

**Summary of Consolidated Financial Results for the Second Quarter  
of the Fiscal Year Ending December 31, 2010  
(Six Months Ended June 30, 2010)**

[Japanese GAAP]

Described below is an abstract in English of the financial result for the six months ended June 30, 2010 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
Stock code: 4321	URL: <a href="http://www.kenedix.com">http://www.kenedix.com</a>
President: Atsushi Kawashima	
Contact: Taiji Yoshikawa, Director, Member of the Board	Tel: +81-3-3519-2530
Scheduled date of filing of Quarterly Report: August 13, 2010	
Scheduled date of payment of dividend: -	
Preparation of supplementary materials for quarterly financial results: Yes	
Holding of quarterly financial results meeting: Yes (for institutional investors and securities analysts)	

*(Amounts rounded off to million yen)*

**1. Consolidated Financial Results (Jan. 1, 2010 – Jun. 30, 2010)**

(1) Consolidated results of operations

*(Percentage represent year-on-year changes)*

	Revenue		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Jun. 30, 2010	23,177	(61.6)	5,425	(49.6)	2,918	(55.5)	(535)	-
Six months ended Jun. 30, 2009	60,334	-	10,761	-	6,552	-	(8,840)	-

	Net income per share, (basic)	Net income per share, (diluted)
	Yen	Yen
Six months ended Jun. 30, 2010	(442.00)	-
Six months ended Jun. 30, 2009	(13,887.30)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2010	200,924	55,091	23.0	38,206.01
As of Dec. 31, 2009	218,603	54,525	21.4	38,577.82

Reference: Shareholders' equity (million yen)

As of Jun. 30, 2010: 46,304

As of Dec. 31, 2009: 46,741

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Dec. 31, 2009	-	0.00	-	0.00	0.00
Year ending Dec. 31, 2010	-	0.00	-	-	-
Year ending Dec. 31, 2010 (forecast)	-	-	-	0.00	0.00

(Note) Revision of dividend forecast during the period: None

**3. Forecast of Consolidated Income for the Year Ending December 31, 2010 (Jan. 1, 2010 – Dec. 31, 2010)**

*(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	31,500	(59.5)	7,900	(6.3)	2,200	876.2	(2,400)	-	(1,980.22)

(Note) Revision of consolidated forecast during the period: None

**4. Others** (Please refer to “Other Information” on page 5 of the attachments for further information)

(1) Changes in significant consolidated subsidiaries during the period: None

Newly added:-

Excluded: -

Note: Changes in specified subsidiaries (*Tokutei Kogaisha*) affecting the scope of consolidation during the period

(2) Application of simplified accounting methods and special accounting methods: Yes

Note: Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements

(3) Changes in accounting principles, procedures, presentation methods, etc.

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Changes in accounting principles, procedures, presentation methods, etc. for preparation of quarterly consolidated financial statements described in “Changes in Basis of Preparation of Quarterly Consolidated Financial Statements”

(4) Number of shares outstanding (common shares)

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

As of Jun. 30, 2010:	1,211,982 shares	As of Dec. 31, 2009:	1,211,982 shares
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2) Number of treasury stock at end of period

As of Jun. 30, 2010:	- shares	As of Dec. 31, 2009:	365 shares
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3) Average number of shares outstanding

Six months ended Jun. 30, 2010:	1,211,773 shares	Six months ended Jun. 30, 2009:	636,567 shares
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\* Cautionary statement

- The current quarterly financial statements are exempted from quarterly review procedures based on the Financial Instruments and Exchange Law. At the time of disclosure, we have completed the review process for these consolidated statements.

- 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. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to page 4 of the attachments “Qualitative Information Regarding Forecast of Consolidated Income.”

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## **1. Qualitative Information on Consolidated Quarterly Financial Performance**

### **(1) Qualitative Information Regarding Consolidated Results of Operations**

In the first half of 2010, there was a slow recovery in the Japanese economy backed by improving earnings at some companies, mainly with export-oriented businesses, and a rebound in consumer spending. However, the recovery is not self-sustained and there are concerns about a downturn in overseas economies and the continuation of deflation in Japan. As a result, the environment for corporate earnings, jobs and personal income remains uncertain.

In the real estate services and real estate finance sectors, where the Kenedix Group (“the Group”) is active, the environment for procuring funds is improving and J-REITs are starting to purchase properties again. Emerging signs of a recovery in real estate market liquidity are moving the market back toward normalcy, but uncertainties about the operating environment still remain.

To respond with flexibility to rapid changes in its operating environment, the Group is making steady progress with actions based on its medium-term management plan. The central goals of the plan are increasing assets under management (AUM), downsizing the balance sheet and building a stable profit structure. In February 2010, the medium-term management plan was reexamined in association with changes taking place in the Group and the operating environment. This review led to the decision to increase the speed of growth in AUM while returning to a focus on the asset management business. The Group is now further strengthening initiatives aimed at achieving this goal.

Many actions were taken to achieve consistent growth in the volume of AUM. The Group concentrated on locating quality properties and providing investment opportunities to investors in Japan and other countries who are interested in purchasing Japanese real estate. The Group also enhanced its capabilities in the asset management business.

In May 2010, the Group established a private real estate fund with assets of about 10 billion yen that is funded by Korean institutional investors such as pension funds. The Group sold assets held in its own account to this private real estate fund. Subsequently, the Group sold part of its private nursing home portfolio for about 3 billion yen to a health care REIT that is listed in Singapore. By establishing funds and taking other actions like these, the Group has made progress in streamlining its balance sheet.

In April 2010, the Group signed an asset management agreement for a portion valued at about 13 billion yen of the portfolio sold by an external institutional investor. The following month, the Group started extending support to Pacific Holdings, Inc. and associated companies, which are undergoing corporate reorganization proceedings.

Through these activities, the Group has steadily increased the volume of AUM that it handles. AUM totaled about 1,030 billion yen at the end of June 2010, a net increase of 90 billion yen, or 9.6%, from the end of 2009. As a result, the Group has made progress simultaneously with regard to two central goals of the medium-term management plan: downsizing the balance sheet and increasing AUM.

Regarding fund procurement, the Company in June 2010 signed a syndicated loan contract to procure 14.6 billion yen over three years with Sumitomo Mitsui Banking Corporation and Bank of Tokyo-Mitsubishi UFJ, Ltd. acting as joint arrangers. By obtaining this stable, long-term funding, the Group will not have to sell properties at unfavorable terms in order to repay loans. In addition, this loan makes it possible to earn consistent leasing income from properties while they are owned by the Group.

However, there were extra-ordinary losses of 2.1 billion yen resulting from actions taken to streamline the balance sheet. These losses are attributable mainly to losses on the reorganization of consolidated subsidiaries holding overseas real estate and losses on the sale of fixed assets. The result was a 61.6% year-on-year drop in first half consolidated revenue to 23,177 million yen. Operating income was down 49.6% to 5,425 million yen, ordinary income fell 55.5% to 2,918 million yen and there was a net loss of 535 million yen compared with an 8,840 million yen loss one year earlier.

The following section explains performance by business segments.

#### 1) Real Estate Investment Advisory Business

In the real estate investment advisory business, there was a decrease in brokerage fees but increases in acquisition fees and due diligence fee. In addition, profit distributions from silent partnerships remained strong. The result was a 17.7% increase in revenue to 1,014 million yen and a 5.8% increase in operating income to 521 million yen.

#### 2) Real Estate Investment Business

In the real estate investment business, there were sales of properties owned by the Group to a private real estate fund funded by Korean institutional investors such as pension funds. However, revenues from real estate sales were down significantly because of the large volume of sales in the first half of 2009, including the sale of KDX Toyosu Grandsquare, a large office building that was developed by the Company in Shinonome, Koto-ku, Tokyo. In addition, leasing income declined due to measures to downsize the balance sheet. Revenue was down 64.5% to 19,859 million yen and operating income decreased 65.1% to 3,609 million yen.

#### 3) Asset Management Business

In the asset management business, asset management fees continued to increase, reflecting steady growth in assets under management. Revenue increased 7.5% to 2,611 million yen and operating income was up 7.7% to 1,679 million yen.

#### 4) NPL Investment Management Business

In the NPL investment management business, there was a decline in revenue from sales of loans purchased by the Group but incentive fees and dividend income from silent partnerships increased. The result was a 74.9% drop in revenue to 451 million yen and operating income of 113 million yen compared with a loss of 1,038 million yen one year earlier.

### **(2) Qualitative Information Regarding Consolidated Financial Position**

#### Balance Sheet Position

Total assets decreased 17,678 million yen from December 31, 2009 to 200,924 million yen as of June 30, 2010. The primary reason was a decrease of 15,821 million yen in property owned by the Group due to its sales and a decline in cash and deposits resulting from the repayment of interest-bearing debt.

Total liabilities decreased 18,244 million yen to 145,832 million yen. This was mainly due to the decrease in interest-bearing debt.

Net assets increased 566 million yen to 55,091 million yen. Retained earnings decreased 592 million yen mainly because of the net loss in the first quarter but there was a 1,002 million yen in minority interests in consolidated subsidiaries. Minority interests represent primarily the investments of external parties in funds consolidated by the Group.

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. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Dec. 2010
Interest-bearing debt (1)	106,630	238,269	202,806	153,038	134,313
(Non-recourse loans included) (2)	( 29,640)	( 120,366)	( 78,528)	( 68,419)	( 64,284)
Net assets (3)	39,794	80,488	57,558	54,525	55,091
Cash and deposits (4)	34,390	39,369	11,872	18,291	12,147
Net debt (5) (1-2-4)	42,599	78,533	112,404	66,327	57,881
Net debt-equity ratio net of non-recourse loans (5)/(3) (%)	107.0	97.6	195.3	121.6	105.1

### Cash Flows

Operating activities provided net cash of 15,684 million yen, investing activities used net cash of 5,293 million yen and financing activities used net cash of 18,338 million yen. The result was a net decrease of 7,919 million yen in cash and cash equivalents during the first half of 2010 to 13,746 million yen as of June 30, 2010.

#### 1) Operating Activities

Net cash provided by operating activities decreased 67.1% year on year to 15,684 million yen. This was mainly attributable to the decrease in inventories of 11,591 million yen, proceeds from sale and collection of acquired non-performing loans of 1,248 million yen, and income taxes refund of 1,060 million yen.

#### 2) Investing Activities

Net cash used in investing activities was 5,293 million yen, compared to the net cash provided of 29 million yen a year earlier. This was mainly attributable to the proceeds of 3,856 million yen from sales of property and equipment, while there were payments of 6,169 million yen for the purchase of property and equipment, 644 million yen for the purchase of investment securities, and 496 million yen for the purchase of stocks of subsidiaries and affiliates.

#### 3) Financing Activities

Net cash used in financing activities decreased 63.1% year on year to 18,338 million yen. Although there were proceeds of 1,208 million yen from minority interests, cash was used for loan repayments and bond redemptions in association with sales of properties owned by the Group. The proceeds from minority interest, which represent primarily the investments of external parties in funds consolidated by the Group.

### (3) Qualitative Information Regarding Forecast of Consolidated Income

We maintain the revised forecasts for the fiscal year ending December 31, 2010, announced on June 25, 2010 in the press release "Notice for Recording of Extraordinary Loss and Revision of Forecast."

## **2. Other Information**

### **(1) Overview of Changes in Significant Consolidated Subsidiaries**

Not applicable.

### **(2) Overview of Application of Simplified Accounting Methods and Special Accounting Methods**

(Simplified accounting methods)

Inventory write-down is based on the current net sales value of items on which profit margins have declined significantly.

(Special accounting methods in the preparation of quarterly consolidated financial statements)

The tax expense was calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to income before provision for income taxes during the fiscal year, and multiplying that rate by the quarterly income before provision for income taxes.

However, the Company uses legally stipulated effective tax rates to calculate tax expenses for cases in which using estimated tax rates gives a noticeably irrational result.

### **(3) Overview of Changes in Accounting Principles, Procedures, Presentation Methods, etc.**

(Changes in accounting policies)

Beginning with the first half of the current fiscal year, “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, December 26, 2008), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, December 26, 2008), and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008) have been applied.

(Supplementary information)

In past years, an amount equal to the Group’s interest in net income or losses from silent partnerships was recorded as revenue. Due to the increasing significance of this net income, beginning with the first quarter of the current fiscal year, net income from silent partnerships is recorded as revenue and net losses are recorded as cost of revenue. Compared with the previous method, this change increased revenue and cost of revenue by 341 million yen each.

There is no effect on operating income, ordinary income, and income before provision for income taxes.

**3. Quarterly Consolidated Financial Statements****(1) Consolidated Balance Sheets***(Millions of yen)*

	Second quarter of 2010 (As of Jun. 30, 2010)	Year 2009 Summary (As of Dec. 31, 2009)
<b>Assets</b>		
Current assets		
Cash and deposits	12,147	18,291
Deposits held in trust	3,314	4,916
Accounts receivable-trade	1,496	1,128
Real estate for sale	52,400	63,909
Real estate for sale in process	2,477	2,461
Acquired non-performing loans	1,921	3,210
Income taxes refundable	207	1,191
Deferred tax assets	308	299
Other	2,576	3,265
Allowance for doubtful accounts	(250)	(137)
Total current assets	76,599	98,536
Fixed assets		
Property and equipment		
Buildings and structures	42,342	45,131
Accumulated depreciation	(1,383)	(877)
Buildings and structures, net	40,959	44,253
Land	58,042	53,461
Other	533	530
Accumulated depreciation	(96)	(101)
Other, net	436	428
Total property and equipment	99,438	98,143
Intangible assets		
Goodwill	-	236
Other	40	38
Total intangible assets	40	275
Investments and other assets		
Investment securities	20,445	19,047
Investment in capital	389	300
Long-term loans receivable	783	869
Deferred tax assets	155	160
Other	3,327	1,570
Allowance for doubtful accounts	(254)	(300)
Total investment and other assets	24,846	21,647
Total fixed assets	124,325	120,066
Total assets	200,924	218,603

*(Millions of yen)*

	Second quarter of 2010 (As of Jun. 30, 2010)	Year 2009 Summary (As of Dec. 31, 2009)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	434	436
Short-term borrowings	5,938	16,898
Long-term borrowings-due within one year	34,541	48,970
Corporate bonds-due within one year	16,900	18,086
Accrued income taxes	2,845	502
Security deposits	1,545	2,294
Deferred tax liabilities	-	1,722
Provision for loss on liquidation of subsidiaries and affiliates	571	-
Other	2,590	2,575
Total current liabilities	65,367	91,488
Long-term liabilities		
Bonds payable	7,403	8,553
Long-term borrowings	69,530	60,529
Deferred tax liabilities	4	7
Allowance for employees' retirement benefits	42	34
Long-term lease deposited	3,140	3,067
Other	345	395
Total long-term liabilities	80,465	72,588
Total liabilities	145,832	164,077
Net assets		
Shareholders' equity		
Common stock	23,787	23,787
Additional paid-in capital	24,046	24,046
Retained earnings	(586)	5
Treasury stock	-	(88)
Total shareholders' equity	47,246	47,751
Valuation and translation adjustments		
Net unrealized holding gains/losses on other securities	7	31
Deferred gains (losses) on hedges	-	(3)
Foreign currency translation adjustments	(949)	(1,038)
Total valuation and translation adjustments	(941)	(1,009)
Minority interests in consolidated subsidiaries	8,786	7,784
Total net assets	55,091	54,525
Total liabilities and net assets	200,924	218,603

**(2) Consolidated Statements of Income**  
**(For the Six-month Period)**

*(Millions of yen)*

	First six months of 2009 (Jan. 1, 2009 – Jun. 30, 2009)	First six months of 2010 (Jan. 1, 2010 – Jun. 30, 2010)
Revenue	60,334	23,177
Cost of revenue	47,038	15,740
Gross profit	13,295	7,436
Selling, general and administrative expenses		
Provision for doubtful accounts	-	112
Directors' and corporate auditors' salaries	101	113
Salaries and bonuses	614	569
Commissions paid	548	379
Amortization of goodwill	614	221
Other	655	614
Total selling, general and administrative expenses	2,534	2,010
Operating income	10,761	5,425
Non-operating income		
Interest income	28	16
Consumption taxes differential (after being offset by suspense payments and receipt)	-	258
Foreign currency transaction gain	185	-
Interest on refund	51	-
Other	88	79
Total non-operating income	354	354
Non-operating expenses		
Interest expense	2,245	2,308
Equity in losses of non-consolidated subsidiaries and affiliates	1,518	5
Commissions paid	698	394
Other	101	153
Total non-operating expenses	4,564	2,861
Ordinary income	6,552	2,918
Extra-ordinary income		
Gain on liquidation of affiliate stock	70	-
Gain on sale of fixed assets	-	43
Gain on sale of investment securities	106	0
Gain on negative goodwill	-	30
Other	2	0
Total extra-ordinary income	180	73
Extra-ordinary losses		
Loss on sale of investment securities	1,041	-
Loss on valuation of investment securities	103	9
Loss on sale of fixed assets	-	435
Loss on valuation of inventories	12,827	-
Impairment loss	-	1,068
Provision for loss on liquidation of subsidiaries and affiliates	-	571
Other	127	49
Total extra-ordinary losses	14,099	2,135
Income (loss) before income taxes and profit distribution to silent partners	(7,367)	856
Profit distribution to silent partners	(6)	14
Income (loss) before provision for income taxes	(7,360)	842
Income taxes	525	1,118
Minority interests in income	954	259
Net loss	(8,840)	(535)

**(For the Three-month Period)***(Millions of yen)*

	Second quarter of 2009 (Apr. 1, 2009 – Jun. 30, 2009)	Second quarter of 2010 (Apr. 1, 2010 – Jun. 30, 2010)
Revenue	47,571	17,984
Cost of revenue	36,837	13,099
Gross profit	10,734	4,884
Selling, general and administrative expenses		
Directors' and corporate auditors' salaries	48	63
Salaries and bonuses	345	338
Commissions paid	238	185
Amortization of goodwill	307	-
Other	260	306
Total selling, general and administrative expenses	1,200	894
Operating income	9,533	3,989
Non-operating income		
Interest income	6	6
Consumption taxes differential (after being offset by suspense payments and receipt)	-	110
Foreign currency transaction gain	127	-
Interest on refund	51	-
Equity in earnings of non-consolidated subsidiaries and affiliates	-	170
Other	56	61
Total non-operating income	241	348
Non-operating expenses		
Interest expense	1,192	1,181
Equity in losses of non-consolidated subsidiaries and affiliates	383	-
Commissions paid	243	220
Other	70	71
Total non-operating expenses	1,889	1,473
Ordinary income	7,885	2,864
Extra-ordinary income		
Gain on liquidation of affiliate stock	0	-
Gain on sale of investment securities	106	0
Gain on negative goodwill	-	30
Other	0	0
Total extra-ordinary income	107	30
Extra-ordinary losses		
Loss on valuation of investment securities	56	-
Loss on sale of fixed assets	-	435
Impairment loss	-	789
Provision for loss on liquidation of subsidiaries and affiliates	-	571
Other	35	48
Total extra-ordinary losses	91	1,845
Income before income taxes and profit distribution to silent partners	7,901	1,049
Profit distribution to silent partners	31	1
Income before provision for income taxes	7,869	1,048
Income taxes	296	842
Minority interests in income	923	88
Net income	6,650	116

**(3) Consolidated Statements of Cash Flows***(Millions of yen)*

	First six months of 2009 (Jan. 1, 2009 – Jun. 30, 2009)	First six months of 2010 (Jan. 1, 2010 – Jun. 30, 2010)
<b>Operating activities</b>		
Income (loss) before provision for income taxes	(7,360)	842
Depreciation and amortization	496	633
Impairment loss	-	1,068
Amortization of goodwill	614	221
Loss (gain) on sales and collection of acquired non-performing loans	795	(58)
Loss (gain) on investments in silent partnership	(24)	(174)
Increase (decrease) in allowance for doubtful accounts	22	61
Increase (decrease) in provision for loss on liquidation of subsidiaries and affiliates	-	571
Increase (decrease) in allowance for employees' retirement benefits	5	-
Interest income	(28)	(16)
Interest expense	2,245	2,308
Equity in (earnings) losses of non-consolidated subsidiaries and affiliates	1,518	5
Loss (gain) on sales of investment securities	934	-
Loss (gain) on valuation of investment securities	103	-
Decrease (increase) in notes and accounts receivable-trade	(80)	(368)
Increase (decrease) in notes and accounts payable-trade	(54)	4
Decrease (increase) in inventories	45,826	11,591
Proceeds from sale and collection of acquired non-performing loans	1,378	1,248
Purchase of acquired non-performing loans	(400)	-
Distributions from silent partnerships	437	351
Other, net	(342)	(1,425)
Subtotal	46,086	16,866
Interests and dividends received	70	67
Interests paid	(2,401)	(1,759)
Income taxes paid	(646)	(550)
Income taxes refund	4,583	1,060
Net cash provided by operating activities	47,692	15,684
<b>Investing activities</b>		
Payment for purchase of property and equipment	(731)	(6,169)
Proceeds from sale of property and equipment	2	3,856
Payment for purchase of intangible assets	(23)	(8)
Payment for loans receivable	(240)	(46)
Proceeds from repayment of loans receivable	30	-
Payment for purchase of investment securities	-	(644)
Proceeds from sales of investment securities	1,803	-
Payment for purchase of stocks of subsidiaries and affiliates	-	(496)
Payments for investments in capital of subsidiaries and affiliates	(869)	-
Proceeds from sales of stocks of subsidiaries and affiliates	367	-
Other, net	(308)	(1,786)
Net cash provided by (used in) investing activities	29	(5,293)

*(Millions of yen)*

	First six months of 2009 (Jan. 1, 2009 – Jun. 30, 2009)	First six months of 2010 (Jan. 1, 2010 – Jun. 30, 2010)
Financing activities		
Proceeds from short-term borrowings	26,748	3,575
Repayment of short-term borrowings	(57,485)	(14,535)
Proceeds from long-term borrowings	20,692	19,695
Repayment of long-term borrowings	(29,464)	(25,467)
Payment for redemption of bonds	(3,127)	(2,327)
Proceeds from minority interest	-	1,208
Dividends to minority interest	(77)	(15)
Distributions to minority interest	(7,119)	(439)
Dividends paid	(2)	-
Other, net	127	(31)
Net cash used in financing activities	(49,708)	(18,338)
Effect of exchange rate changes on cash and cash equivalents	(60)	112
Increase (decrease) in cash and cash equivalents	(2,046)	(7,834)
Cash and cash equivalents at beginning of period	16,281	21,665
Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	(275)	(84)
Cash and cash equivalents at end of period	13,959	13,746

**(4) Going Concern Assumption**

Not applicable.

**(5) Segment Information**

## 1. Operating segment information

First six months of 2009 (Jan. 1, 2009 – Jun. 30, 2009)

*(Millions of yen)*

	Real Estate Investment Advisory Business	Real Estate Investment Business	Asset Management Business	NPL Investment Management Business	Total	Adjusts and Elimination	Consolidated
Revenue							
(1) External sales	853	55,986	1,697	1,796	60,334	-	60,334
(2) Inter-segment sales and transfers	8	-	732	-	740	( 740)	-
Subtotal	862	55,986	2,429	1,796	61,074	( 740)	60,334
Operating income (loss)	492	10,343	1,560	(1,038)	11,357	( 595)	10,761

First six months of 2010 (Jan. 1, 2010 – Jun. 30, 2010)

*(Millions of yen)*

	Real Estate Investment Advisory Business	Real Estate Investment Business	Asset Management Business	NPL Investment Management Business	Total	Adjusts and Elimination	Consolidated
Revenue							
(1) External sales	942	19,859	1,923	451	23,177	-	23,177
(2) Inter-segment sales and transfers	71	-	688	-	759	( 759)	-
Subtotal	1,014	19,859	2,611	451	23,937	( 759)	23,177
Operating income	521	3,609	1,679	113	5,924	( 498)	5,425

Notes: 1. Method of business classification

The segment information is presented on the basis of the four principal business segments in which the Group operates.

## 2. Main businesses belonging to each category

- (1) Real Estate Investment Advisory Business: Real estate brokerage services, location of suitable real estate investments, investment consulting services, and joint investment to the real estate funds
- (2) Real Estate Investment Business: Principal investments in real estate
- (3) Asset Management Business: Real estate management and consulting for the purpose of increasing the value of real estate investments
- (4) NPL Investment Management Business: NPL brokerage services, location of suitable NPL investments, investment consulting services, principal investments in NPL

## 2. Geographical segment information

First six months of 2009 (Jan. 1, 2009 – Jun. 30, 2009), First six months of 2010 (Jan. 1, 2010 – Jun. 30, 2010)

The geographical segment information is not presented since the combined segment sales in Japan represented more than 90% of total consolidated sales.

## 3. Overseas sales

First six months of 2009 (Jan. 1, 2009 – Jun. 30, 2009), First six months of 2010 (Jan. 1, 2010 – Jun. 30, 2010)

Information on overseas sales is not presented since overseas sales accounted for less than 10% of total consolidated sales.

**(6) Significant Changes in Shareholders' Equity**

Not applicable.

**(7) Subsequent Events**

1. The Company's Board of Directors approved a resolution on July 15, 2010 to conduct a public offering of newly issued stock and a third-party allotment of newly issued stock to party that was granted a greenshoe option. A summary is presented below.

**(1) Overview of issuance of new stocks by way of public offering**

The Company's Board of Directors approved a resolution on July 15, 2010 to conduct a public offering of newly issued stock as follows.

**1) Class and number of shares to be issued**

1,019,204 common shares of Kenedix

**2) Method of offering**

(i) Common shares of Kenedix with respect to the Japanese Public Offering: 343,464 shares

(ii) Common shares of Kenedix with respect to the International Offering: 560,536 shares

In addition, for the International Offering, 115,204 common shares in association with the option granted to the overseas underwriters to purchase additionally issued common shares of Kenedix.

**3) Issue price**

14,855 yen per share

**4) Conversion price**

13,911 yen per share

**5) Aggregate conversion price**

14,178 million yen

**6) Amount of stated capital and additional paid-in capital to be increased**

Amount of stated capital to be increased: 7,089 million yen

Amount of additional paid-in capital to be increased: 7,089 million yen

**7) Payment date**

August 3, 2010

**(2) Summary of newly issued stocks due to third-party allotment associated with exercise of greenshoe option****1) Greenshoe option**

In association with the public offering of newly issued stock that was approved on July 15, 2010 by the Company's Board of Directors, based on the amount of demand for this offering, Nikko Cordial Securities Inc. will conduct a secondary offering (secondary offering using an over-allotment) in Japan of 20,396 common shares of Kenedix that have been borrowed from the Company's shareholders. For the purpose of returning these borrowed shares to these shareholders, the Company's Board of Directors has approved a resolution to conduct a third-party allotment of stock to Nikko Cordial Securities with a payment date of September 1, 2010. In conjunction with this third-party allotment, the Company's Board of Directors on July 15, 2010 approved a resolution to grant Nikko Cordial Securities the right to receive a third-party allotment of stock (greenshoe option) under the terms listed in 2) below. The number of shares of this third-party allotment will not exceed the number of shares sold through the over-allotment. The Company's Board of Directors has approved a resolution concerning all 20,396 shares that are to be sold using the third-party allotment. However, if there are syndicate cover transactions, the number of shares in the third-party allotment may decrease depending on the number of shares used for these transactions or the third-party allotment may be cancelled.

2) Third-party allotment

(i) Class and number of shares to be issued

20,396 common shares of Kenedix

(ii) Method of offering

Capital increase through a third-party allotment with the party granted the greenshoe option

(iii) Conversion price

13,911 yen per share

(iv) Aggregate conversion price

283 million yen

(v) Amount of stated capital and additional paid-in capital to be increased

Amount of stated capital to be increased: 141 million yen

Amount of additional paid-in capital to be increased: 141 million yen

(vi) Payment date

September 1, 2010

(3) Use of proceeds

Of the maximum total net amount of 15 billion yen, which is the sum of the approximate total net amount from the Japanese Public Offering, from the International Offering, from the Greenshoe Third-Party Allotment and from the capital increase by way of third-party allotment to ITOCHU Corporation as described in 2. (2) below, the Company plans to use 7.5 billion yen in connection with the repayment of an aggregate principal amount of 14.9 billion yen of bonds of the Company scheduled to mature on November 9, 2010. The remaining amount is expected to be used by the end of December 2011 to further the Company's strategies, including acquiring minority interests in funds and newly acquiring real estate assets with the goal of reselling to funds.

2. The Company's Board of Directors approved a resolution on July 15, 2010 to establish a business alliance with ITOCHU Corporation and to sell newly issued stock to this company through a third-party allotment. A summary is presented below.

Payment for these shares was received on August 4, 2010 as prescribed in the contract.

(1) Outline of business alliance

1) Execution date of the business alliance agreement

July 15, 2010

2) Date of commencement of business alliance

Following completion of the third-party allotment of stock to ITOCHU Corporation that is listed in item 2) below

3) Business alliance partner

ITOCHU Corporation

4) Details of the business alliance

(i) Jointly seek opportunities to form new real estate funds, including those to acquire assets for "warehousing" purposes primarily for Kenedix Realty Investment Corporation and those to be formed to acquire land for the purpose of receiving stable leasing income from the lessee holding a leasehold interest in the acquired land.

(ii) Promotion of personnel exchanges in the asset management related business.

(iii) Information sharing concerning networks of domestic and overseas investors.

(2) Overview of issuance of new stocks through third party allotment

1) Class and number of shares to be issued

60,000 common shares of Kenedix

2) Method of offering or allotment (party to which shares will be allotted)

Third party allotment (ITOCHU Corporation)

3) Conversion price

14,855 yen per share

4) Aggregate conversion price

891 million yen

5) Amount of stated capital and additional paid-in capital to be increased

Amount of stated capital to be increased: 445 million yen

Amount of additional paid-in capital to be increased: 445 million yen

6) Payment date

August 4, 2010

7) Use of proceeds

Same as the use listed in item 1. (3) above.