bonuses	350		292		-	
9. Accrued director's and corporate auditor's bonuses	150		238		430	
10. Other	4,629		7,008		4,205	
Total current liabilities	89,124	33.6	156,164	36.0	106,397	31.4
II Long-term liabilities						
1. Bonds payable	33,469		42,667		47,110	
2. Long-term borrowings	74,577		139,242		103,691	
3. Silent partnership contribution received	163		167		162	
4. Allowance for directors' and corporate auditor's retirement benefits	14		20		17	
5. Other	1,308		451		641	
Total long-term liabilities	109,535	41.3	182,549	42.1	151,623	44.8
Total liabilities	198,659	74.9	338,714	78.1	258,020	76.2
Net Assets						
I Shareholders' equity						
1. Common stock	9,747	3.7	14,585	3.4	14,546	4.3
2. Additional paid-in capital	10,006	3.8	14,844	3.4	14,805	4.3
3. Retained earnings	26,072	9.8	34,788	8.0	30,821	9.1
4. Treasury stock	(42)	(0.0)	(124)	(0.0)	(124)	(0.0)
Total shareholders' equity	45,784	17.3	64,094	14.8	60,047	17.7
II Valuation and translation adjustments						
1. Net unrealized holding gains/losses on other securities	1,621	0.6	99	0.0	773	0.3
2. Deferred gains (losses) on hedges	(139)	(0.0)	162	0.0	72	0.0
3. Foreign currency translation adjustments	114	0.0	(435)	(0.1)	(57)	(0.0)
Total valuation and translation adjustments	1,596	0.6	(173)	(0.1)	788	0.3
III Minority interests in consolidated subsidiaries	19,127	7.2	31,251	7.2	19,652	5.8
Total net assets	66,508	25.1	95,171	21.9	80,488	23.8
Total liabilities and net assets	265,167	100.0	433,886	100.0	338,509	100.0

(2) Consolidated Statements of Income

(Millions of yen)

	First half of 2007 (Jan. 1, 2007 – Jun. 30, 2007)			First half of 2008 (Jan. 1, 2008 – Jun. 30, 2008)			Year 2007 Summary (Jan. 1, 2007 – Dec. 31, 2007)		
Account title	Amount		%	Amount		%	Amount		%
I Revenue		99,670	100.0		80,217	100.0		138,025	100.0
II Cost of revenue		76,718	77.0		61,112	76.2		101,476	73.5
Gross profit		22,952	23.0		19,105	23.8		36,549	26.5
III Selling, general and administrative expenses									
1. Provision for doubtful accounts	6			21			5		
2. Directors' and corporate auditors' salaries	124			151			275		
3. Salaries and bonuses	578			636			1,747		
4. Provision for accrued employees' bonuses	350			292			-		
5. Provision for accrued directors' and corporate auditors' bonuses	150			238			430		
6. Provision for employees' retirement benefits	4			5			8		
7. Provision for directors' and corporate auditors' retirement benefits	103			-			103		
8. Commissions paid	440			833			1,038		
9. Amortization of goodwill	-			604			372		
10. Other	1,105	2,863	2.9	879	3,661	4.5	1,705	5,686	4.1
Operating income		20,088	20.1		15,443	19.3		30,863	22.4
IV Non-operating income									
1. Interest income	57			176			150		
2. Equity in earnings of non-consolidated subsidiaries and affiliates	242			30			813		
3. Gain on valuation of derivative contracts	-			33			-		
4. Consumption taxes differential (after being offset by suspense payments and receipt)	74			-			393		
5. Other	58	433	0.4	118	358	0.4	162	1,519	1.1
V Non-operating expenses									
1. Interest expense	1,549			2,772			3,319		
2. Stock issue expenses	1			1			56		
3. Bond issue expenses	117			-			179		
4. Commissions paid	1,088			808			1,903		
5. Other	293	3,050	3.0	184	3,767	4.7	802	6,261	4.6
Ordinary income		17,471	17.5		12,034	15.0		26,120	18.9

(Millions of yen)

	First half of 2007 (Jan. 1, 2007 – Jun. 30, 2007)			First half of 2008 (Jan. 1, 2008 – Jun. 30, 2008)			Year 2007 Summary (Jan. 1, 2007 – Dec. 31, 2007)		
Account title	Amount		%	Amount		%	Amount		%
VI Extra-ordinary income									
1. Gain on sale of affiliate stock	-			17			141		
2. Gain on cancellation of derivative contracts	-			87			-		
3. Gain on sale of investment securities	-		-	21	126	0.1	-	141	0.1
VII Extra-ordinary losses									
1. Loss on sale of investment securities	-			20			-		
2. Loss on valuation of investment securities	-			313			-		
3. Provision for doubtful accounts	-	-	-	413	748	0.9	-	-	-
Income before provision for income taxes and profit distribution to silent partners		17,471	17.5		11,413	14.2		26,262	19.0
Profit distribution to silent partners		(0)	(0.0)		(11)	(0.0)		90	0.0
Income before provision for income taxes		17,472	17.5		11,425	14.2		26,172	19.0
Current income taxes	9,483			4,709			12,605		
Deferred income taxes	(2,415)	7,067	7.1	242	4,951	6.1	(2,797)	9,807	7.2
Minority interests in income (loss)		455	0.4		956	1.2		1,702	1.2
Net income		9,949	10.0		5,517	6.9		14,662	10.6

(3) Consolidated Statement of Changes in Net Assets

First half of 2007 (Jan. 1, 2007 – Jun. 30, 2007)

(Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2006	9,648	9,907	16,996	(42)	36,510
Changes in the Period					
New stock issue	99	99	-	-	198
Cash dividends	-	-	(856)	-	(856)
Decrease in retained earnings due to decrease in equity-method affiliates	-	-	(18)	-	(18)
Net income	-	-	9,949	-	9,949
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes in the period	99	99	9,075	-	9,273
Balance as of June 30, 2007	9,747	10,006	26,072	(42)	45,784

(Millions of yen)

	Valuation and translation adjustments				Minority interest in consolidated subsidiaries	Total net assets
	Net unrealized holding gain /losses on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of December 31, 2006	674	(111)	137	700	2,583	39,794
Changes in the Period						
New stock issue	-	-	-	-	-	198
Cash dividends	-	-	-	-	-	(856)
Decrease in retained earnings due to decrease in equity-method affiliates	-	-	-	-	-	(18)
Net income	-	-	-	-	-	9,949
Net changes of items other than shareholders' equity	947	(28)	(23)	896	16,544	17,440
Total changes in the period	947	(28)	(23)	896	16,544	26,714
Balance as of June 30, 2007	1,621	(139)	114	1,596	19,127	66,508

First half of 2008 (Jan. 1, 2008 – Jun. 30, 2008)

(Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2007	14,546	14,805	30,821	(124)	60,047
Changes in the period					
New stock issue	39	39	-	-	79
Cash dividends	-	-	(1,492)	-	(1,492)
Increase (decrease) in retained earnings involving change in scope of consolidation	-	-	(57)	-	(57)
Net income	-	-	5,517	-	5,517
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes in the period	39	39	3,967	-	4,046
Balance as of June 30, 2008	14,585	14,844	34,788	(124)	64,094

(Millions of yen)

	Valuation and translation adjustments				Minority interest in consolidated subsidiaries	Total net assets
	Net unrealized holding gain /losses on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of December 31, 2007	773	72	(57)	788	19,652	80,488
Changes in the period						
New stock issue	-	-	-	-	-	79
Cash dividends	-	-	-	-	-	(1,492)
Increase (decrease) in retained earnings involving change in scope of consolidation	-	-	-	-	-	(57)
Net income	-	-	-	-	-	5,517
Net changes of items other than shareholders' equity	(674)	90	(378)	(962)	11,598	10,636
Total changes in the period	(674)	90	(378)	(962)	11,598	14,683
Balance as of June 30, 2008	99	162	(435)	(173)	31,251	95,171

Year 2007 (Jan. 1, 2007 – Dec. 31, 2007)

(Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2006	9,648	9,907	16,996	(42)	36,510
Changes in the fiscal year					
New stock issue	4,897	4,897	-	-	9,795
Cash dividends	-	-	(856)	-	(856)
Net income	-	-	14,662	-	14,662
Increase (decrease) in retained earnings and treasury stock involving change in scope of consolidation	-	-	18	(82)	(64)
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes in the fiscal year	4,897	4,897	13,824	(82)	23,537
Balance as of December 31, 2007	14,546	14,805	30,821	(124)	60,047

(Millions of yen)

	Valuation and translation adjustments				Minority interest in consolidated subsidiaries	Total net assets
	Net unrealized holding gain /losses on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of December 31, 2006	674	(111)	137	700	2,583	39,794
Changes in the fiscal year						
New stock issue	-	-	-	-	-	9,795
Cash dividends	-	-	-	-	-	(856)
Net income	-	-	-	-	-	14,662
Increase (decrease) in retained earnings and treasury stock involving change in scope of consolidation	-	-	-	-	-	(64)
Net changes of items other than shareholders' equity	99	184	(195)	88	17,069	17,157
Total changes in the fiscal year	99	184	(195)	88	17,069	40,694
Balance as of December 31, 2007	773	72	(57)	788	19,652	80,488

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	First half of 2007 (Jan. 1, 2007 – Jun. 30, 2007)	First half of 2008 (Jan. 1, 2008 – Jun. 30, 2008)	Year 2007 Summary (Jan. 1, 2007 – Dec. 31, 2007)
Account title	Amount	Amount	Amount
I Operating activities			
1. Income before provision for income taxes	17,472	11,425	26,172
2. Gain on sales and collection of acquired non-performing loans	(513)	(196)	(1,010)
3. Profit distribution from silent partnerships	(1,265)	131	(1,393)
4. Increase (decrease) in allowance for doubtful accounts	6	(274)	5
5. Increase (decrease) in accrued employees' bonuses	350	292	-
6. Increase (decrease) in accrued directors' and corporate auditors' bonuses	(120)	(191)	160
7. Increase (decrease) in allowance for employees' retirement benefits	1	3	4
8. Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits	(164)	-	(164)
9. Interest income	(57)	(176)	(150)
10. Interest expense	1,549	2,772	3,319
11. Profit distribution to silent partners	(0)	(11)	90
12. Equity in earnings of non-consolidated subsidiaries and affiliates	(242)	(30)	(813)
13. Decrease (increase) in accounts receivable - trade	217	(150)	(73)
14. Decrease (increase) in inventories	(1,014)	(76,015)	(63,679)
15. Increase (decrease) in accounts payable - trade	47	7,152	113
16. Purchase of acquired non-performing loans	(10,502)	(208)	(10,722)
17. Proceeds from sale and collection of acquired non-performing loans	1,273	341	9,643
18. Distributions from silent partnerships	1,380	206	3,645
19. Contribution paid in silent partnerships	(1,555)	(301)	(3,722)
20. Proceeds from receipt of deposits for contribution to silent partnerships	-	34	-
21. Redemption of silent partners contribution received	(112)	(18)	(17)
22. Amortization of goodwill	-	604	-
23. Other, net	712	1,213	1,644
Subtotal	7,461	(53,399)	(36,948)
24. Interests and dividends received	55	218	132
25. Interests paid	(1,237)	(2,715)	(2,713)
26. Income taxes paid	(5,333)	(10,511)	(9,248)
Net cash provided by (used in) operating activities	945	(66,408)	(48,778)

(Millions of yen)

	First half of 2007 (Jan. 1, 2007 – Jun. 30, 2007)	First half of 2008 (Jan. 1, 2008 – Jun. 30, 2008)	Year 2007 Summary (Jan. 1, 2007 – Dec. 31, 2007)
Account title	Amount	Amount	Amount
II Investing activities			
1. Payment for purchase of property and equipment	(51)	(22)	(96)
2. Proceeds from sale of property and equipment	-	6	1
3. Payment for purchase of intangible assets	(18)	61	(20)
4. Proceeds from sale of intangible assets	-	-	0
5. Payment for loans receivable	(3,288)	(1,664)	(7,589)
6. Proceeds from repayment of loans receivable	2,536	3,488	2,799
7. Payment for acquisition of investment securities	(1,916)	(3,070)	(1,217)
8. Proceeds from sales of investment securities	3	48	4
9. Proceeds from capital reduction with compensation of investment securities	51	-	130
10. Payment for capital investment in affiliates	(1,739)	(1,082)	(7,389)
11. Proceeds from capital investments in affiliates	65	26	104
12. Proceeds from capital reduction of affiliates	683	-	2,347
13. Payment for purchase of investment in subsidiaries involving change in scope of consolidation	(23,694)	(8,957)	(24,935)
14. Other, net	(33)	(713)	(101)
Net cash used in investing activities	(27,404)	(11,879)	(35,962)
III Financing activities			
1. Proceeds from short-term borrowings	87,241	149,579	172,198
2. Repayment of short-term borrowings	(68,199)	(105,376)	(147,379)
3. Proceeds from issuance of commercial papers	10,000	10,000	28,000
4. Payment for redemption of commercial papers	(6,000)	(15,000)	(22,000)
5. Proceeds from long-term borrowings	45,166	38,416	88,392
6. Repayment of long-term borrowings	(55,899)	(13,022)	(61,734)
7. Proceeds from issuance of stock	196	77	9,739
8. Proceeds from issuance of bonds	2,882	-	17,820
9. Payment for redemption of bonds	(2,652)	(3,214)	(3,962)
10. Proceeds from minority interest	13,664	8,283	14,567
11. Dividends to minority interest	(108)	(209)	(108)
12. Distributions to silent partners	(1,166)	(619)	(2,895)
13. Dividends paid	(856)	(1,481)	(856)
14. Other, net	-	-	105
Net cash provided by financing activities	24,267	67,433	91,886
IV Effect of exchange rate changes on cash and cash equivalents	(7)	(516)	(209)
V Increase (decrease) in cash and cash equivalents	(2,197)	(11,371)	6,935
VI Cash and cash equivalents at beginning of period	37,074	44,962	37,074
VII Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	926	4	952
VIII Cash and cash equivalents at end of period	35,803	33,595	44,962

(5) Segment Information

(Millions of yen)

	First half of 2007 (Jan. 1, 2007 – Jun. 30, 2007)					
	Real Estate Investment Advisory Business	Real Estate Investment Business	Asset Management Business	NPL Investment Management Business	Adjusts and Elimination	Consolidated
Revenue	3,713	92,332	5,690	1,035	(3,100)	99,670
Costs and expenses	672	79,026	1,351	363	(1,832)	79,581
Operating income	3,040	13,306	4,338	672	(1,268)	20,088

(Millions of yen)

	First half of 2008 (Jan. 1, 2008 – Jun. 30, 2008)					
	Real Estate Investment Advisory Business	Real Estate Investment Business	Asset Management Business	NPL Investment Management Business	Adjusts and Elimination	Consolidated
Revenue	1,702	76,973	3,417	243	(2,119)	80,217
Costs and expenses	528	63,602	1,509	287	(1,153)	64,773
Operating income	1,173	13,371	1,908	(44)	(965)	15,443

(Millions of yen)

	Year 2007 (Jan. 1, 2007 – Dec. 31, 2007)					
	Real Estate Investment Advisory Business	Real Estate Investment Business	Asset Management Business	NPL Investment Management Business	Adjusts and Elimination	Consolidated
Revenue	5,838	127,034	7,891	1,768	(4,507)	138,025
Costs and expenses	1,577	104,756	2,465	662	(2,300)	107,162
Operating income	4,260	22,277	5,425	1,105	(2,206)	30,863