August 9, 2012

Company name: Kenedix, Inc.
Representative: Atsushi Kawashima, President
Stock code: 4321
Listing: First Section, Tokyo Stock Exchange
Contact: Masahiko Tajima, Executive Officer, General Manager of Corporate Planning Department

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All readers are strongly recommended to refer to the original Japanese version of the news release for complete and accurate information.

Notice of Forecast Revision, Extraordinary Losses and Sale of Subsidiary

Kenedix, Inc. ("Kenedix") has made the following revisions to its consolidated forecast for the fiscal year ending December 31, 2012 that was announced on February 14, 2012. In addition, Kenedix expects to record extraordinary losses and other charges as follows in 2012 and has sold a subsidiary.

1. Forecast Revision

(1) Summary of Revisions

Revisions to the consolidated forecasts for the fiscal year ending December 31, 2012
(from January 1 to December 31, 2012)

(Millions of yen)	Revenue	Operating income	Ordinary income	Net income	Net income per share (Yen)
Previous forecast (A)	17,300	6,700	3,400	1,700	741.97
Revised forecast (B)	16,900	4,600	1,000	-10,200	-4,451.84
Change in amount (B – A)	-400	-2,100	-2,400	-11,900	
Percentage change (%)	-2.3%	-31.3%	-70.6%	-	
Reference: Results for the previous fiscal year (Jan. 1 – Dec. 31, 2011)	19,486	6,931	2,464	1,313	573.18

(2) Reasons for Revisions

The 2012 forecast has been revised because of losses already recognized and losses that Kenedix expects to recognize. The major losses are as follows.

Loss		Amount	Reference item
A.	Losses on sales of owned real estate, etc.	¥3.0bn	2-(1)
B.	Losses associated with investment securities	¥3.8bn	2-(2)
C.	Non-operating expenses associated with refinancing, etc.	¥0.3bn	2-(3)
D.	Sale of subsidiary (extraordinary loss due to sale of investment in silent partnership)	¥2.6bn	3
E.	Losses, etc. recorded in second quarter of 2012 (excluding items already included in the forecast announced on February 14, 2012)	¥1.8bn*	-

* Includes the ¥900 million extraordinary loss announced on July 11, 2012 in the press release titled "Notice of Extraordinary Loss on Sale of Investment in Silent Partnership," losses on sales of other investments in silent partnerships (Tokumei Kumiai) and other items

Despite the uncertain market conditions, Kenedix Residential Investment Corporation ("KDR") conducted its initial public offering on April 26, 2012 and, as a result, Kenedix was able to downsize its balance sheet, reduce interest-bearing debt and increase cash and cash equivalents.
On July 11, 2012, Kenedix announced an extraordinary loss on the sale of an investment in a silent partnership. In association with the upcoming repayment date for a non-recourse loan and other reasons, the value of real estate associated with these loans was appraised and the future value was evaluated. Since considerable time will probably be required for the real estate market to recover, Kenedix decided that selling this real estate would be an economically rational move. As a result, an extraordinary loss will be recorded.
In conjunction with this action, Kenedix once again performed comparative studies and other examinations regarding the value of assets currently owned, the feasibility of open market sales of these properties, additional funds likely to be required for refinancing non-recourse loans, the future value of these properties, and other items. This process led to the decision that the losses on sales and valuation losses for the assets listed in the following section "2. Extraordinary losses" should be recorded in 2012.

(3) Outlook

Expanding the asset management business is the most important strategic objective of the Kenedix Group. To accomplish this goal, the group will continue to take the following actions.

1) Establish a framework for supporting growth in assets under management (AUM)
2) Reduce interest expenses, which have increased because of the global credit crunch
3) Increase financial soundness by downsizing the balance sheet

1) Establish a framework for supporting growth in assets under management (AUM)

KDR conducted an initial public offering on April 26, 2012. This company invests primarily in residential property and is managed by Kenedix consolidated subsidiary Kenedix Residential Partners, Inc. At the same time, Kenedix sold ¥14.5 billion portfolio of residential properties to KDR. Selling these properties allowed Kenedix to downsize its balance sheet and obtain an opportunity to increase asset management fees, which are a source of stable earnings. Kenedix believes that the listing of KDR stock will make a big contribution to the stability and growth of its asset management business.

2) Reduce interest expenses

On July 31, 2012, Kenedix consolidated subsidiary Kenedix Asset Management, Inc. received a loan of ¥12.0 billion (refinancing and additional loan that replaced a loan of about ¥8.2 billion). Proceeds from this loan along with proceeds from the sale of assets were used to repay a loan with extremely high interest rates.
As a result, Kenedix expects that the average interest rate on total interest-bearing debt will decrease from about 3.3% in 2011 to about 2.5% in 2013.

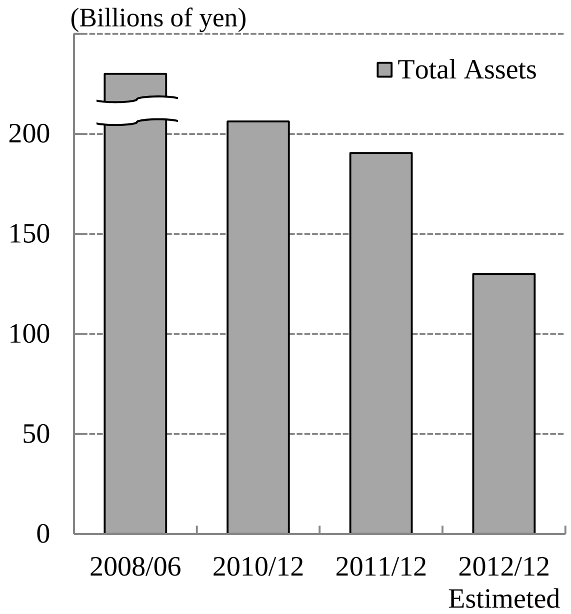
3) Securing funds for growth and building a sounder financial position

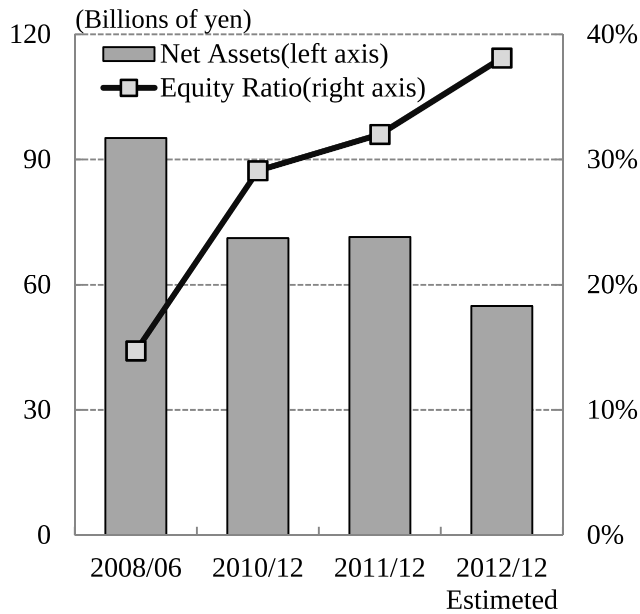
Although one-time sales of assets and other actions will result in losses, as can be seen in this forecast revision, these actions will also generate proceeds of about ¥8.0 billion during 2012. Kenedix plans to use these funds to repay the high-interest-rate loan as described in section 2) and to create opportunities to increase AUM. In addition, Kenedix expects to improve its financial soundness by downsizing the balance sheet through asset sales, thereby simultaneously reducing interest-bearing debt and increasing the equity ratio.
At the end of 2012, Kenedix expects that its balance sheet and associated financial indicators will be as follows.

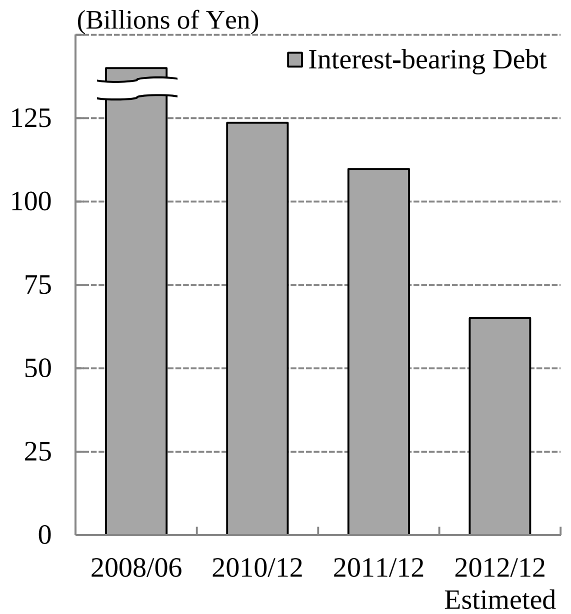
(Billions of yen)	As of Jun. 30, 2008	As of Dec. 31, 2011	As of Dec. 31, 2012 Estimates (YoY change)
Total assets	4,338	1,904	1,300 (-604)
Interest-bearing debt	3,126	1,097	651 (-446)
(of which non-recourse loans)	1,349	604	251 (-353)
Net assets	951	714	549 (-165)
Equity ratio (excluding minority interests)	14.7%	32.0%	38.1%
Debt equity ratio	4.89x	1.80x	1.31x

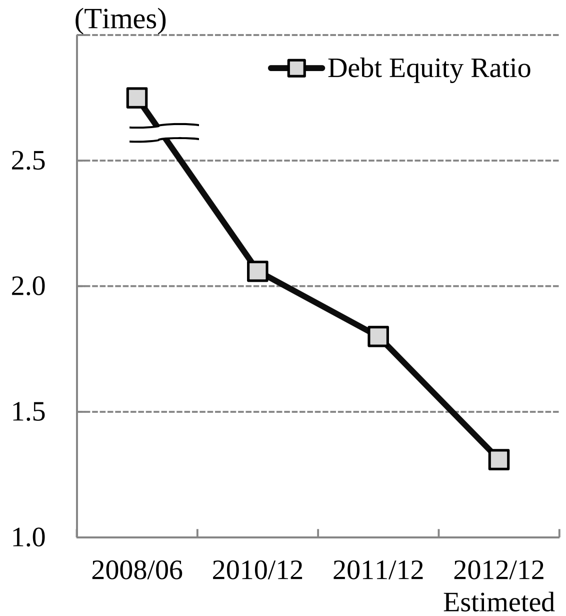
Kenedix will continue to strengthen its financial position in order to build a base of operations for consistently providing real estate investors with services as an independent asset management organization in any economic environment. Furthermore, plans to use this operating framework to create more opportunities for increasing AUM.

(4) (Reference) Financial Indicators









2. Extraordinary Losses and Other Charges

(1) Loss on Sale of Owned Real Estate, etc. (Loss A: ¥3.0 billion)

Kenedix will record an extraordinary loss and other charges of ¥1.3 billion due to the sale of owned real estate and other assets. Properties to be sold based on today's Board of Directors resolution and other decisions are as follows.

Property name	Location	Category	Gross floor space (m^2)
Hokkai 2 Building*	Chuo-ku, Tokyo	Office	5,149
Regalo Fuse	Higashiosaka-shi, Osaka	Residential	3,236
Regalo Asahimachi	Niigata-shi, Niigata	Residential	2,791
Regalo Keyakidori	Niigata-shi, Niigata	Residential	2,906
Shin-Tokyo Center	Toshima-ku, Tokyo	Data center	12,835
Shin-Tabata Center	Kita-ku, Tokyo	Data center	3,901
Keihanna Center	Kizugawa-shi, Kyoto	Data center	9,338
Atsuta Center	Nagoya-shi, Aichi	Data center	4,997
Nagano Center	Nagano-shi, Nagano	Data center	2,205
Shin-Hiroshima Center	Hiroshima-shi, Hiroshima	Data center	5,274

(*) The details of fixed asset sales regarding Hokkai 2 Building are as follows.

A) Book value, selling price, and gain or loss on sales

Book value:	¥1,786 million
Selling price:	¥900 million
Gain (loss) on sales:	-¥886 million

In addition to the above loss on sales, Kenedix expects to book reversal of provision for deferred tax liabilities of ¥442 million.

B) Summary of purchaser

Kenedix is not announcing information about the purchaser due to the wishes of the purchaser. There is no significant financial, personnel or business relationship between Kenedix and the purchaser.

C) Date of sales

Late October 2012 (planned)

In addition to the sales of the real estates in the above table, Kenedix plans to record a valuation loss on inventories and sell eight residential properties in accordance with today's Board of Directors resolution and other decisions. Due to the decision to incorporate these actions in the revised forecast for the current fiscal year, Kenedix expects a total extraordinary loss of ¥1.7 billion.

The sales and planned sales include the following properties owned by Kenedix.

Property name	Location	Category	Gross floor space (m^2)
Gas stations	(Nationwide)	Service station	-
Kitakyuhouji Project	Osaka-shi, Osaka	Land	-
Human Heim Sendaihoncho	Sendai-shi, Miyagi	Residential	3,272
Regalo Sendai East Park	Sendai-shi, Miyagi	Residential	5,536
Human Heim Yatsuka	Soka-shi, Saitama	Residential	1,910
Human Heim Ichikawa Myoden	Ichikawa-shi, Chiba	Residential	1,597
Human Heim Machiya	Arakawa-ku, Tokyo	Residential	1,398
Primo Regalo Noma	Fukuoka-shi, Fukuoka	Residential	2,827
Human Heim Chibahoncho	Chiba-shi, Chiba	Residential	1,677
Human Heim Sagamihara	Sagamihara-shi, Kanagawa	Residential	1,612

(2) Loss Associated with Investment Securities (Loss B: ¥3.8 billion)

In investment securities, in accordance with today's Board of Directors resolution and other decisions, Kenedix plans to record an extraordinary loss of ¥800 million on the sale of investments in silent partnerships (same boat investments).

In addition to the sales in the above table, Kenedix expects that partnership distribution losses will result in cost of revenue and an extraordinary loss that total ¥3.0 billion.

Item	Total expected loss	Description
Same boat investment	¥1.0bn	Silent partnership investments in private funds' SPC and TMK investments, etc.
Mezzanine loan	¥2.0bn	Mezzanine loan to SPC that invests in office buildings in Tokyo

(3) Non-operating Expenses due Mainly to Refinancing (Loss C: ¥300 million)

Kenedix will continue to refinance high-interest-rate loans and use other measures to lower interest expenses. One-time expenses associated with refinancing measures are expected to result in non-operating expenses of ¥300 million in 2012.

3. Sale of Subsidiary

As shown in loss D in section 1-(2), the revised forecast for 2012 includes a loss of ¥2.6 billion resulting from the sale of a subsidiary (extraordinary loss resulting from the sale of an investment in a silent partnership).

(1) Summary of Sale of the Subsidiary

Kenedix expects to record an extraordinary loss of ¥2.6 billion due to the decision to sell at the memorandum price its investment in a silent partnership operated by the consolidated subsidiary Godo Kaisha Silver Wave .

(2) Reason for Sale of the Subsidiary

Godo Kaisha Silver Wave is a special-purpose company that owns the Blan-espa Ginza Building, which is included in the fixed assets of Kenedix. Based on an appraisal of the current value of this building and an evaluation of its value in the future, Kenedix reached the conclusion that this investment in a silent partnership should be sold.

(3) Overview of the Subsidiary

<table>
<tr><td>(1)</td><td>Name</td><td colspan="4">Tokumeikumiai Silver Wave
Operator: Godo Kaisha Silver Wave</td></tr>
<tr><td>(2)</td><td>Location</td><td colspan="4">2-9 Shinbashi 2-chome, Minato-ku, Tokyo (address of operator)</td></tr>
<tr><td>(3)</td><td>Representative</td><td colspan="4">Representative Partner: Ippan Shadan Hojin Silver Wave
Executor: Tadatsugu Ishimoto</td></tr>
<tr><td>(4)</td><td>Business</td><td colspan="4">Investment in real estate trust beneficiary interests</td></tr>
<tr><td>(5)</td><td>Established</td><td colspan="4">August 13, 2010</td></tr>
<tr><td>(6)</td><td>Capital</td><td colspan="4">1 million yen</td></tr>
<tr><td rowspan="4">(7)</td><td rowspan="4">Relationships between Silver Wave and Kenedix</td><td>Capital</td><td colspan="3">Silver Wave is a consolidated subsidiary of Kenedix.</td></tr>
<tr><td>Personnel</td><td colspan="3">Not applicable.</td></tr>
<tr><td>Business</td><td colspan="3">Not applicable.</td></tr>
<tr><td>Related parties</td><td colspan="3">Silver Wave is a consolidated subsidiary of Kenedix.</td></tr>
<tr><td rowspan="6">(8)</td><td rowspan="6">Results of operations and financial conditions for the last one year</td><td>(Millions of yen)</td><td>FY10/11</td><td></td><td></td></tr>
<tr><td>Revenue</td><td>22</td><td></td><td></td></tr>
<tr><td>Operating income</td><td>-56</td><td></td><td></td></tr>
<tr><td>Net income</td><td>-303</td><td></td><td></td></tr>
<tr><td>Total assets</td><td>11,082</td><td></td><td></td></tr>
<tr><td>Net assets</td><td>5,806</td><td></td><td></td></tr>
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(4) Summary of purchaser of investment in silent partnership

Kenedix is not announcing information about the purchaser due to the wishes of the purchaser. There is no significant financial, personnel or business relationship between Kenedix and the purchaser.

(5) Schedule

Board of Directors' resolution:	August 9, 2012
Settlement date:	Late August 2012 (planned)

Cautionary Statement Concerning Forward-Looking Information
This press release contains forward-looking statements that include "intends," "will" and other similar words and phrases, statements regarding the intent, belief, strategy, plans or current expectations of the Company. Such forward-looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. The Company does not undertake any obligation to update the forward-looking statements contained herein, or to update the reasons why actual results could differ from those projected in the forward-looking statements, except as required by law.