February 9, 2010

To whom it may concern:

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Stock code: 4321
Listing: First Section, Tokyo Stock Exchange
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Notification of Inventory Valuation Loss and Revised Forecasts

In light of recent earnings trends, Kenedix, Inc. (the "Company") hereby announces the following revisions to its forecasts for the fiscal year ended December 31, 2009 (January 1 to December 31, 2009), announced on August 10, 2009, and the recording of a valuation loss on inventories.

1. Forecast revisions

(Unit: Millions of yen)

Revision of consolidated results forecast for the fiscal year ended December 31, 2009 (January 1 to December 31, 2009)

	Revenue	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	105,700	14,900	8,800	-8,000	-12,559.22
Revised forecast (B)	77,800	8,400	200	-18,400	-23,968.93
Change in amount (B – A)	-27,900	-6,500	-8,600	-10,400	
Percentage change (%)	-26.4	-43.6	-97.7	—	
Reference: Results for previous fiscal year (Jan. 1 – Dec. 31, 2008)	137,431	16,267	5,316	-10,850	-17,062.66

Revision of non-consolidated results forecast for the fiscal year ended December 31, 2009 (January 1 to December 31, 2009)

	Revenue	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	12,500	9,000	7,400	-4,300	-6,750.58
Revised forecast (B)	12,600	-5,800	-7,000	3,400	4,452.49
Change in amount (B – A)	100	-14,800	-14,400	7,700	
Percentage change (%)	0.8	—	—	—	
Reference: Results for previous fiscal year (Jan. 1 – Dec. 31, 2008)	15,826	5,504	4,994	-12,569	-19,748.61

2. Reasons for forecast revision, and recording of inventory valuation loss

(Consolidated)

The Kenedix Group (the “Group”) has steadily implemented various measures based on the Medium-Term Management Plan formulated in February 2009, in order to flexibly respond to drastic changes in the operating environment. Some results are already being seen from these initiatives, including net growth in assets under management (to approximately ¥940 billion as of December 31, 2009; a ¥95.7 billion (11.3%) net increase from December 31, 2008) and the downsizing of its balance sheet.

Nevertheless, despite the gradual stabilization of the fund procurement environment, which was disrupted by the turmoil in financial markets, the real estate and real estate finance industries in which the Group operates are still in a process of recovery, and liquidity in the real estate market remains weak. Despite this adverse operating environment, the Group has successfully sold to third parties some of its proprietary real estate holdings since the third quarter of the fiscal year ended December 31, 2009. However, the revenue and profit gained from those sales have been less than anticipated. In addition, the creation of a private fund has been postponed until at least next fiscal year, and therefore the revenue from the sale of proprietary real estate holdings that are to be allocated for this fund will not be recorded in the fiscal year ended December 31, 2009. Furthermore, a ¥3,418 million valuation loss was recorded at the end of the fiscal year ended December 31, 2009 under cost of revenue as per “ASBJ Statement No. 9, Accounting Standard for Measurement of Inventories” (July 5, 2006). As a result of this recording, etc., both revenue and operating income are expected to be below plan. An equity-method investment loss was specifically recorded on weak results at affiliated companies and ordinary income and net income were below plan as well.

The full-year forecasts for consolidated revenue, operating income, ordinary income and net income have therefore been revised to reflect these developments.

Inventory valuation loss was one of the principal reasons for these earnings decreases. However, the Group has been taking concrete measures to ensure stable funding, including the issuances of new shares and Zero Coupon Convertible Bonds due 2012 and fund procurement in relation to the reorganization of its asset management business. The Group continues to seek ways to further improve its financial strength.

(Non-consolidated)

The distribution amounts paid to the Company based on silent partnership contracts, derived from profits gained from real estate investment trust beneficiary interests and real estate held by the silent partnership operator, contribute to the Company’s parent results as profit/loss from silent partnership distributions. A loss corresponding to the market value decline over past years on some of these inventories as of the beginning of the fiscal year, recorded as per the aforementioned “ASBJ Statement No. 9, Accounting Standard for Measurement of Inventories” (July 5, 2006), was seen as similar in nature and as in the consolidated account, was expected to be recorded as extraordinary loss. However, conformity with accounting policies made it necessary to record this amount under cost of revenue. Although this change in accounting classification had no impact on net income, it had a significant negative impact on operating income and ordinary income.

At the same time, the Group reorganized its asset management business with the establishment of Kenedix Asset Management, Inc. (“KDAM”), as the supervisory company for the asset management business. With the establishment of KDAM, the

Company transferred its shareholdings in both Kenedix REIT Management, Inc., the asset manager for Kenedix Realty Investment Corporation, and Kenedix Advisors, Inc., which primarily manages private funds for pension funds, to KDAM. This led to the recording of a ¥13,621 million gain on sales of related companies as extraordinary profit, and net income is expected to be significantly above plan as a result.

The full-year forecasts for non-consolidated revenue, operating income, ordinary income and net income have therefore been revised to reflect these developments.

Note:
The above forecasts are based on the information currently available and reasonable assumptions made by the Company, and actual results may differ significantly as a result of a variety of factors.