Kenedix Realty Investment Corporation

7th Period Results (Ending October 2008)

December 12, 2008
Kenedix REIT Management, Inc.

http://www.kdx-reit.com/eng/

Management policies based on J-REIT market environment

	Achievements	Current situation
External growth	AUM reached over ￥200B, 69 properties Raised the ratio of office buildings to 89%	Limited increase in cap rates for office buildings in central Tokyo WACC is on the rise.
Internal growth	Raised the level of NOI yield Raised rents for new/existing tenants	Changes in leasing market/tenant trends caused by the economic downturn
Financial	Emphasis on diversified maturities and relations with banks Conservative interest-bearing debt ratio	Near-term refinancing availability is watched closely. Importance of low interest-bearing debt ratio

Management policies for the time being

Portfolio management

New investments

- Investments only within the scope of replacement of assets
- Sale of properties: Residentials, central urban retails, and regional offices are high on the list of properties for sale
- Partial investment by ITOCHU to Kenedix REIT Management for property information

Management of existing properties

- Shorten vacancy periods and maintain high occupancy ratios through dynamic and flexible leasing activities
- Refrain from negotiations for rent increases with existing tenants, in principle

Financial policies

- Further reduce interest-bearing debt ratio
- Increasing cash position
- Continue to maintain good relations with financial institutions

We focus on strengthening the financial base to seize regrowth opportunities upon market upturn, while securing stable cash distributions.

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SECTION 1

7th Period Financial Results (Ending October 2008)

7th period financial results—Performance highlights

Performance

(¥M)	5th period results (to Oct. 2007)	6th period results (to Apr. 2008)	7th period results (to Oct. 2008)	Difference of 6th & 7th period	Notes
Operating revenues	7,208	8,582	8,456	▲126	Mainly caused by decrease of profit from property (▲652M from 6th period)
Profit/Loss from property sale	-	512	299	▲213	6th period: Net profit/loss from sale of 23 residentials 7th period: Profit from sale of ZARA Tenjin Nishi-dori and Hakata Ekimae Dai-2 Building
Rental business profit	4,002	4,182	4,477	+294	+7.0% (Increase in rental revenues substantially exceeded increase in expenses)
Depreciation	1,392	1,430	1,445	+15	-
Net income	2,792	3,342	3,123	▲218	(Reference)If the profit/loss from property sale deducted: 7th period ¥2,823M 6th period ¥2,829M
Net operating income (NOI)	5,394	5,612	5,923	+310	+5.5% (Net Operating Income: Rental revenues – Property-related expenses + Depreciation)
FFO (Funds from operation)	4,184	4,259	4,269	+10	Net income + Depreciation – Profit/Loss from property sale
Number of units outstanding	200,000units	200,000units	200,000units	-	No new issue
FFO per unit	¥ 20,920	¥ 21,297	¥ 21,345	+¥48	Same as 6th periods' FFO per unit
Distribution per unit	¥ 13, 960	¥ 16,711	¥ 15,618	▲¥1,093	(Reference)If the profit/loss from property sale deducted: 7th period ¥14,100 6th period ¥14,100

Financial ratio

	5th period results (to Oct. 2007)	6th period results (to Apr. 2008)	7th period results (to Oct. 2008)	Difference of 6th & 7th period	Notes
Total assets	213,763	230,520	239,648	+9,128	+3.9%
Total unitholders' equity	127,761	128,314	128,087	▲227	▲0.2%
Total unitholders' equity per unit	¥ 638,809	¥ 641,570	¥ 640,437	▲¥1,133	Net asset value after distribution adjustment: ¥624,859
Interest-bearing debt ratio	35.3%	38.9%	41.2%	+2.3%	Increase due to acquisition of new properties
Unitholders' equity to total assets	59.8%	55.7%	53.4%	▲2.3%	Decrease in equity capital ratio due to increase in debts and borrowings
Number of properties	77	68	69	+1	+:Office(3) ▲:Office(1)、central urban retail(1)
Total leasable floor area	248,653.07㎡	248,625.52㎡	256,214.30㎡	+7,588.78㎡	+3.1%
Occupancy ratio	96.9%	95.9%	95.6%	▲0.3%	95.7% for offices, 94.7% for central urban retails, 96.7% for residentials

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8th period earnings forecasts

Operating forecasts for 8th period (to April 2009)

(¥M)	7th period results (to Oct. 2008)	8th period forecasts (to Apr. 2009)	Difference of 8th forecast and 7th actual	Notes
Operating revenues	8,456	8,298	▲158	(Reference) + ￥139M if profit/loss from property sale in the 7th Period is excluded
Operating expenses	4,311	4,357	＋46	-
Property-related expenses (excl. depreciation)	2,233	2,256	＋23	-
Depreciation	1,445	1,428	▲17	-
Operating income	4,144	3,941	▲203	Profit/loss from property sale in the 7th period on actual basis vanished
Non-operating expenses	1,034	1,067	＋33	Mainly due to increase in interest payable
Interest expense	948	1,007	＋58	Increase in cost of finance due to widening spreads
Ordinary income	3,124	2,881	▲243	-
Net income	3,123	2,880	▲243	(Reference) + ￥56M, if profit/loss from property sale in the 7th period is excluded
Number of units outstanding	200,000	200,000		-
Distribution per unit	15,618	14,400	▲1,218	(Reference) Approx. ￥14,100 when decating the profit/loss from property sale
NOI (Rental revenues – Property-related expenses + Depreciation)	5,923	6,042	＋119	Increase of rental operating income
FFO (Net income + Depreciation – Profit/Loss from property sale	4,269	4,309	＋40	No influence from property sale
(Reference) Profit/Loss from property sale	299	0	▲299	Profit/Loss from salel of 2 residentials in the 7th period
(Reference) Changes in the number of properties	68→69	69	0	Assumes continued holding of properties held as of end of the 7th period

[Reference]

Preconditions of 8th period forecasts

No acquisition/sale of properties
No profit/loss from property sale

As of the end of period, interest-bearing debt is expected to reach approx. ￥98.75B, with interest-bearing debt ratio of approx. 41.2%

Preconditions of 9th period forecasts

Taxes become expence
The estimated amount of property tax and city planning tax on office buildings: + ¥19M from 8th period

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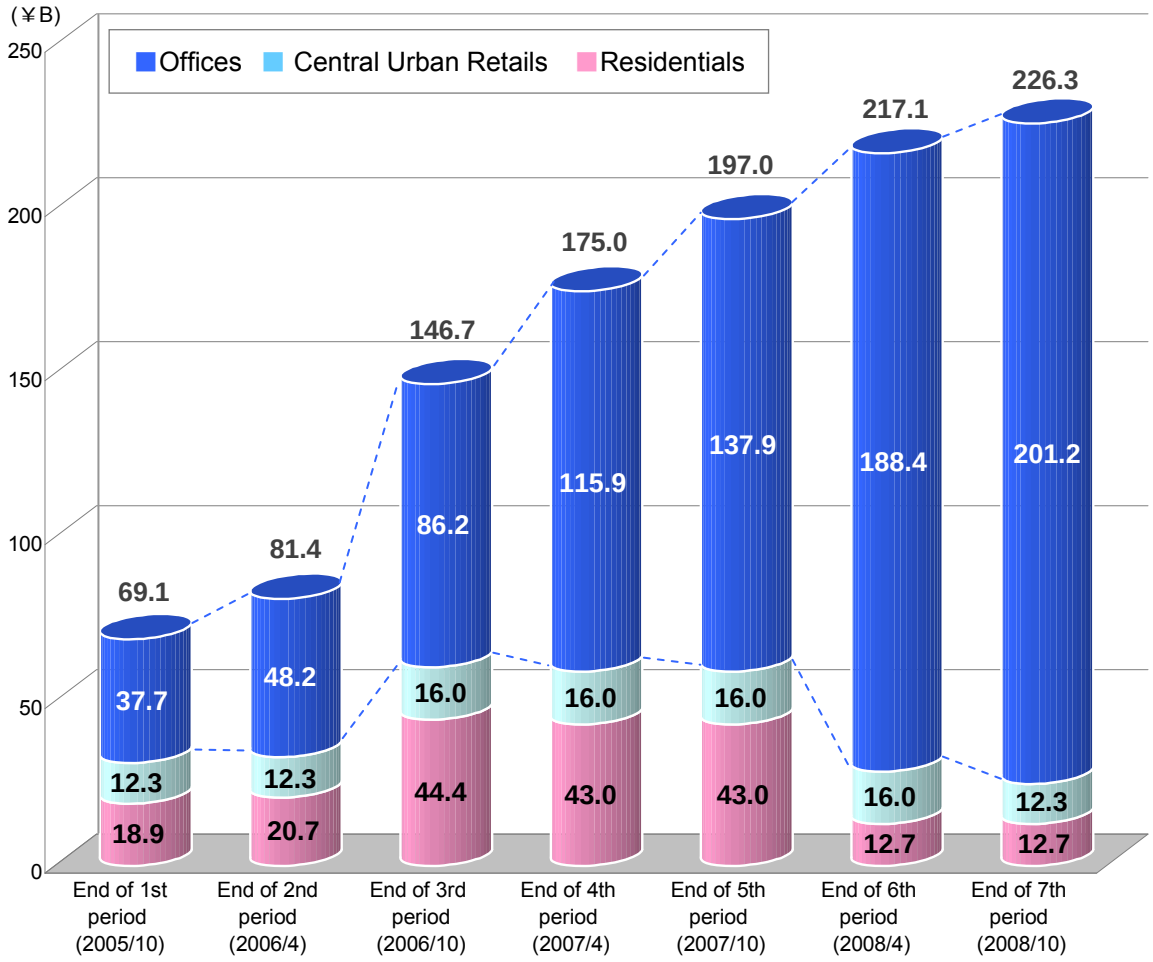
SECTION 2

Stronger Focus on Office Buildings

Increase in the ratio of office buildings

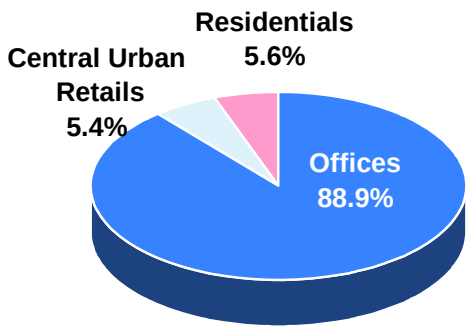
Increase in asset scale focused on office buildings

Changes in total acquisition prices

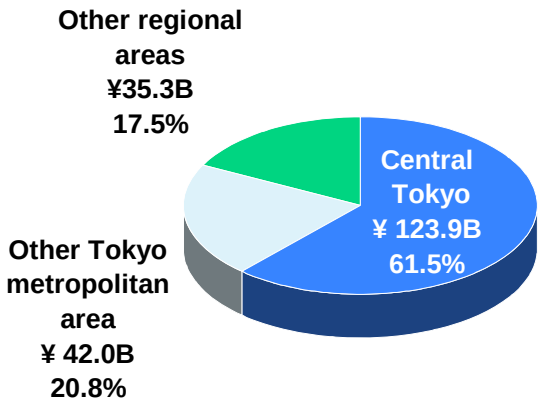


End of 7th period (2008/10)

Composition of portfolio by property types



Composition of offices by area



Notes: Figures for the 6th and 7th period include the acquisition price of building planned to be acquired of Sakae 4-chome Office Building (Tentative Name) (¥4,325M). Amounts are rounded down to the nearest ¥100M. Pie chart shows the ratio of relevant property types to total, and are rounded down to the first decimal place. Central Tokyo: Chiyoda, Chuo, Minato, Shibuya, Shinjuku

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Focusing more on mid-sized office buildings by replacement of assets

Focusing more on mid-sized office buildings in the Tokyo metropolitan area

Office buildings acquired in 7th period (Total acquisition price ¥14.31B)

KDX Iwamoto-cho Building

Acquisition Date	2008/5/1
Type	Office
Location	Chiyoda-ku Tokyo
Acquisition price	¥1.86B
Completion	2008/3
Occupancy	92.7%

KDX Harumi Building

Acquisition Date	2008/6/30
Type	Office
Location	Chuo-ku Tokyo
Acquisition price	¥10.25B
Completion	2008/2
Occupancy	100.0%

KDX Hamamatsucho Dai-2 Building

Acquisition Date	2008/9/1
Type	Office
Location	Minato-ku Tokyo
Acquisition price	¥2.20B
Completion	1992/4
Occupancy	100.0%

Properties sold in 7th period (Total initial acquisition price ¥5.1B)

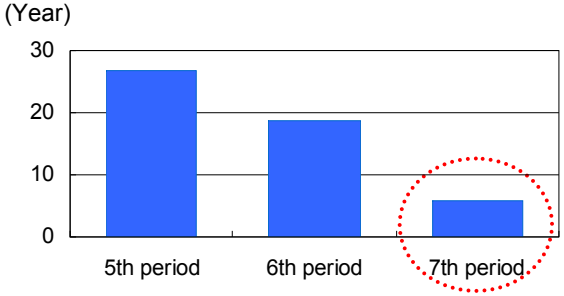
ZARA Tenjin Nishi-dori

Sales Date	2008/6/25
Type	Central Urban Retail
Area	Regional
Acquisition price	¥3.68B
Initial Sales price	¥4.10B
Completion	2005/11

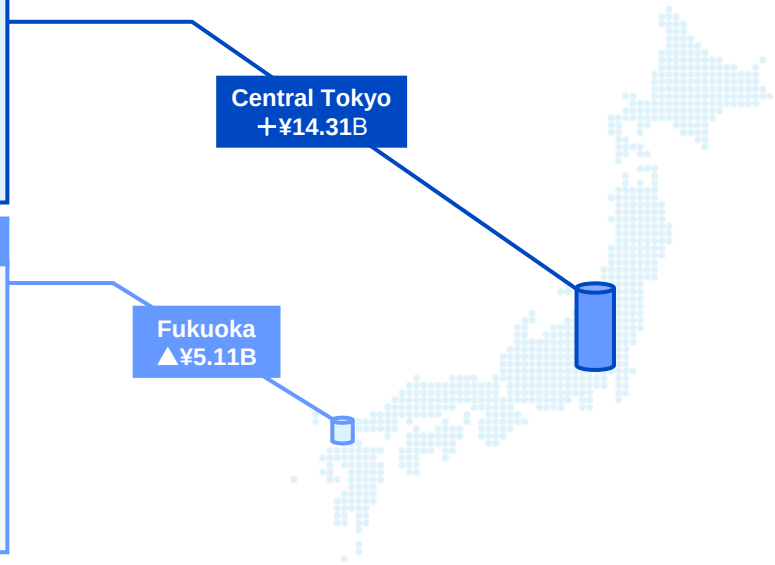
Hakata Ekimae Dai-2 Building

Sales Date	2008/7/30
Type	Office
Area	Regional
Acquisition price	¥1.43B
Initial Sales price	¥1.47B
Completion	1984/9

Average age of office buildings acquired in each period



*The average age of office buildings acquired in each period shown above is as of the end of October 2008.



KDX Harumi Building: Acquisition and occupancy increases (during 7th period)

Investment in property developed by Kenedix Group

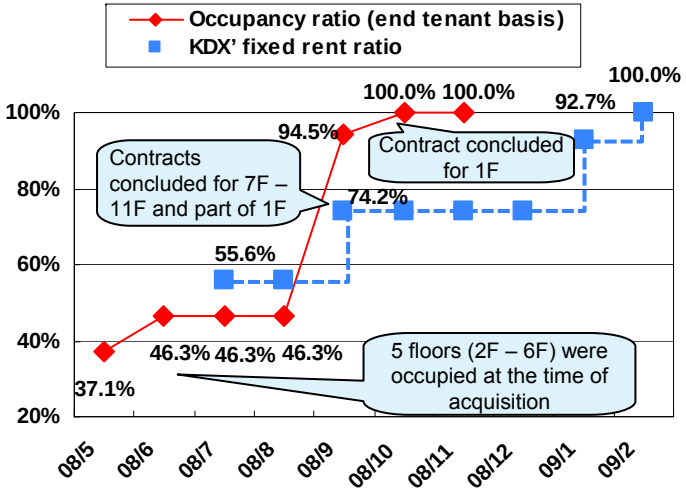
KDX Harumi Building

Floor	Total Floor Area (tsubo)	Total Floor Area (m^2)	Type	Tenant (by section) A: 307.10 m^2, 92.90 tsubo	B: 247.30 m^2, 74.81 tsubo	C: 307.10 m^2, 92.90 tsubo
11	260.61	861.52	Office	4,303.60 m^2/1,303.05 tsubo Data communications company		
10	260.61	861.52	Office			
9	260.61	861.52	Office			
8	260.61	861.52	Office			
7	260.61	861.52	Office			
6	260.61	861.52	Office	861.52 m^2 / 260.61 tsubo Data communications co.		
5	260.61	861.52	Office	861.52 m^2 / 260.61 tsubo Manufacturer (HQ)		
4	260.61	861.52	Office	2584.56 m^2 / 781.83 tsubo Financial company		
3	260.61	861.52	Office			
2	260.61	861.52	Office			
1	205.32	678.80	Entrance Retail		510.80 m^2/ 154.50 tsubo Display condo	

168.0m^2/50.82tsubo Convenience store

- Location : Harumi 3-chome, Chuo-ku, Tokyo
- GFA : 12,694.32 m^2
- Completion : February 2008
- Number of stories : B1 F11
- Acquisition price : ¥10,250M
- Acquisition date : June 30, 2008

Achieved lease-up (Occupancy ratio)



* KDX fixed rent ratio: The ratio of the sum of floor area covered by fixed rent contracts concluded on June 30 2008 and the floor area of end tenants (2F–6F) versus the building's total floor area.

■ Fixed rents for space not occupied by end tenants (partial fixed rent contract outline: a partial fixed rent master lease contract was concluded with the seller Kenedix, Inc. (KDX) at the time of acquisition)

Office portion	¥18,000/month per tsubo (7F–11F)
Retail portion	¥15,000/month per tsubo (1F)
Inception date	2008/7 ~ Office: 6 floor portion 2008/9 ~ Office: 8 floor portion 2009/1 ~ Office: 10 floor portion 2009/2 ~ Office: 10 floor portion and Retail portion

All end tenant contract rent levels were above KDX's fixed rents

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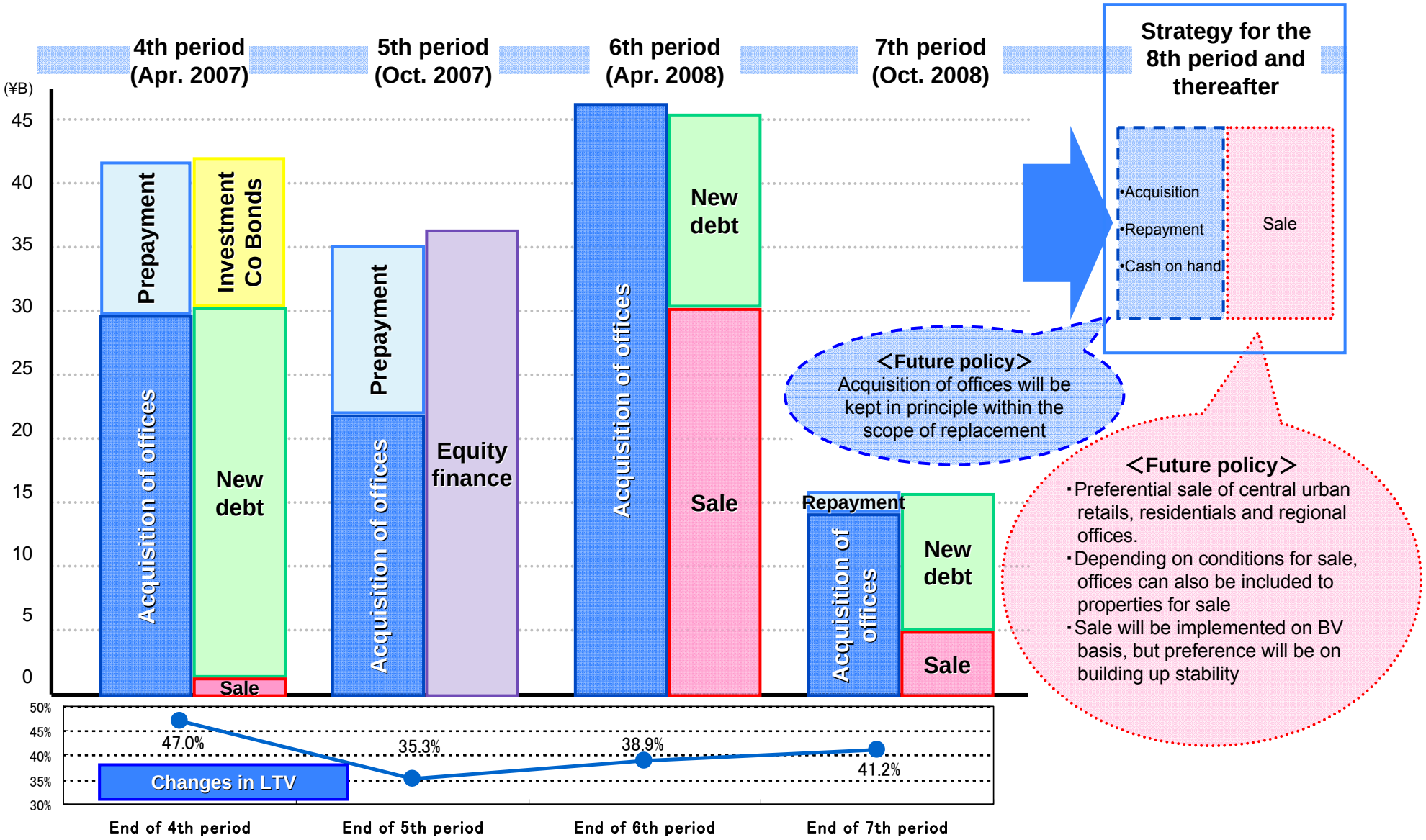
Flexible management according to market environment

Acquisition of offices and sale of properties (Residentials, central urban retail, regional office) and funding achieved



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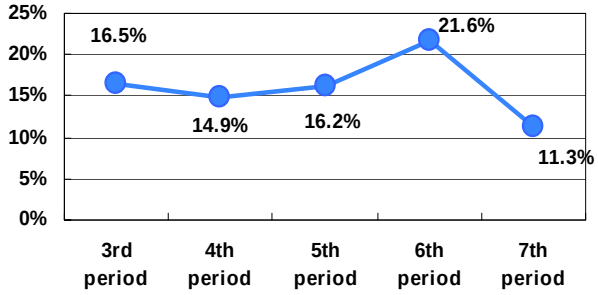
SECTION 3

Management of Existing Properties

Management of existing properties－ rent level of new contracts for office buildings

Track record for increasing the rent level for new contracts

Changes in average rent increase (rents for new tenants)

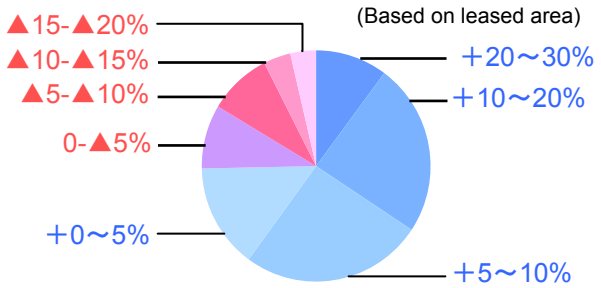


Average change (including rent reduction):

3rd period: 7.0% 5th period: 11.4% 7th period: 3.9%
4th period: 14.0% 6th period: 16.7%

(Note) The above figures represent the simple average variances in rents for all new contracts

Breakdown of changes in 7th period (Rents of new contracts)



Average change by region (Simple average based on number of contracts):

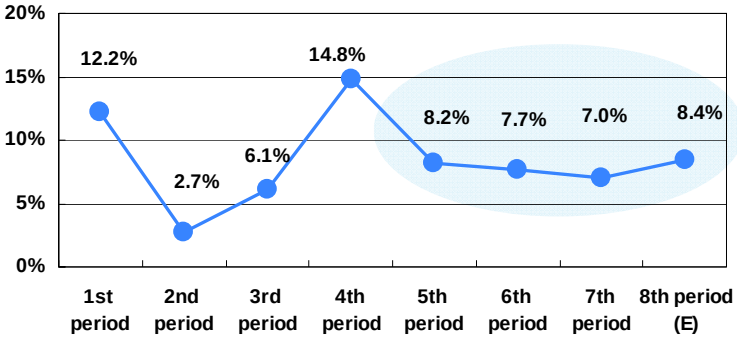
- Central Tokyo : 13.5% (rent increase 8, no change in rent 0)
- Other Tokyo metropolitan area : 5.8% (rent increase 5, rent reduction 2)
- Other Regional areas : -5.1% (Rent increase 3, rent reduction 7)

(Note) The above increase/change are comparisons of new rents with the average rent of relevant buildings (office buildings that are more than 2F tall)

<Future policy>

Considering market environment and future trends, we will focus on keeping vacancy period short and improving occupancy raito by complying flexibly to the requests of prospective tenants

Changes in tenant turnover ratio (actual and estimated: annualized)



Average 8.4%(annualized basis)

Main reasons for moving out

	5th period	6th period	7th period	8th period (E)
Expand office space	4	2	3	3
Reduce office space	17	17	23	32
Other/ Unknown	5	11	5	3

Note: Other/Unknown includes 2 move outs following negotiations on rent increase at contract renewal

Average vacancy period (Down time)

	6th period	7th period	Occupancy at end of 7th period
Central Tokyo	1.0 months	4.2 months	95.9%
Other Tokyo metropolitan area	3.6 months	4.2 months	96.9%
Other regional areas	10.6 months	10.2 months	94.1%

Note: Average (of each floor) based on number of contracts.
Floors covered by the survey are the followings:
Offices on 2F or above high that were
- vacant at start of period, but acquired new tenants during the relevant period
- continuously vacant from start to end of period
- cancelled during but managed to acquire new tenants during the relevant period

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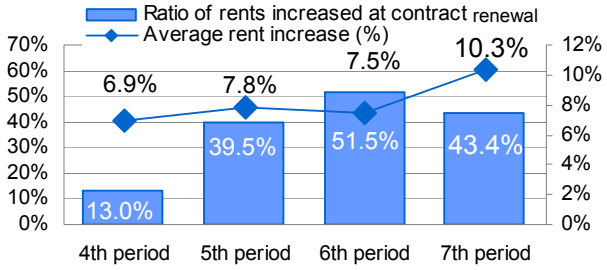
Management of existing properties－ rent level of renewed contracts for office buildings

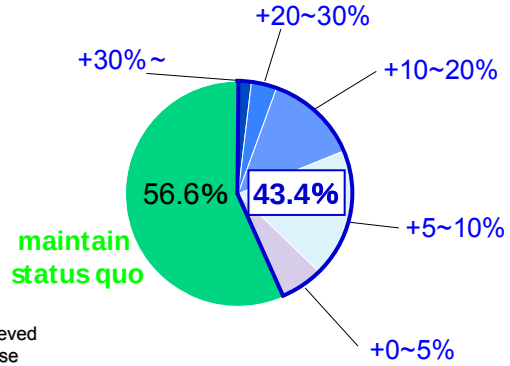
Track record for increasing contract renewal

Ratio of rents increased at contract renewal and changes in average rent increase



Note The ratio of rent increase cases above reflect all upward rent revisions achieved through negotiations irrespective of renewal terms. The ratios of rent increase cases are based on leased floor area, whereas the average rent increases are based on rents

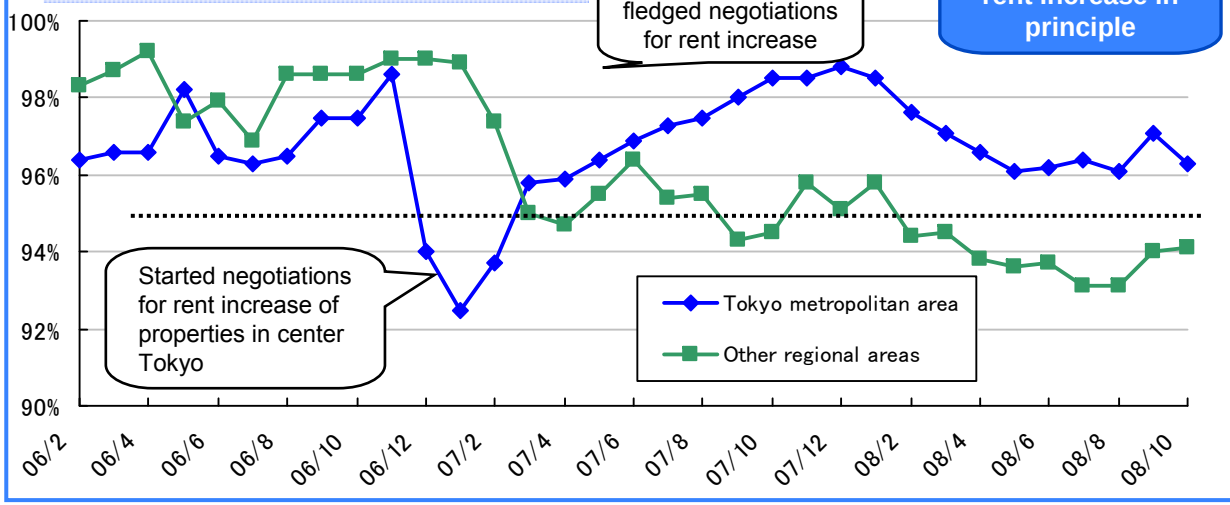
Distribution of volatility in the 7th period (Rents for renewed contracts)



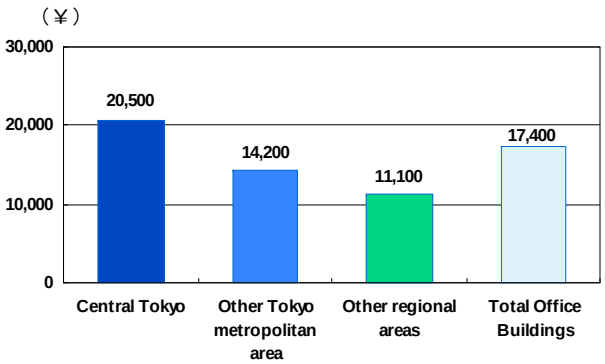
＜Future policy＞

In principle, we do not negotiate for rent increases with existing tenants, and will focus on maintaining high occupancy ratios

Changes in occupancy ratios for office buildings（by region）



Average unit rent for office buildings（End of 7th period）



Note：Amounts show the weighted average of the sum of average rent based on gross floor area divided by the number of properties in each area. Survey covers offices on 2F or above

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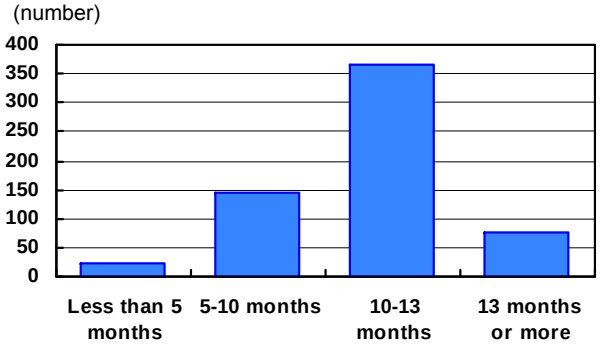
Management of existing properties— stability of mid-sized office buildings (tenant diversification)

Status of end-tenants for office buildings (End of 7th period)

# of end-tenants (# of properties)	630 (59)
Ratio of largest end-tenant	2.1%
Ratio of Top 3 end-tenants	5.4%

(Note) The above ratio shows the ratio of top end-tenants within the entire portfolio (based on leased area)

Status of rental deposits (End of 7th period)

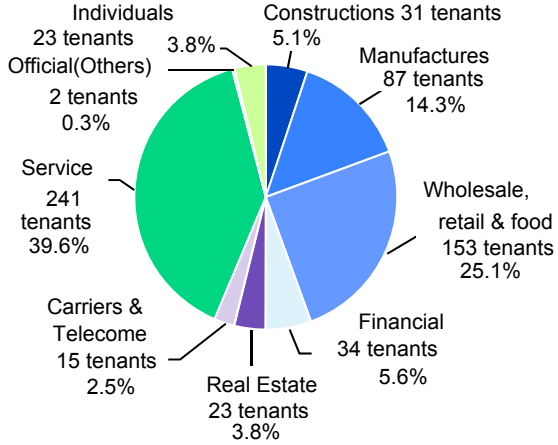


(Reference) Credit capability of end-tenants of office buildings

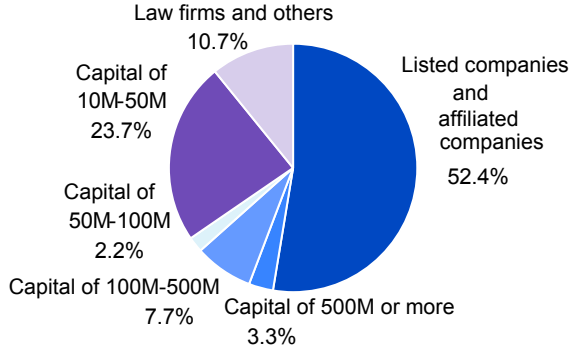
Actual performance in the past 1 year (during the 6th and 7th period)

- More than 2 months rent outstanding: 4 tenants including 2 tenants who have canceled their leasing contracts

End of 7th period – Breakdown of end-tenants by sector for office buildings



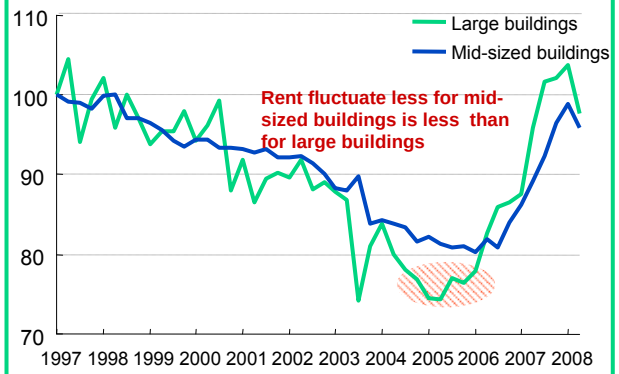
(Reference) Tenant attributes including capital position



∗ Tenant attribute at the time of acquisition. Ratio of the leased area
∗ Covered: 5 properties acquired after Feb. 29, 2008 (excluding KDX Jimbocho Bldg. which was acquired at 0% occupancy)

(Reference) Changes in rent levels (market data)

Tokyo 23 wards : Rent levels for large and mid-sized buildings (Jun. 1997=100)



Note: Large buildings: a building with a total floor area of 3,000 tsubo or more
Mid-sized buildings: a building with a total floor area of 1,000–3,000 tsubo
Source: Kenedix, Inc., based on the data by CB Richard Ellis Research Institute (Latest data as of Sep. 2008)

(Reference) Changes in office buildings traded by size

(properties)

	Less than 1,000㎡	1,000㎡-5,000㎡	5,000㎡-10,000㎡	More than 10,000㎡
1999	13	44	13	24
2000	10	21	20	53
2001	10	31	17	40
2002	15	76	53	46
2003	44	74	49	67
2004	25	84	41	43
2005	35	151	72	60
2006	31	148	72	63
2007	26	139	65	54

(Notes)
1 Based on the information disclosed in the "Company Information Report" submitted to TSE or published in the newspapers
2 Calculation based on "Changes in number of office buildings traded" and "Number of office buildings traded by size"
Source: Kenedix, Inc., based on the "survey on actual trading of properties" by Urban Research Institute

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Management of existing properties— Consolidate BMs / construction / cost reduction

Management effect by the scale of portfolio investing primarily in mid-sized office buildings

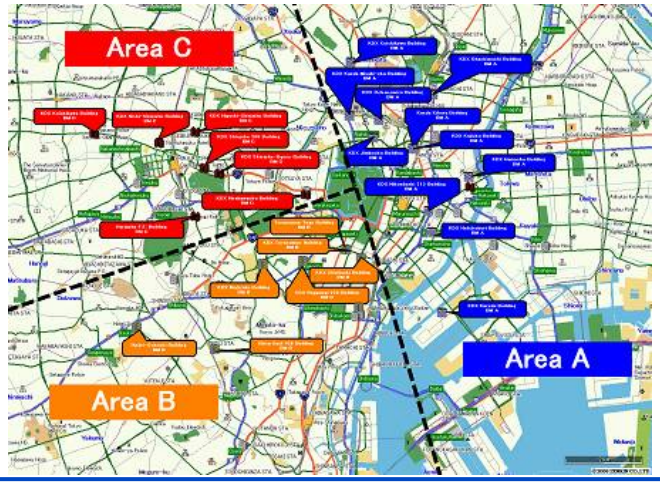
Consolidation of BMs (maintenance companies) for management of properties by group

Divide Tokyo into 3 areas and consolidate BMs for each area

Area A (East)	11 properties:	9 BMs→ A Co
Area B (South)	7 properties:	5 BMs→ B Co
Area C (West)	7 properties:	7 BMs→ C Co

consolidated to 3 companies

Increased management quality, service levels and business efficiency



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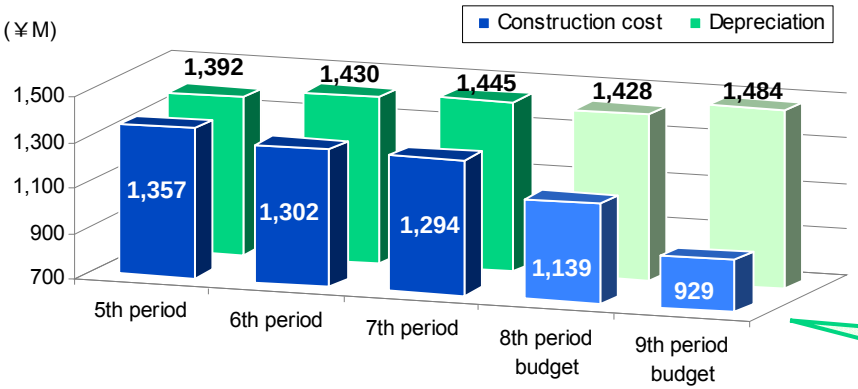
Depreciation, Changes in budgets and actual costs for construction



Reduce construction cost through bid

■Ongoing bid for air-conditioning facilities

- # of successful bids 5th period:
  4 properties
  cost reduction by ￥190M (reduction rate 24.4%)
- # of successful bids 6th period:
  5 properties
  cost reduction by ￥174M (reduction rate 39.3%)
- # of successful bids 7th period:
  5 properties
  cost reduction by ￥132M (reduction rate 31.6%)
- # of bids 8th period:
  2 properties

Implemented works for 14 properties

→increased efficiency of air conditioning facilities helps to reduce energy consumption → reduce CO_2

＜Future policy＞
Reduce construction budgets for CS or value up (including installation of air conditioners), as such works were already completed for many of our portfolio properties

Notes:
1 Construction budget shows budgeted costs for initial construction works under the Property Management Plan
2 Actual construction costs shows construction costs disclosed (Capex + repairs costs)

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SECTION 4

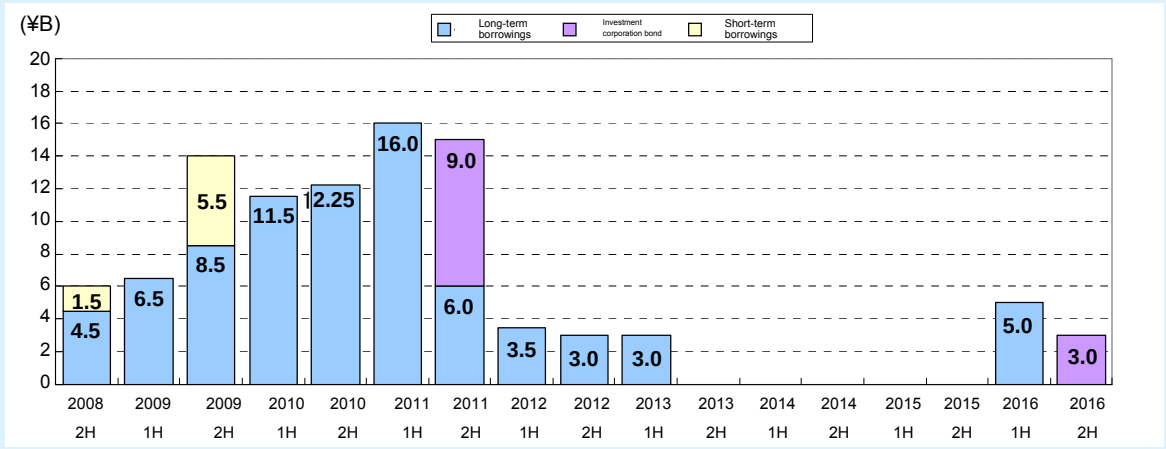
Financial Strategies

Stable financial management—
Diversified maturities and Fixed debt interest rates

Diversification of debt maturities

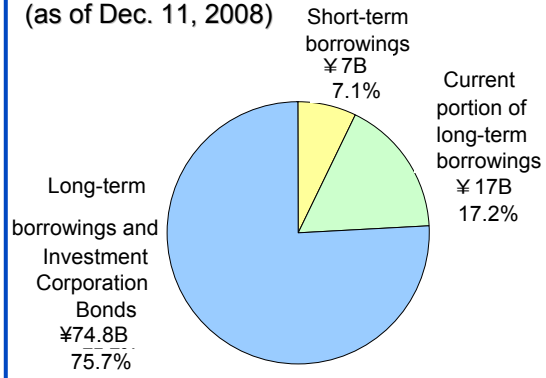
Debt financing with an emphasis on diversifying repayments

Amount of debt maturing in each 6 month (as of December 11, 2008)



Notes:
1 Shows debt amounts that mature in each period
2 1H is from Apr. 1 to Sep. 30 and 2H from Oct. 1 to Mar. 31 of the following year and not identical with the fiscal periods of the investment corporation (e.g. 2008 2H is from Oct. 1, 2008 to Mar. 31, 2009)

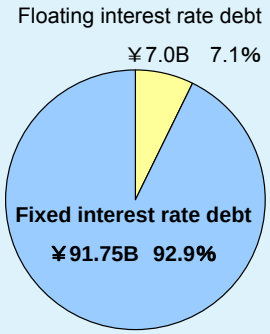
Outstanding amount of interest-bearing debts by remaining life
(as of Dec. 11, 2008)



Fixed debt interest rates

Conservative management centered on borrowings at a fixed interest rates

Proportion of debt at fixed interest rate* vs. floating interest rate
(as of December 11, 2008)

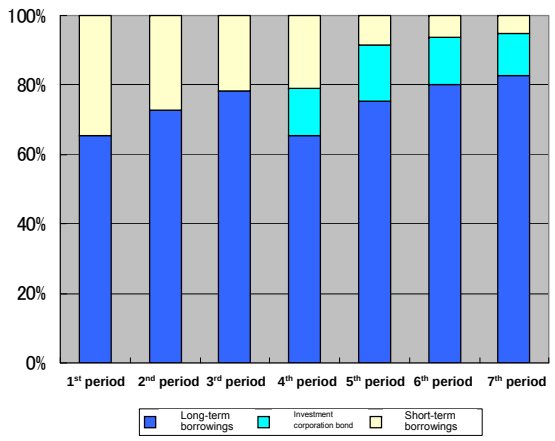


Average interest rate (including up-front fees)
1.85%

Average life
2.5 years

Note: "Fixed interest rate debt" includes borrowings that were converted to fixed from floating through interest rate swap

Changes in debt ratio by type of debt



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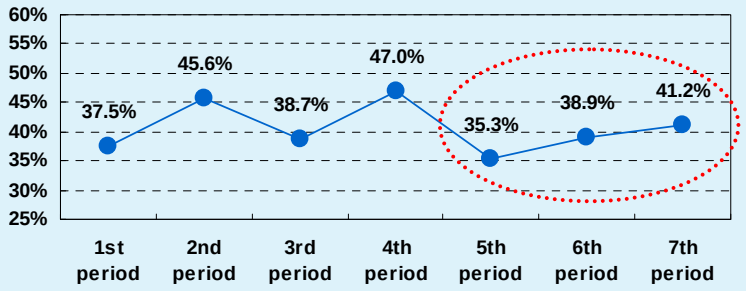
Stable financial management— focus on maintaining conservative LTV

Changes in LTV



Note: LTV＝Interest-bearing debt at end of period ÷Total assets

＜Future policy＞
We will maintain conservative LTV. We will also focus on conservative financial management through conservative leverage policy and build-up our cash position

Summary of covenants on borrowings

"Financial covenant"

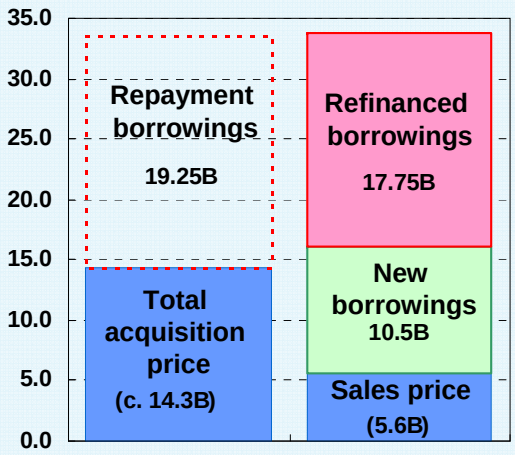
If in any fiscal period
① LTV exceeds a certain level or
② DSCR falls below a certain level

→ failure to comply with the above for 2 consecutive periods will result in attachment of assets

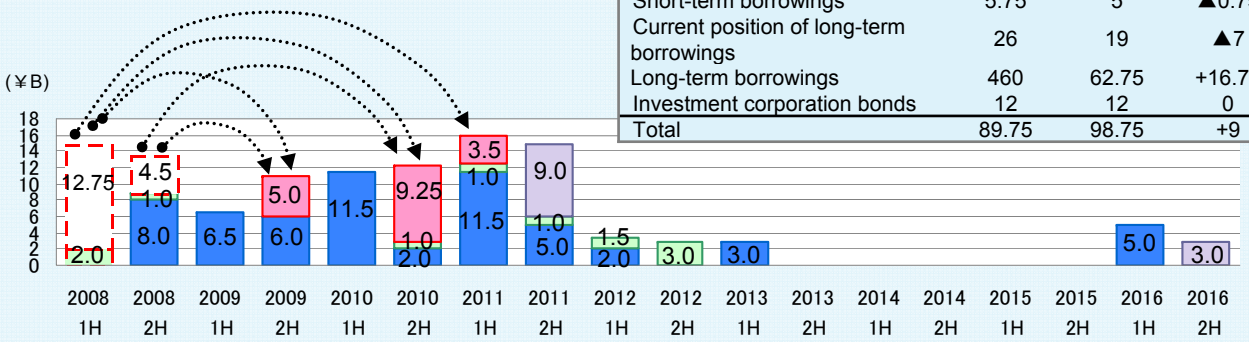
・LTV＝total liabilities ÷ total assets
(the difference between the appraisal value of properties at end of each period and the BV will be reflected in the value of total assets
(Added or subtracted as the case may be))

・DSCR＝(Operating income＋Depreciation) ÷interests paid
(Payment of principal with interest excluding lump-sum repayment of principal)

Borrowings in the 7th period and property trading



(¥B)	End of 6th period	End of 7th period	Difference
Short-term borrowings	5.75	5	▲0.75
Current position of long-term borrowings	26	19	▲7
Long-term borrowings	460	62.75	+16.75
Investment corporation bonds	12	12	0
Total	89.75	98.75	+9



Debts as of end of 6th period
Debt refinanced in the 7th period
New borrowings in the 7th period for refinancing during the 7th period
New borrowings in the 7th period
Investment corporation bonds
Repayments in the 7th period

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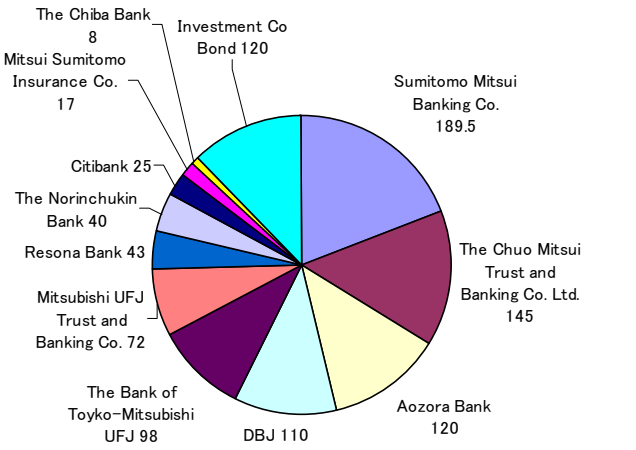
Stable financial management—Diversification of debt providers

Breakdown of debt providers



(As of Dec. 11, 2008 ¥100M)

Continue focusing on stable financing by maintaining positive relationship with financial institutions, especially mega-banks and trust banks

Debt providers and balance of debts

	6th period	7th period	Difference
Sumitomo Mitsui Banking Co.	152.5	189.5	+37
The Chuo Mitsui Trust and Banking Co., Ltd	125	145	+20
Aozora Bank, Ltd.	110	120	+10
Development Bank of Japan	80	110	+30
The Bank of Tokyo-Mitsubishi UFJ	78	98	+20
Mitsubishi UFJ Trust and Banking Corporation	72	72	0
Resona Bank, Ltd.	28	43	+15
The Norinchukin Bank	95	40	▲55
Citibank Japan Ltd.	0	25	+25
Mitsui Sumitomo Insurance Co.	17	17	0
The Chiba Bank, Ltd.	20	8	▲12
Investment Co Bond	120	120	0
Total	897.5	987.5	+90

Borrowings

The borrowing as of December 11, 2008

	Lender	Balance (¥M)	Drawdown date	Repayment date
Short-term Borrowings	The Chuo Mitsui Trust and Banking Co., Limited	1,000	Jan-10-2008	Jan-10-2009
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	500	Feb-29-2008	Feb-28-2009
	Citibank Japan Ltd.	1,500	Oct-31-2008	Oct-30-2009
	Mitsubishi UFJ Trust and Banking Corporation	1,000	Oct-31-2008	Oct-31-2009
	Citibank Japan Ltd.	1,000	Nov-4-2008	Nov-2-2009
	Aozora Bank, Ltd.(1,500)、Resona Bank, LTd.(500)	2,000	Dec-8-2008	Dec-8-2009
	Total Short-Term Borrowings	7,000		
Current portion of long-term borrowing	The Chiba Bank, Ltd.(800)、Aozora Bank, Ltd.(500)、Mitsui Sumitomo Insurance Co., Ltd(700)	2,000	Mar-1-2006	Feb-28-2009
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,500	Mar-16-2006	Mar-16-2009
	The Chuo Mitsui Trust and Banking Co., Limited(1,500)、Aozora Bank, Ltd.(2,000)、The Bank of Tokyo-Mitsubishi UFJ, Ltd.(1,000)、Mitsubishi UFJ Trust and Banking Corporation(1,000)、Resona Bank, LTd.(1,000)	6,500	May-1-2006	Apr-30-2009
	Sumitomo Mitsui Banking Corporation	2,000	Oct-31-2007	Oct-31-2009
	Sumitomo Mitsui Banking Corporation(1,000)、Aozora Bank, Ltd.(1,500)、The Bank of Tokyo-Mitsubishi UFJ, Ltd.(1,500)	4,000	Apr-25-2008	Oct-25-2009
	Total current portion of long-term borrowings	17,000		
Long-Term Borrowings	Sumitomo Mitsui Banking Corporation(3,750)、The Chuo Mitsui Trust and Banking Co., Limited(3,750)、Mitsubishi UFJ Trust and Banking Corporation(1,500)、Resona Bank, LTd.(500)	9,500	Aug-1-2005	Jul-31-2010
	Aozora Bank, Ltd.(1,500)、Mitsui Sumitomo Insurance Co., Ltd(1,000)	2,500	May-1-2006	Apr-30-2011
	Development Bank of Japan	5,000		Apr-30-2016
	Mitsubishi UFJ Trust and Banking Corporation	1,000	Jul-14-2006	Jul-13-2011
	Development Bank of Japan	3,000	Sep-1-2006	Aug-31-2013
	The Norinchukin Bank	2,500	Dec-1-2006	Nov-30-2011
	Sumitomo Mitsui Banking Corporation	2,000	Apr-2-2007	Apr-2-2010
	The Chuo Mitsui Trust and Banking Co., Limited	2,000		Apr-2-2012
	The Norinchukin Bank	1,500	Apr-17-2007	Apr-16-2011
	Sumitomo Mitsui Banking Corporation	2,500	Jan-10-2008	Jan-10-2012
	Aozora Bank, Ltd.	2,000	Feb-29-2008	Feb-28-2011
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500		Aug-31-2011
	Sumitomo Mitsui Banking Corporation(3,000)、The Chuo Mitsui Trust and Banking Co., Limited(2,000)	5,000	Mar-31-2008	Sep-30-2011
	The Chuo Mitsui Trust and Banking Co., Limited	1,000	May-1-2008	Nov-1-2011
	Aozora Bank, Ltd.	1,000	Jun-30-2008	Feb-28-2011
	Resona Bank, LTd.	1,500		Jun-30-2012
	Development Bank of Japan	3,000		Dec-28-2012
	Aozora Bank, Ltd.	2,000	Jul-15-2008	Mar-31-2011
	Sumitomo Mitsui Banking Corporation(1,200)、Mitsubishi UFJ Trust and Banking Corporation(1,300)	2,500	Jul-31-2008	Jan-31-2010
	Sumitomo Mitsui Banking Corporation(1,300)、The Bank of Tokyo-Mitsubishi UFJ, Ltd.(800)、Mitsubishi UFJ Trust and Banking Corporation(1,400)	3,500		Jan-31-2011
	Sumitomo Mitsui Banking Corporation(2,200)、The Chuo Mitsui Trust and Banking Co., Limited(1,000)、Resona Bank, LTd.(300)	3,500		Jul-31-2011
	The Chuo Mitsui Trust and Banking Co., Limited	1,000	Sep-1-2008	Sep-1-2011
	The Chuo Mitsui Trust and Banking Co., Limited	1,250	Sep-22-2008	Mar-22-2011
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000	Sep-30-2008	Mar-31-2011
	Resona Bank, LTd.	500	Oct-31-2008	Oct-31-2010
	Total Long-Term Borrowings	62,750		
	Total Borrowings	86,750		

Current credit rating and issuance of Investment corporation bonds

Rating agencies	Rating	Name	Size	Interest rate	Maturity	Maturity date
Moody's	A3(stable)	1st Bond	¥9B	1.74%	5 yrs	2012/3/15
Japan Credit Rating Agency (JCR)	A+(stable)	2nd Bond	¥3B	2.37%	10yrs	2017/3/15

BESTINVEST KENEDIX REIT Management

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BESTINVEST KENEDIX Realty Investment Corporation

Appendix

Management of existing properties—yields and performance (results and analyses)

NOI yields realized with rental properties (by type, on an annualized basis)

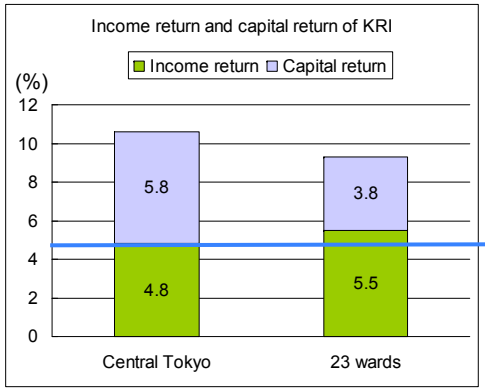
	4th period	5th period	6th period	7th period	*7th period (Before Tax adjusted)*
Offices	5.3%	5.5%	5.6%	**5.3%**	*5.4%*
Central urban retails	5.2%	5.1%	4.3%	**4.8%**	*4.8%*
Residentials	5.4%	5.3%	5.3%	**5.3%**	*5.2%*
Total	5.3%	5.4%	5.5%	**5.3%**	*5.4%*

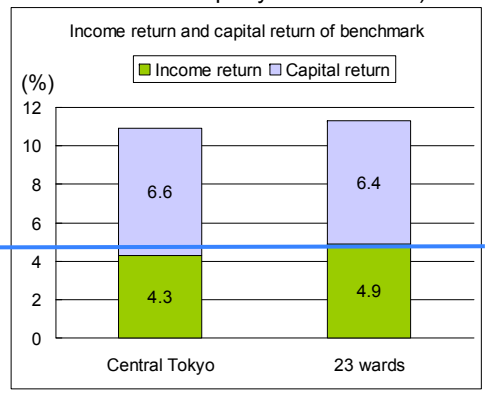
Note:
These numbers are adjusted by property & metropolitan taxes
KDX Harumi Builiding and KDX Iwamotocho Building's tax are considered with part of land
Round off the second place decimal point

(Reference) Office buildings performance analyses

Actual income returns and capital returns

・Analyzed by IPD (Investment Property Databank Ltd)

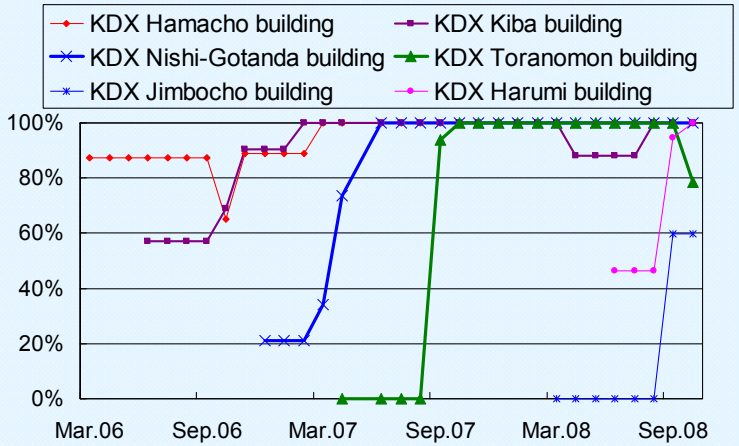




Notes:
1 Returns realized in a year up to April 2008
2 Subject properties are those appraised twice or more (to eliminate the influence of sale/acquisition during the period)

Note:
1 IPD J REIT Universe employed as the benchmark

(Reference) Improved occupancy rates for office properties that had performed poorly before acquisition



Sakae 4-chome Office Building (tentative name)

- Planned completion：June 2009 (planned)
- Location：4-chome Sakae, Naka-ku, Nagoya-shi
- GFA：10,848.45m² (planned)
- Number of stories：F11

	Acquisition date	Acquisition price(¥M)
Land	2008/4/25	4,000
Building	2009/7/1 (planned)	4,325 (planned)

・**Fixed rent amounts** to be received from the seller based on a rent-guaranteed master lease agreement with the seller

Outline of the rent-guaranteed master lease agreement

・Term: 1 year starting from July 2009
・Guaranteed monthly rents:
Retail space ￥35,000/tsubo
Office space ￥18,000/tsubo

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Overview of appraisal values

List of appraisal values for office buildings

Property name	Acquisition price	7th period				CR	
		Appraisal value	compare to acquisition	comapre to 6th period	compare to bookvalue	End of 7th period	compare to 6th period
KDX Nihonbashi 313 Building	5,940,000	7,680,000	29.3%	0.0%	22.3%	4.8%	0.0%
KDX Hirakawacho Building	5,180,000	5,780,000	11.6%	0.0%	10.4%	4.6%	0.0%
Higashi-Kayabacho Yuraku Building	4,450,000	6,380,000	43.4%	-2.0%	41.9%	4.8%	0.1%
KDX Hatchobori Building	3,680,000	3,980,000	8.2%	0.0%	12.8%	4.8%	0.0%
KDX Nakano-Sakaue Building	2,533,000	2,680,000	5.8%	0.0%	4.9%	5.1%	0.0%
Harajuku F.F. Building	2,450,000	3,260,000	33.1%	-3.0%	30.5%	5.4%	0.2%
FIK Minami Aoyama	2,270,000	3,140,000	38.3%	-8.2%	37.4%	4.7%	0.3%
Kanda Kihara Building	1,950,000	2,030,000	4.1%	0.0%	7.8%	4.8%	0.0%
KDX Shinjuku-Gyoen Building	1,610,000	2,140,000	32.9%	0.0%	33.0%	4.9%	0.0%
KDX Koishikawa Building	704,000	795,000	12.9%	-13.7%	17.6%	6.0%	0.7%
Portus Center Building	5,570,000	5,500,000	-1.3%	-3.5%	6.8%	6.0%	0.2%
KDX Kojimachi Building	5,950,000	6,400,000	7.6%	-2.0%	9.5%	4.8%	0.1%
KDX Funabashi Building	2,252,300	2,390,000	6.1%	-6.3%	-3.9%	5.7%	0.1%
KDX Hamacho Building	2,300,000	3,010,000	30.9%	-2.3%	28.1%	5.3%	0.1%
Toshin 24 Building	5,300,000	5,440,000	2.6%	-8.4%	3.5%	5.4%	0.4%
Ebisu East 438 Building	4,640,000	5,380,000	15.9%	-11.8%	17.3%	4.9%	0.3%
KDX Omori Building	3,500,000	4,090,000	16.9%	-1.0%	16.9%	5.1%	0.1%
KDX Hamamatsucho Building	3,460,000	3,950,000	14.2%	0.0%	16.6%	4.6%	0.0%
KDX Kayabacho Building	2,780,000	3,220,000	15.8%	-1.5%	10.9%	5.2%	0.1%
KDX Shinbashi Building	2,690,000	3,020,000	12.3%	-1.9%	12.3%	4.5%	0.1%
KDX Shin-Yokohama Building	2,520,000	2,790,000	10.7%	-10.9%	11.2%	5.5%	0.3%
KDX Yotsuya Building	1,950,000	2,440,000	25.1%	0.0%	23.7%	5.2%	0.0%
KDX Minami Semba Dai-1 Building	1,610,000	1,540,000	-4.3%	-6.7%	-1.3%	5.5%	0.1%
KDX Minami Semba Dai-2 Building	1,560,000	1,570,000	0.6%	-4.3%	6.2%	5.5%	0.1%
KDX Kiba Building	1,580,000	1,800,000	13.9%	-6.7%	7.6%	5.5%	0.1%
KDX Kajicho Building	2,350,000	2,550,000	8.5%	0.0%	6.4%	4.8%	0.0%
KDX Nogizaka Building	1,065,000	1,060,000	-0.5%	-1.9%	-6.6%	5.0%	0.1%
KDX Higashi-Shinjuku Building	2,950,000	3,370,000	14.2%	0.3%	5.5%	5.3%	0.0%
KDX Nishi-Gotanda Building	4,200,000	4,920,000	17.1%	-2.2%	15.7%	5.2%	0.1%
KDX Monzen-Nakacho Building	1,400,000	1,430,000	2.1%	0.0%	-2.2%	5.2%	0.0%
KDX Shiba-Daimon Building	6,090,000	6,770,000	11.2%	-1.9%	6.6%	5.2%	0.1%
KDX Okachimachi Building	2,000,000	2,010,000	0.5%	0.0%	-6.5%	4.8%	0.0%
KDX Hon-Atsugi Building	1,305,000	1,220,000	-6.5%	-7.6%	-6.9%	6.0%	0.0%
KDX Hachioji Building	1,155,000	1,010,000	-12.6%	-9.8%	-24.7%	5.5%	0.1%
KDX Niigata Building	1,305,000	971,000	-25.6%	-13.3%	-34.8%	7.0%	0.6%
KDX Ochanomizu Building	6,400,000	7,320,000	14.4%	2.1%	12.2%	4.6%	0.0%
KDX Nishi-Shinjuku Building	1,500,000	1,540,000	2.7%	0.0%	-1.5%	5.1%	0.1%
KDX Toranomon Building	4,400,000	4,640,000	5.5%	-4.7%	-4.9%	4.4%	0.3%
Toranomon Toyo Building	9,850,000	11,100,000	12.7%	-0.9%	12.0%	4.5%	0.2%

Property name	Acquisition price	7th period				CR	
		Appraisal value	compare to acquisition	comapre to 6th period	compare to bookvalue	End of 7th period	compare to 6th period
KDX Shinjuku 286 Building	2,300,000	2,500,000	8.7%	-4.2%	6.5%	4.9%	0.2%
Karasuma Building	5,400,000	5,820,000	7.8%	2.8%	5.0%	5.3%	0.0%
KDX Hakata Building	2,350,000	2,200,000	-6.4%	-12.4%	-9.9%	6.1%	0.8%
KDX Sendai Building	2,100,000	1,910,000	-9.0%	-10.3%	-13.9%	5.7%	0.1%
KDX Roppongi 228 Building	3,300,000	2,800,000	-15.2%	-15.9%	-19.0%	4.8%	0.7%
Hiei Kudan-Kita Building	7,600,000	8,150,000	7.2%	1.1%	6.5%	4.6%	0.0%
KDX Shin-Yokohama 381 Building	4,700,000	4,100,000	-12.8%	-12.8%	-12.9%	5.4%	0.4%
KDX Kawasaki-Ekimae Hon-cho Building	3,760,000	3,480,000	-7.4%	-7.4%	-7.9%	5.8%	0.4%
Nissou Dai-17 Building	2,710,000	2,090,000	-22.9%	-9.1%	-23.2%	5.4%	0.4%
Ikejiri-Oohashi Building	2,400,000	2,180,000	-9.2%	-16.5%	-11.3%	5.7%	0.9%
KDX Hamacho Nakanohashi Building	2,310,000	2,140,000	-7.4%	-10.1%	-9.7%	5.2%	0.6%
KDX Kanda Misaki-cho Building	1,380,000	1,160,000	-15.9%	-16.5%	-17.2%	5.2%	0.7%
KDX Hakata-Minami Building	4,900,000	4,720,000	-3.7%	-4.1%	-4.4%	6.3%	0.8%
KDX Kitahama Building	2,220,000	2,020,000	-9.0%	-9.0%	-10.5%	5.7%	0.4%
Shin-toshin Maruzen Building	2,110,000	2,060,000	-2.4%	-4.2%	-5.7%	5.1%	0.3%
KDX Jimbocho Building	2,760,000	2,660,000	-3.6%	-4.7%	-10.8%	5.3%	0.6%
KDX Gobancho Building	1,951,000	1,870,000	-4.2%	-7.4%	-8.2%	5.0%	0.4%
Sakae 4-chome Office Building (Tentative Name)	4,000,000	4,180,000	4.5%	0.0%	0.3%	-	-
KDX Iwamoto-cho Building	1,864,802	1,810,000	-2.9%	-4.7%	-3.9%	5.3%	0.5%
KDX Harumi Building	10,250,000	10,700,000	4.4%	1.9%	4.6%	4.6%	0.1%
KDX Hamamatucho Dai-2 Building	2,200,000	2,240,000	1.8%	0.4%	-0.9%	4.5%	0.0%
Office Total	**196,965,102**	**211,106,000**	7.2%	-3.5%	5.4%	-	-

Note:
Under ￥1,000 cut it off (Acquisition price, Appraisal value, Book value)
Second decimal place omitted for ratios

Summary of appraisal values at the end of the 7th period (ended October 2008)

	①	②	③	④=③-①	④/①	⑤=③-②	⑤/②
(￥M)	Acquisition price	Book value	Apraisal value	Difference (Apraisal value)	(%)	Difference (Book value)	(%)
Office	196,965	200,372	211,106	14,141	7.2%	10,734	5.4%
Central Urban Retails	12,379	12,679	14,210	1,831	14.8%	1,531	12.1%
Residentials	12,709	12,742	12,090	-619	-4.9%	-652	-5.1%
Total	222,053	225,795	237,406	15,353	6.9%	11,613	5.1%

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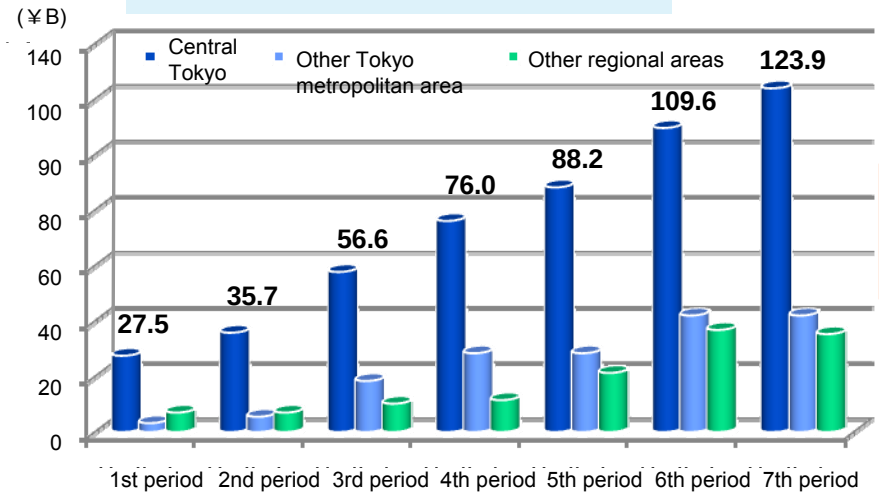
Summary of office building portfolio (7th period)

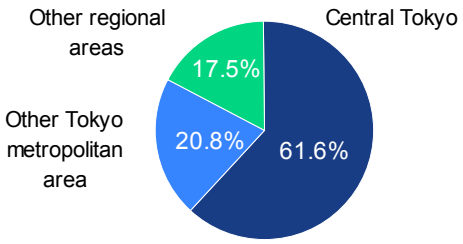
Portfolio invested heavily in mid-sized office buildings located in Tokyo metropolitan area

Growth of portfolio assets by geography



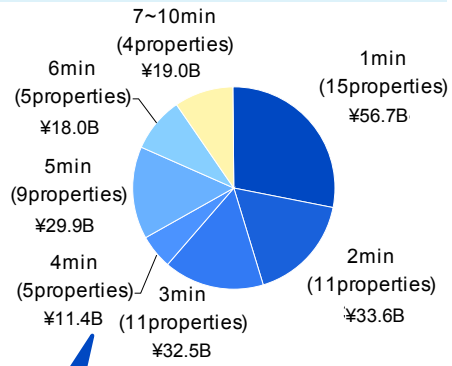
Note: Central 5 wards of Tokyo consist of Chiyoda, Chuo, Minato, Shibuya and Shinjuku Wards

Composition of portfolio properties by geography



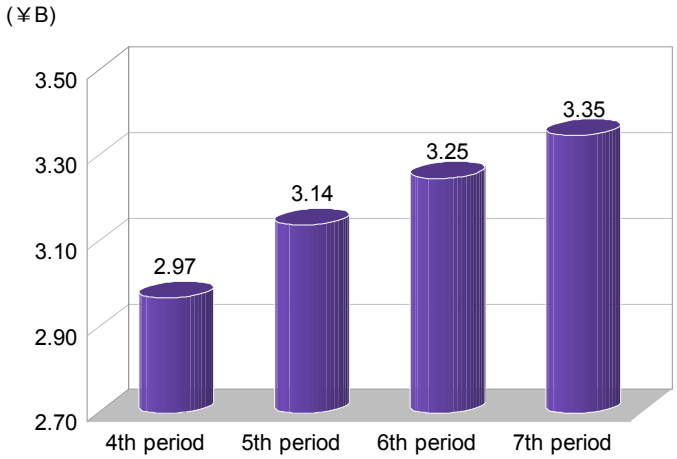
Properties in economic zones of Tokyo account for 82.3%

Composition of portfolio properties by waking distance to the nearest railroad station

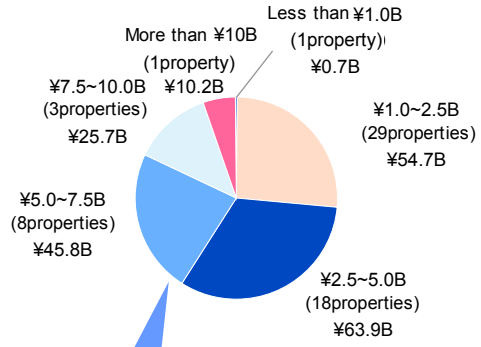


Properties within a 3-minute walk of the nearest railroad station account for 61.0% and those within a 6-minute walk account for 90.5%.

Changes in average acquisition prices

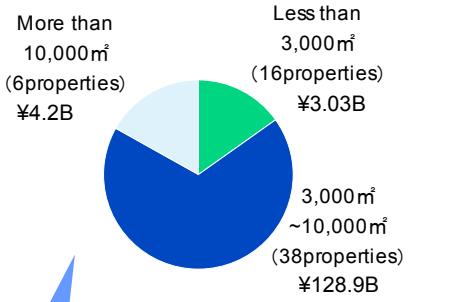


Composition of portfolio properties by price



JPY2.5-7.5bn (54.5%)

Composition of portfolio properties by gross floor area (GFA)



Properties with GFA of 3,000m² - 10,000m² account for 64.0%

Note: Figures for end of 6th and 7th Period include JPY 4,325mn for the planned acquisition of Sakae 4-chome Jimusho Bldg. (Tentative name)

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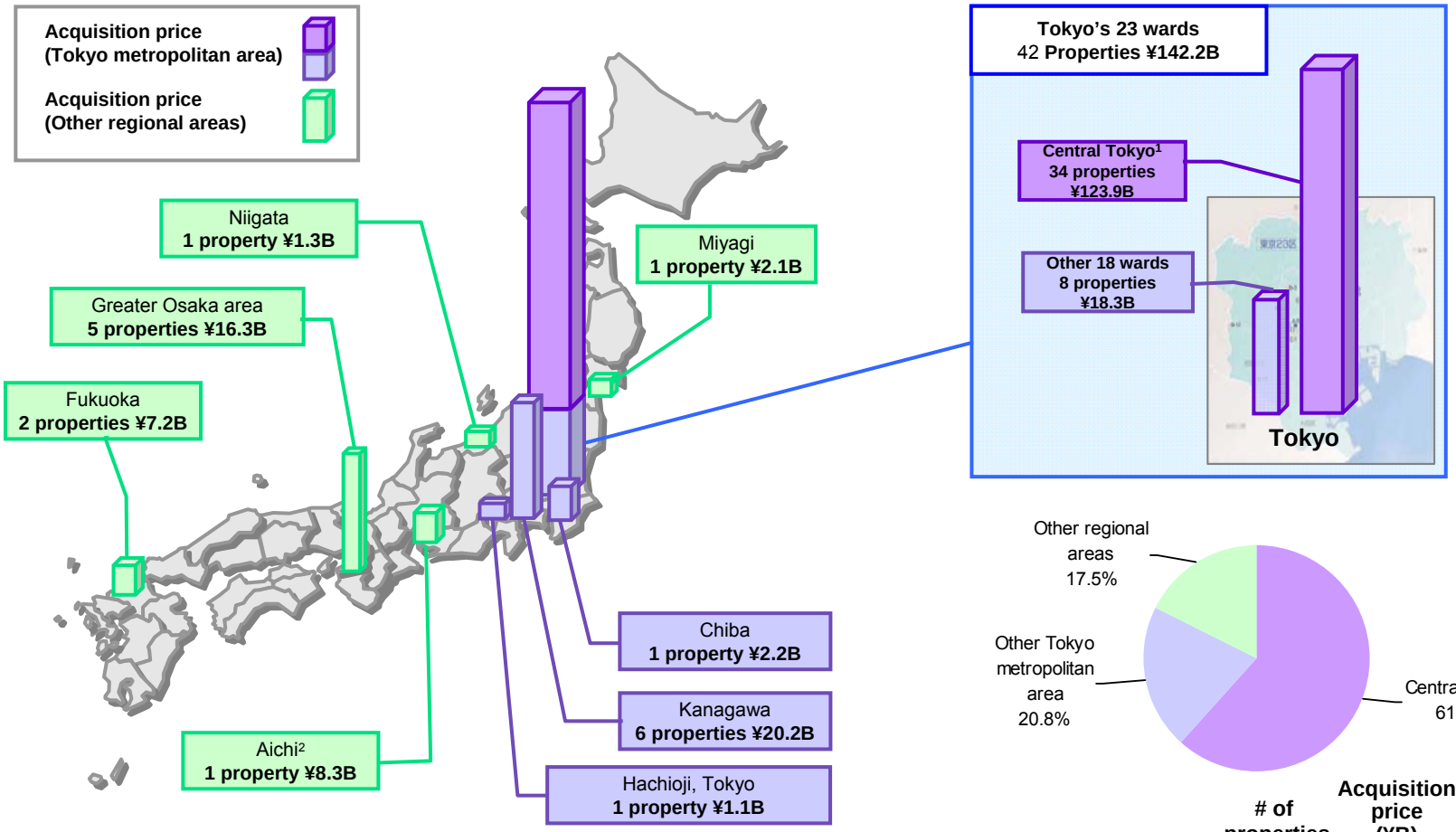
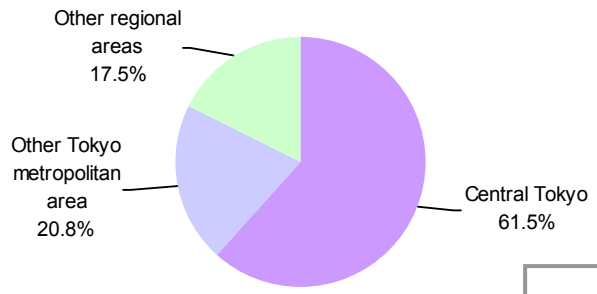
Emphasis on mid-sized office buildings in Tokyo metropolitan area

60 Office properties, total acquisition price of ¥201.2B (as of Oct 31, 2008)





	# of properties	Acquisition price (¥B)	Ratio (%)
Tokyo metropolitan area	50	165.9	82.4
Other regional areas	10	35.3	17.5
Total	**60**	**201.2**	**100.0**

Notes:
1 Central Tokyo: Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards
2 The price of Sakai 4-chome Office Building (Tentative Name) is ¥8.3B is the total of land acquired on Apr. 24, 2008 (¥4B) and the building to be acquired on July 1, 2009 (¥4.3B)
3 Acquisition price are rounded to the nearest ¥100M. Ratios indicate the total acquisition price for properties in each area in proportion to the total acquisition price for all properties combined and are rounded down to the first decimal place

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Focusing on office buildings

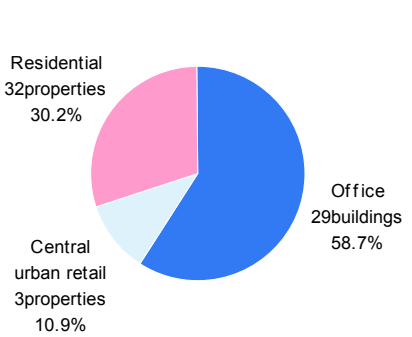
Portfolio overview

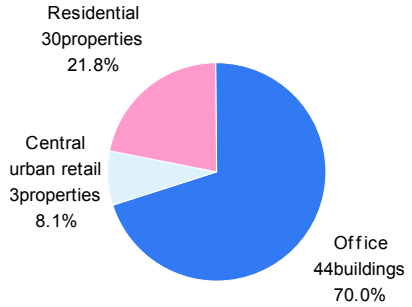
End of 3nd period (Oct. 31, 2006) 64 properties approx. ¥146.7B

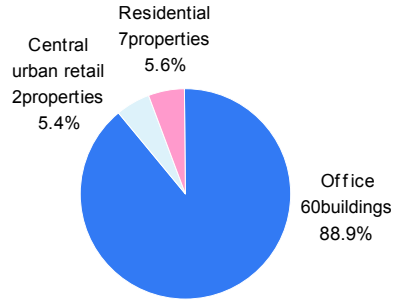
End of 5th period (Oct. 31, 2007) 77 properties approx. ¥197.0B

End of 7th period (Oct. 31, 2008) 69 properties approx. ¥226.3B

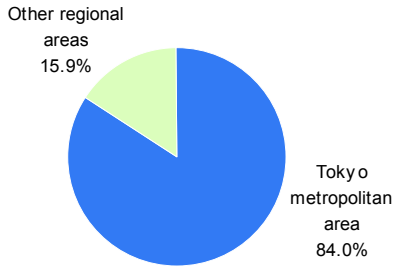
Type

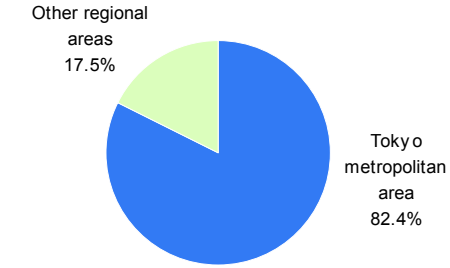


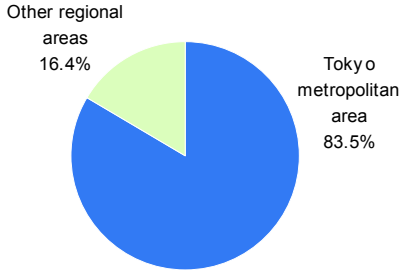




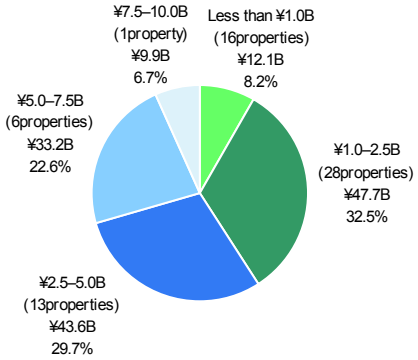
Area

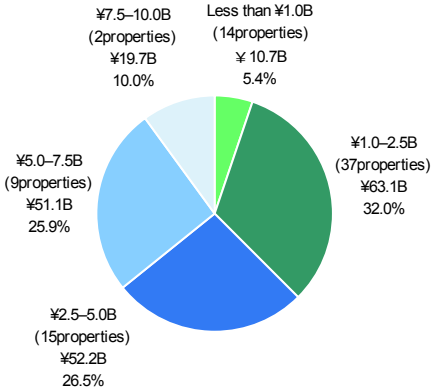


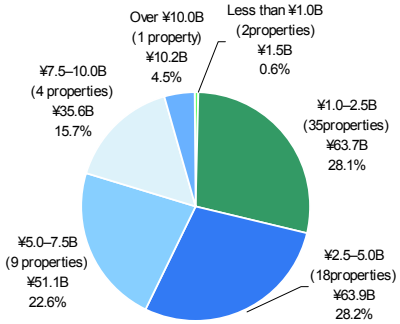




Size







Note: The portion (%) indicated in the circular graphs above the total acquisition prices for each category of assets and rounded down to the first decimal place

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Portfolio overview (Office buildings)

(As of Oct. 31, 2008)

Office buildings as of the end of October 31, 2008 (60 properties)

Type	Area	# of prop.	Name	Location	Acquisition price (¥M)[1]	Completion[2]	Occupancy ratio (%)[3]
Office	Tokyo Metropolitan area	A-60	KDX Harumi Building	Chuo-ward, Tokyo	10,250	Feb-2008	100.0%
		A-40	Toranomon Toyo Building	Minato-ward, Tokyo	9,850	Aug-1962	100.0%
		A-46	Hiei Kudan-Kita Building	Chiyoda-ward, Tokyo	7,600	Mar-1988	100.0%
		A-37	KDX Ochanomizu Building	Chiyoda-ward, Tokyo	6,400	Aug-1982	90.2%
		A-32	KDX Shiba-Daimon Building	Minato-ward, Tokyo	6,090	Jul-1986	100.0%
		A-13	KDX Kojimachi Building	Chiyoda-ward, Tokyo	5,950	May-1994	98.2%
		A-1	KDX Nihonbashi 313 Building	Chuo-ward, Tokyo	5,940	Apr-1974	100.0%
		A-16	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep-1984	100.0%
		A-2	KDX Hirakawacho Building	Chiyoda-ward, Tokyo	5,180	Mar-1988	100.0%
		A-47	KDX Shin-Yokohama 381 Building	Yokohama, Kanagawa	4,700	Mar-1988	97.5%
		A-17	Ebisu East 438 Building	Shibuya-ward, Tokyo	4,640	Jan-1992	100.0%
		A-3	Higashi-Kayabacho Yuraku Building	Chuo-ward, Tokyo	4,450	Jan-1987	100.0%
		A-39	KDX Toranomon Building	Minato-ward, Tokyo	4,400	Apr-1988	78.6%
		A-30	KDX Nishi-Gotanda Building	Shinagawa-ward, Tokyo	4,200	Nov-1992	100.0%
		A-48	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	Feb-1985	100.0%
		A-4	KDX Hatchobori Building	Chuo-ward, Tokyo	3,680	Jun-1993	100.0%
		A-18	KDX Omori Building	Ota-ward, Tokyo	3,500	Oct-1990	100.0%
		A-19	KDX Hamamatsucho Building	Minato-ward, Tokyo	3,460	Sep-1999	75.4%
		A-45	KDX Roppongi 228 Building	Minato-ward, Tokyo	3,300	Apr-1989	78.0%
		A-29	KDX Higashi-Shinjuku Building	Shinjuku-ward, Tokyo	2,950	Jan-1990	86.2%
		A-20	KDX Kayabacho Building	Chuo-ward, Tokyo	2,780	Oct-1987	100.0%
		A-56	KDX Jimbocho Building	Chiyoda-ward, Tokyo	2,760	May-1994	59.8%
		A-49	Nissou Dai-17 Building	Yokohama, Kanagawa	2,710	Jul-1991	100.0%
		A-21	KDX Shinbashi Building	Minato-ward, Tokyo	2,690	Feb-1992	100.0%
		A-5	KDX Nakano-Sakaue Building	Nakano-ward, Tokyo	2,533	Aug-1992	96.5%
		A-22	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep-1990	83.2%
		A-6	Harajuku F.F. Building	Shibuya-ward, Tokyo	2,450	Nov-1985	100.0%
		A-50	Ikejiri-Ohashi Building	Meguro-ward, Tokyo	2,400	Sep-1988	100.0%
		A-27	KDX Kajicho Building	Chiyoda-ward, Tokyo	2,350	Mar-1990	100.0%
		A-51	KDX Hamacho Nakanohashi Building	Chuo-ward, Tokyo	2,310	Sep-1988	100.0%
		A-15	KDX Hamacho Building	Chuo-ward, Tokyo	2,300	Sep-1993	100.0%
		A-41	KDX Shinjuku 286 Building	Shinjuku-ward, Tokyo	2,300	Aug-1989	100.0%
		A-7	FIK Minami Aoyama	Minato-ward, Tokyo	2,270	Nov-1988	100.0%
		A-14	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr-1989	98.4%
		A-61	KDX Hamamatucho Dai-2 Building	Minato-ward, Tokyo	2,200	Apr-1992	100.0%
		A-55	Shin-toshin Maruzen Building	Shinjuku-ward, Tokyo	2,110	Jul-1990	80.9%
		A-33	KDX Okachimachi Building	Taito-ward, Tokyo	2,000	Jun-1988	100.0%
		A-57	KDX Gobancho Building	Chiyoda-ward, Tokyo	1,951	Aug-2000	85.7%
		A-8	Kanda Kihara Building	Chiyoda-ward, Tokyo	1,950	May-1993	100.0%
		A-23	KDX Yotsuya Building	Shinjuku-ward, Tokyo	1,950	Oct-1989	100.0%
		A-59	KDX Iwamoto-cho Building	Chiyoda-ward, Tokyo	1,864	Mar-2008	92.7%
		A-9	KDX Shinjuku-Gyoen Building	Shinjuku-ward, Tokyo	1,610	Jun-1992	100.0%
		A-26	KDX Kiba Building	Koto-ward, Tokyo	1,580	Oct-1992	100.0%
		A-38	KDX Nishi-Shinjuku Building	Shinjuku-ward, Tokyo	1,500	Oct-1992	100.0%
		A-31	KDX Monzen-Nakacho Building	Koto-ward, Tokyo	1,400	Sep-1986	100.0%
		A-52	KDX Kanda Misaki-cho Building	Chiyoda-ward, Tokyo	1,380	Oct-1992	100.0%
		A-34	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May-1995	88.6%
		A-35	KDX Hachioji Building	Hachiji, Tokyo	1,155	Dec-1985	85.6%
		A-28	KDX Nogizaka Building	Minato-ward, Tokyo	1,065	May-1991	100.0%
		A-10	KDX Koishikawa Building	Bunkyo-ward, Tokyo	704	Oct-1992	100.0%
	Other regional areas	A-58	Sakae 4-chome Office Building (Tentative)	Nagoya, Aichi	8,325	Jun-2009	—
		A-12	Portus Center Building	Sakai, Osaka	5,570	Sep-1993	100.0%
		A-42	Karasuma Building	Kyoto, Kyoto	5,400	Oct-1982	98.1%
		A-53	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun-1973	95.4%
		A-43	KDX Hakata Building	Fukuoka, Fukuoka	2,350	Jul-1982	100.0%
		A-54	KDX Kitahama Building	Osaka, Osaka	2,220	Jul-1994	88.1%
		A-44	KDX Sendai Building	Sendai, Miyagi	2,100	Feb-1984	86.2%
		A-24	KDX Minami Senba Dai-1 Building	Osaka, Osaka	1,610	Mar-1993	91.6%
		A-25	KDX Minami Senba Dai-2 Building	Osaka, Osaka	1,560	Sep-1993	91.2%
		A-36	KDX Niigata Building	Niigata-shi, Niigata	1,305	Jul-1983	76.2%
	Office (60 Prop) Subtotal				201,290	Ave. 20.1 years	95.7%

Notes:

1 Acquisition price is the purchase price for trust beneficiary interests etc. acquired by the Investment Corporation exclusive of taxes, rounded down to the nearest million yen

2 Completion date is the date of construction completion recorded in the land register. However, for Sakae 4-chome Office Building (Tentative Name), the planned completion date is shown. Average age subtotals and total is shown as the weighted-average portfolio age based upon acquisition prices with a base date of October 31, 2008 and are rounded down to the nearest first decimal place. (excluding A-58 Sakae 4-chome Office Building (Tentative Name)) The weighted-average age of the 68 properties held as of end of 7th period (excluding Sakae 4-chome Office Building (Tentative Name)) is 18.6 years

3 Occupancy ratio is calculated by dividing leased area by leasable area and rounded to the first decimal place. Average occupancy ratio of 68 properties held as of end of 7th period was 95.6% (excluding A-58 Sakae 4-chome Office Building (Tentative Name))

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Portfolio overview (Central urban retail properties and residential properties)

(As of Oct. 31, 2008)

Central urban retail properties as of October 31, 2008 (2 properties)

Type	Area	# of prop.	Name	Location	Acquisition price (¥M)[1]	Completion[2]	Occupancy ratio (%)[3]
Central Urban Retail	Tokyo Metroporitan area	C-1	**Frame Jinnan-zaka**	Shibuya-ward, Tokyo	**9,900**	Mar-2005	97.9%
		C-2	**KDX Yoyogi Building**	Shibuya-ward, Tokyo	**2,479**	Aug-1991	91.7%
	Central Urban Retail (2 prop.) Subtotal				**12,379**	Ave. 6.2 years	96.7%

Residential properties as of the end of October 31, 2008 (7 properties)

Type	Area	# of prop.	Name	Location	Acquisition price (¥M)[1]	Completion[2]	Occupancy ratio (%)[3]
Residential	Tokyo Metroporitan area	B-19	**Residence Charmante Tsukishima**	Chuo-ward, Tokyo	**5,353**	Jan-2004	100.0%
		B-3	**Court Mejiro**	Shinjuku-ward, Tokyo	**1,250**	Mar-1997	100.0%
		B-4	**Apartments Motoazabu**	Minato-ward, Tokyo	**1,210**	Jan-2004	94.6%
		B-5	**Apartments Wakamatsu-Kawada**	Shinjuku-ward, Tokyo	**1,180**	Feb-2004	100.0%
		B-34	**Gradito Kawaguchi**	Kawaguchi, Saitama	**1,038**	Feb-2006	100.0%
		B-25	**Court Shin-Okachimachi**	Taito-ward, Tokyo	**878**	Oct-2005	100.0%
	Other Regional areas	B-18	**Venus Hibarigaoka**	Sapporo, Hokkaido	**1,800**	Mar-1989	88.7%
	Residential (7 prop.) Subtotal				**12,709**	Ave. 7.2 years	94.7%

Notes:

1 Acquisition price is the purchase price for trust beneficiary interests etc. acquired by the Investment Corporation exclusive of taxes, rounded down to the nearest million yen.

2 Year built is the date of construction completion recorded in the land register. The total is shown as weighted-average portfolio age based upon acquisition price with a base date of Oct. 31, 2008 (rounded down to the nearest first decimal place)

3 Occupancy ratio is calculated by dividing leased area by leasable area and rounded to the first decimal place. Ratios are calculated as of Oct. 31 2008

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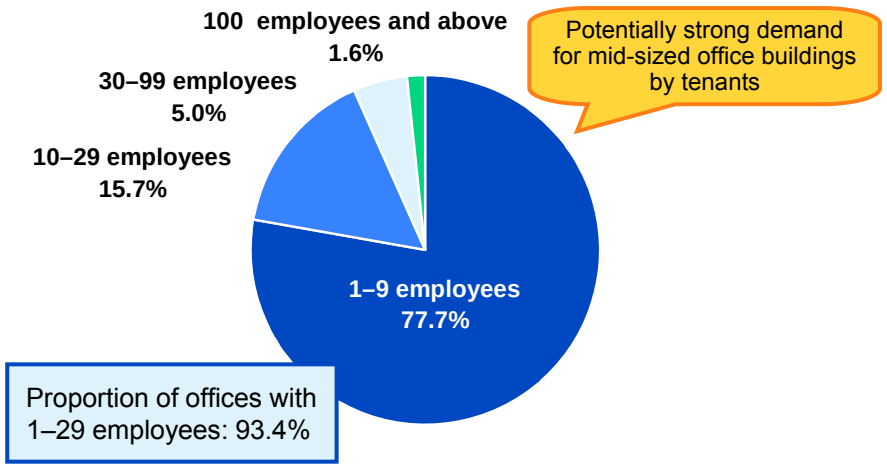
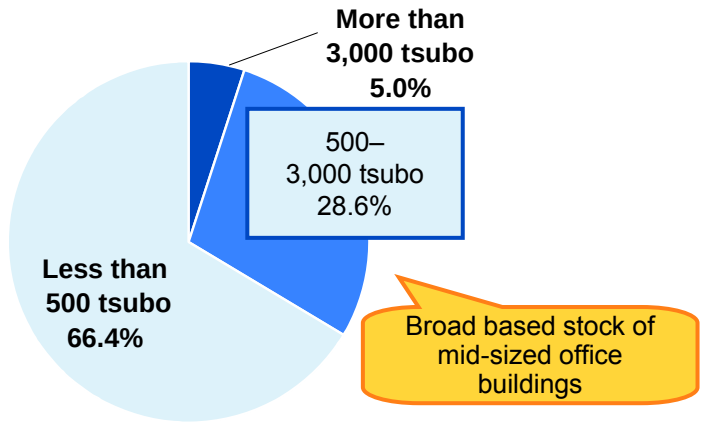
(Reference data1) Market environment for office buildings

1. Breakdown of office based on number of employees per office



Source: KDRM, based on Tokyo office statistics report as of 2006 (MPHPT Statistics Bureau)

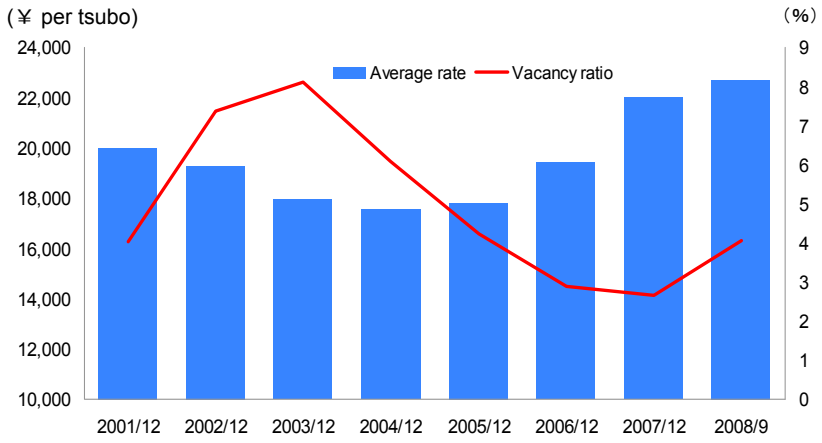
2. Distribution of office buildings by tsubo



Source: Survey conducted by Ikoma Data Service System based on KRI's requests (survey as of end of Mar. 2007) "Macro market survey of Tokyo's central 5 wards"

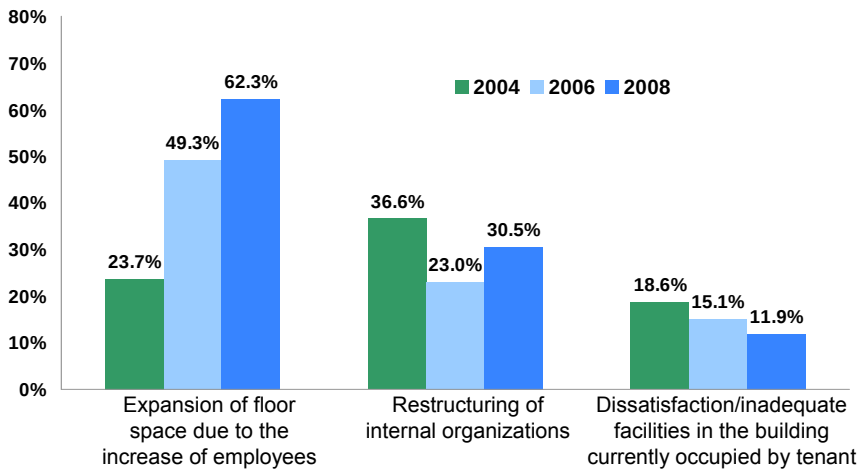
Note: The above data covers rental office buildings located in Tokyo's central 5 wards that were surveyed by Ikoma Data Service System. Please note that the above data may not include the data of all properties in the said 5 wards

3. Office building average rent and vacancy ratios (Central Tokyo)



Source: "Latest office building market conditions in Central Tokyo (suvey as of end of Oct. 2008)", Miki Shoji Co., Ltd.

4. Reasons citied by companies in Tokyo if they were to relocate



Source: DISS Fudosan-Hakusho 2006
CBRE "Survey for Office demanding 2008"

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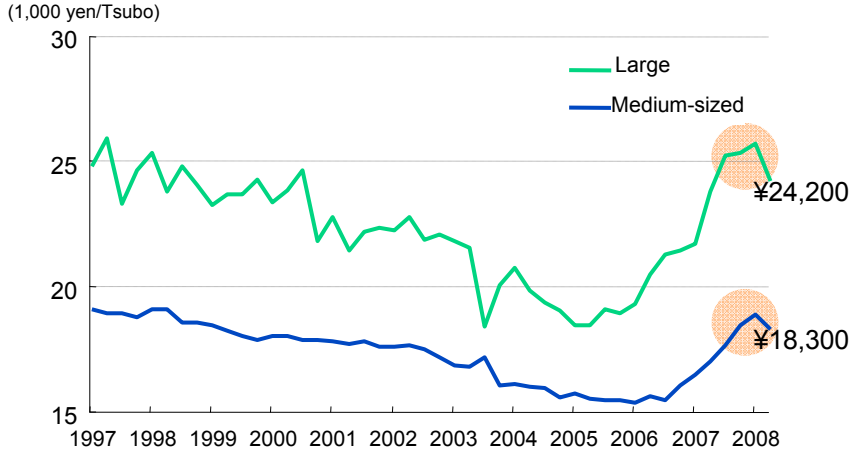
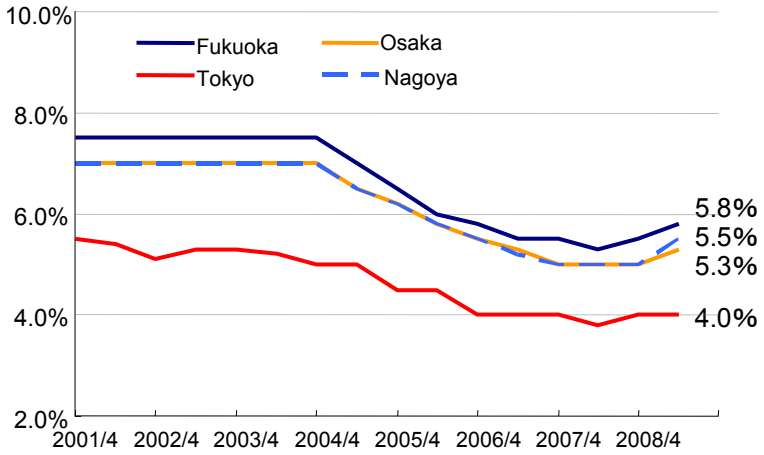
(Reference data2) Market environment for office buildings

1. 23 wards of Tokyo: rent levels for large buildings and medium-sized buildings



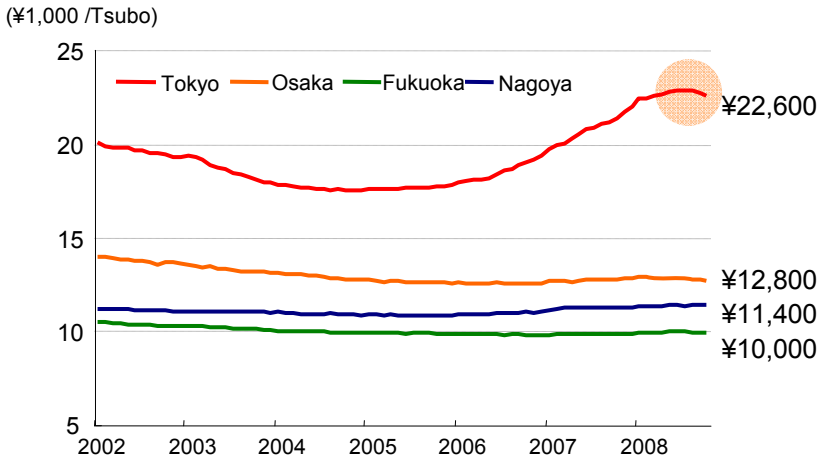
Note: Large building is a building with a gross floor area of 3,000 tsubo or over
medium-sized building is a building with a gross floor area of 1,000 to 3,000 tsubo
Source: Created by Kenedix based on the data complied by CBRE (the latest values as of 2008/9)

2. Cap rates of properties in Tokyo and local cities



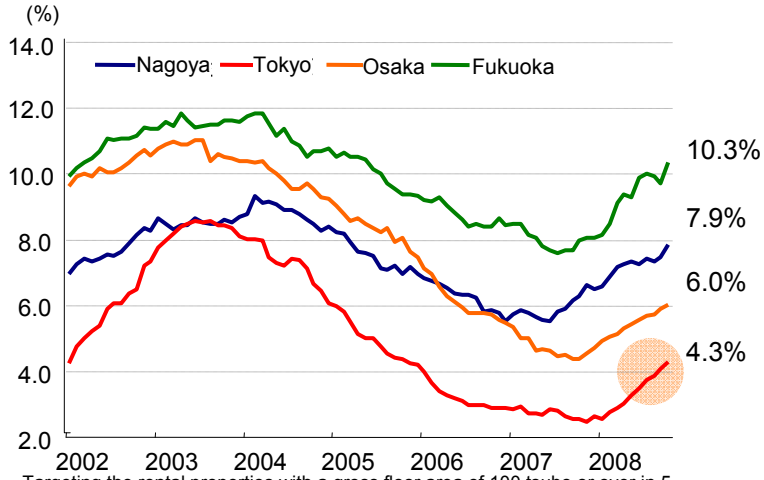
Notes: 1 Expected cap rates based on direct reduction approach for A class buildings that have been built for 5 years or less
2 Expected cap rates for properties in the Marunouchi and Otemachi areas used
Source: Created by Kenedix based on the data complied by Japan Real Estate Institute (as of 2008/10)

3. Changes in rent levels by region



Note: Targeting the rental properties with a gross floor area of 100 tsubo or over in 5 wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya)
Source: Created by Kenedix based on the data complied by Miki Shoji (the latest values as of 2008/10)

4. Changes in vacancy ratios by region



Note: Targeting the rental properties with a gross floor area of 100 tsubo or over in 5 wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya)
Source: Created by Kenedix based on the data complied by Miki Shoji (the latest values as of 2008/10)

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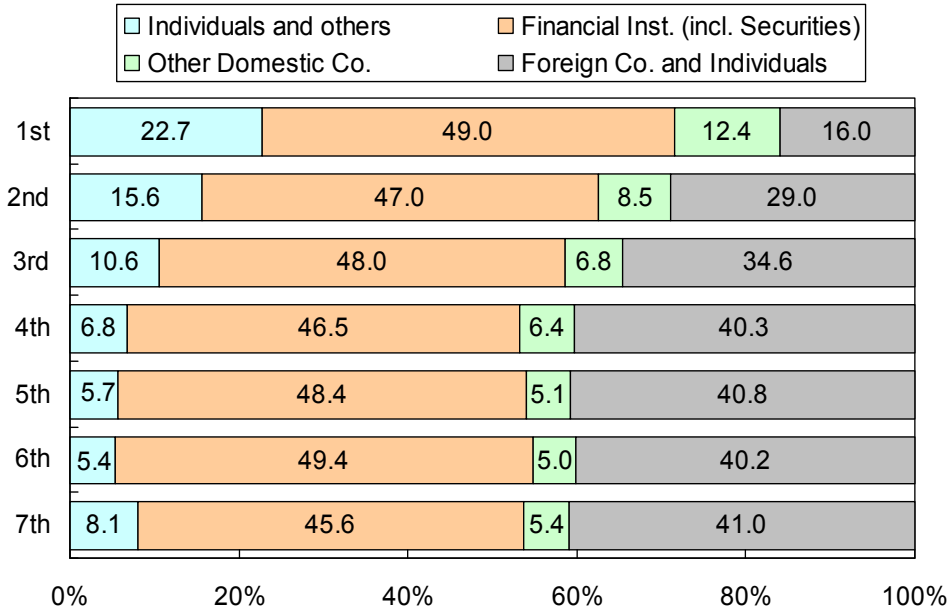
KRI unitholders

Investment units by unitholders



Note: Round to the first decimal place

Top 10 unitholders (as of October 31, 2008)

Name	# of units held (unit)	(%)
NikkoCiti Trust and Banking Co., Ltd. (Investment Trust Acct.)	17,903	8.95%
The Master Trust Bank of Japan, Ltd. (Trust Acct.)	15,597	7.79%
Japan Trustee Services Bank, Ltd (Trust Acct.)	13,076	6.53%
Goldman Sachs International	12,025	6.01%
The Nomura Trust and Banking Co., Ltd (Investment Trust Acct.)	11,478	5.73%
Kenedix, Inc.	7,850	3.92%
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	7,147	3.57%
Goldman Sachs and Co. regular Acct.	6,512	3.25%
State Street Bank and Trust Company	5,763	2.88%
The Bank of New York, Treaty JASDEC Account	4,384	2.19%
Total	**101,735**	**50.86%**

Note: Ratios are rounded down to the second decimal place

Type of unitholders (as of October 31, 2008)

	# of unitholder	(%)	# of units held (unit)	Ratio (%)
Individual and Others	5,605	94.0%	16,234	8.1%
Financial Inst. (Incl. Securities co.)	83	1.4%	91,126	45.6%
Other Domestic Co.	100	1.7%	10,720	5.4%
Foreign Co. and Individuals	176	3.0%	81,920	41.0%
Total	5,964	100.0%	200,000	100.0%

Note: Round to the first place decimal point

(Reference) Reporting of major unitholders

Name	Submitted on	# of units held (unit)	(%)
Tower Investment Management Co., Ltd.	**2008/11/21**	**25,175**	**12.59%**
Nomura Securities Co., Ltd.	**2008/9/25**	**22,084**	**11.04%**
Nomura Asset Management Co., Ltd.		21,274	10.64%
Nomura Securities Co., Ltd.		810	0.41%
Nikko Asset Management Co. Ltd	**2008/10/22**	**19,875**	**9.94%**
Nikko Asset Management Co. Ltd		18,349	9.17%
Citigroup Alternative Investments LLC		1,171	0.59%
Nikko Citigroup Ltd.		355	0.18%

Notes:1 Reports submitted from 2007/5/22 to 2008/11/21
2 These are companies who has more than 5% units
3 Rounded to the first decimal place

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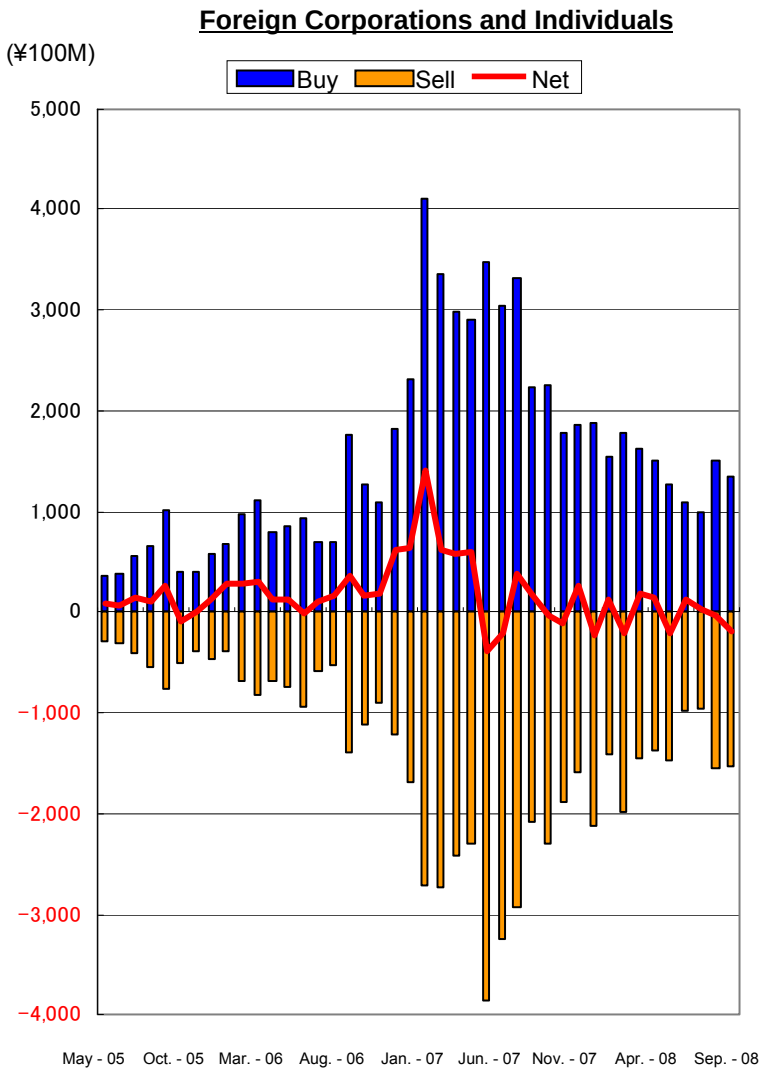
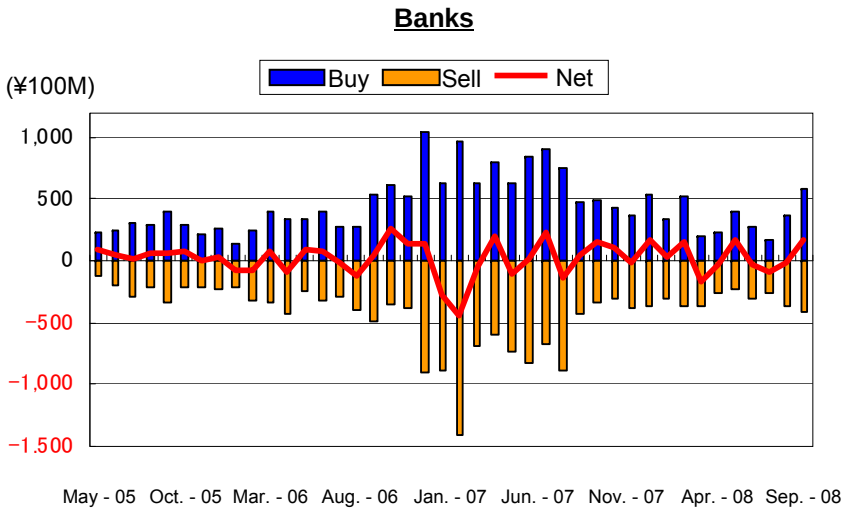
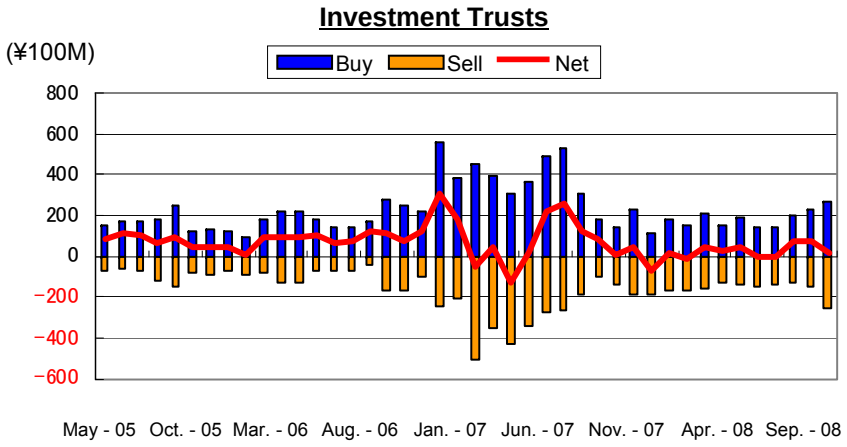
J-REITs investment trends by investor category

Trend of trading in J-REIT securities by investors







Source:Tokyo Stock Exchange (data up to Oct. 2008)

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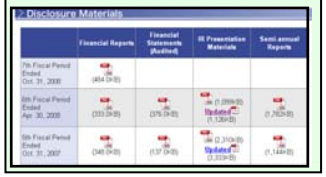
Disclosure and IR activities

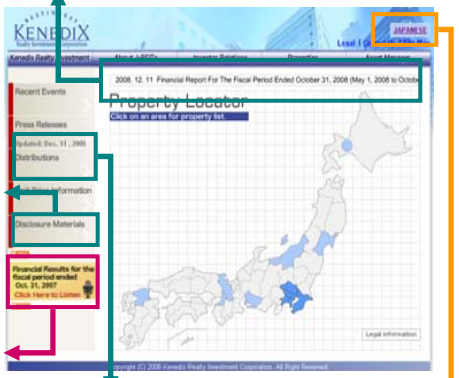
Active information disclosure through our company website

■Latest topics are displayed in the ticker

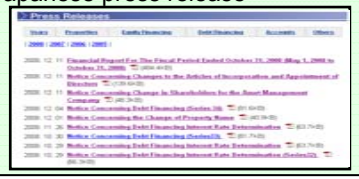
■Disclosure Materials
You can see the past disclosure materials in a list



■Latest financial information
Shows video images of results briefings.



■Press Releases
Updated on the same day as the Japanese press release



(Reference)
Access to KRI website (clicks)

Portfolio	13,990
Press release	12,997
Disclosure material	7,492
What's new	6,371
Dividends	5,853
KDRM site top	5,577
List of loan	5,143
Occupancy rate	4,170
English website	3,100
TOTAL	64,693

Note:2008/5/1 to 2008/10/31

■Japanese
We have renewed our Japanese website in March 2008.

Disclosure through Japanese Website
http://www.kdx-reit.com/

Proactively held meetings with investors

(Reference)
Number of investor meetings

Domestic institutions	326
Domestic regional financial institutions	128
International investors(Europe)	111
International investors (US)	126
International investors (other)	137
TOTAL	828

Note：2005/6/21 to2008/12/1
(including conferencecalls)

Domestic institutions	42
Domestic regional financial institution	15
International investors (Europe)	5
International investors (US)	8
International investors (other)	29
TOTAL	99

From 2008/5/1–2008/12/1

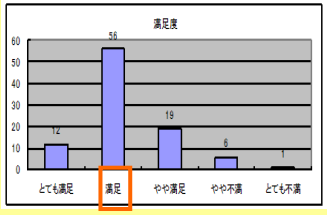
Asset Management Reports (sent to existing investors)

English Annual Reports

Approach targeting retail investors

■Participated in a seminar for retail investors
Held by JAPAN-REIT / ib Research & Consulting Inc.
個人投資家のための J-REITフォーラム

Many of the participants replied they were satisfied with the seminar.



# of participants:
169 persons

■ Relevant content can be viewed on the J-REIT's portal site (JAPAN-REIT.com)

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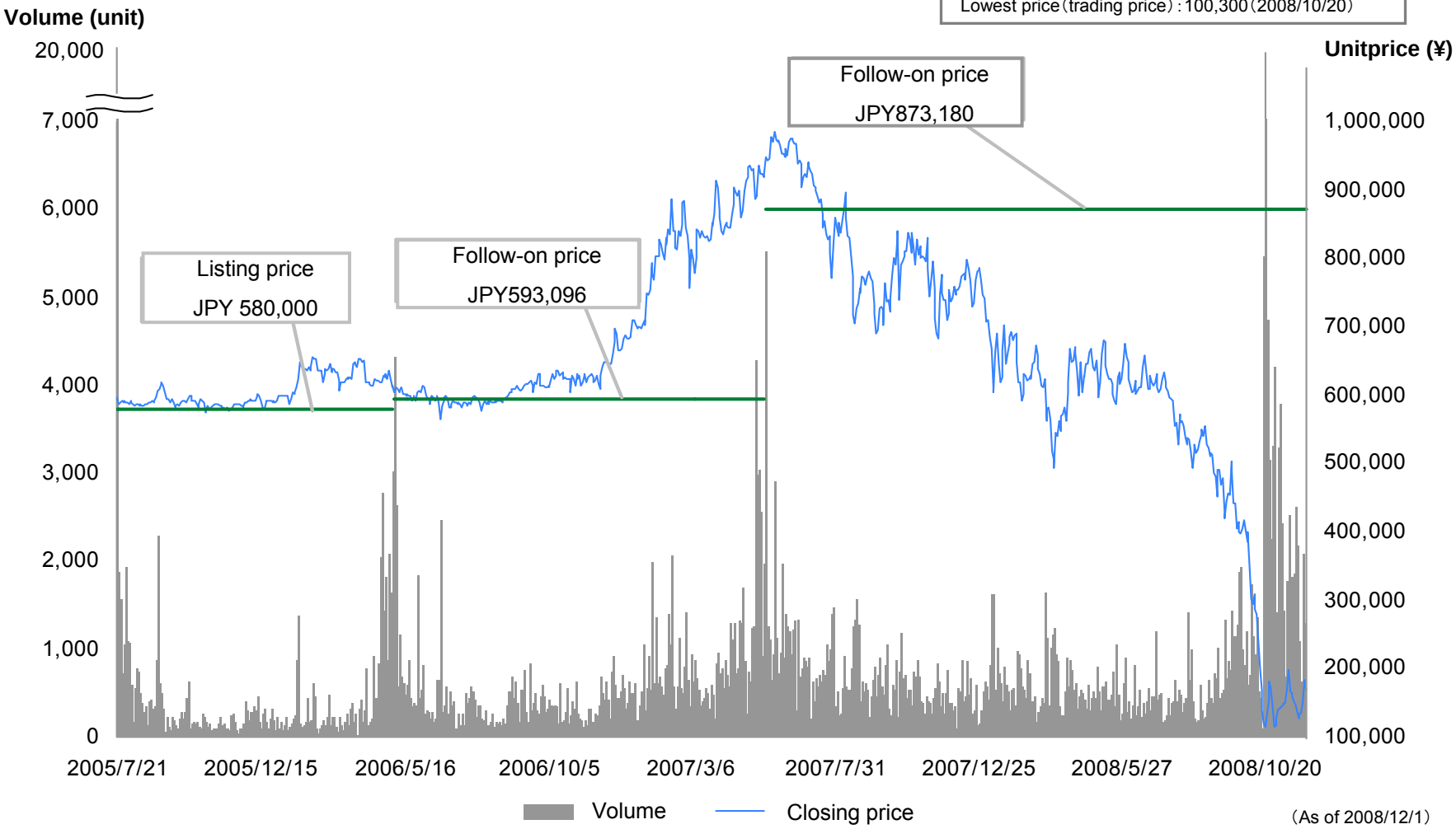
Unit price performance/transaction volume

Kenedix Realty Investment Corporation（KRI）Price・Volume

As of 2008/12/1
Highest price（trading price）：988,000（2007/5/31）
Lowest price（trading price）：100,300（2008/10/20）



（As of 2008/12/1）

Portfolio expansion → Portfolio expansion + Increase the ratio of office buildings → Increase the ratio of office buildings

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Summary financials for the 7th Period—Income statement

■Comparison of 7th period and 6th Period

	6th period 2007/11/1 2008/4/30 (¥M)	7th period 2008/5/1 2008/10/31 (¥M)	Difference (¥M)	Note
Rental and other operationg revenues	6,770	7,111	341	
Rental revenues	5,626	5,847	221	A（+528）,B(▲459),C(+217),D(▲100)
Common area charges	1,144	1,263	119	A（+137),B(▲10),C(+7),D(▲10)
Others	859	1,045	186	
Parling space rental revenues	240	250	10	A(+23),B(▲12),C(+1),D(▲2)
Utility charge reimbursements	458	668	210	A(+104),B(▲6),C(+25),D(▲1)
Miscellaneous	160	126	▲34	
Total rental and other operating revenues (A)	7,630	8,156	526	
Profit on sale of trust beneficiary interests in real estate	952	299	▲653	Loss on disposal of 13 properties in 6th period Loss on disposal of 2 properties in 7th period
Operating revenues	8,582	8,456	▲126	
Property management fee	750	792	42	A(+73),B(▲39),C(+28),D(▲4)
Utilities	450	611	161	A(+95),B(▲12),C(+22),D(▲12)
Taxes	395	406	11	
Repairs and maintenance cost	149	188	39	
Others（※1）	272	234	▲38	▲49 decrease of KDX Yoyogi Bld. In 6th period
Depreciation	1,430	1,445	15	
Total property-related expence B	3,447	3,678	231	
Rental business profit（A－B）	4,182	4,477	295	
Net operating income（NOI）	5,612	5,923	311	
Loss on disposal of real estate	439	-		Loss on disposal of 10 properties in 6th period
Asset management fee	424	442	18	
Others（※2）	205	190	▲15	
Operating expenses	4,517	4,311	▲206	
Operating income	4,065	4,144	79	
Non operating income	8	14	6	
Interest expense	504	689	185	increasing debt, raising interest, etc
Investment corporation bonds interest	113	114	1	
Financing related expense	28	145	117	Syndicate loan fee, upfront fee, etc
Amortization of bond issuance costs	5	5	-	
Amortization of unit issuance costs	41	41	-	
Amortization of organization costs	5	5	-	
Other non-operating expenses	31	32	1	
Non-operating expenses	730	1,034	304	
Non-operating expenses	▲ 721	▲ 1,020	▲299	
Ordinary income	3,343	3,124	▲219	
Income before income taxes	3,343	3,124	▲219	
Income taxes	1	0	▲1	
Net income	3,342	3,123	▲219	
Retained earnings at the beginning of period	0	0	-	
Retained earnings at the end of period	3,342	3,123	▲219	

■Comparison of Forecasts for the 7th period (as of 2008/6/11) and actual results

(¥M)	Forecast	Actual results	Difference	Comments (on the difference between the revised forecast and actual results)
Operating revenue	**8,174**	**8,456**	**+282**	・revenue increase from sale of 2 properties (+299) ・ revenue decrease from decrease in expected rent income (▲98) ・revenue increase from acquisition of 1property including increase in income for utilities
Operating expenses	**4,254**	**4,311**	**+57**	・ increase in income for utilities
Operating profit	**3,919**	**4,144**	**+225**	-
Non-operating Profit	**924**	**1,034**	**＋110**	・increase in mainly interest expense
incl. Interest payable	**866**	**948**	**+82**	・increase in mainly borrowing related expenses (2008/7, syndicated loan related fees)
Net income	**3,002**	**3,123**	**+121**	Revenue increase from profit on sale (+299), ▲57 due to increase in operating expenses, increase in loan related expenses for the main part resulted in increase of non-operating expenses and ▲110
Distribution per unit	**¥15,000**	**¥15,618**	**+¥618**	-
# of Properties	**70 Properties**	**69 Properties**	**▲1 Property**	The 2 properties (KDX Iwamoto-cho Bldg and KDX Harumi Bldg.) were already reflected in the forecast. Subsequently 2 properties were sold and 1 acquired

Key factors that led to increase/decrease (Operating profit (loss))

A：occupancy rate of properties acquired in the 6th Period for the full year
B：Revenue decrease from properties sold in the 6th Period
C：Revenue increase from properties acquired in the 7th Period
D：Revenue decrease from properties sold in the 7th Period
(※1) Other expenses： Insurance premium, trust fee
(※2) Other operating expenses：Compensation paid to directors, Asset custody fees, General Admin fees, Auditor's fees

BESTINVEST KENEDIX REIT Management

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BESTINVEST KENEDIX Realty Investment Corporation

Summary financials for the 7th period—Balance sheet and cashflow statement

	6th period As of Apr. 30, 2008 (¥ thousand)	(%)	7th period As of Oct. 30, 2008 (¥ thousand)	(%)
Current assets	13,397,027	5.8	13,465,140	5.6
Cash and bank deposits	6,379,367		6,799,392	
Entrusted deposits	6,813,393		6,230,408	
Other current assets	204,266		435,339	
Fixed assets	216,915,367	94.1	226,028,045	94.3
Property and equipment at cost	216,483,952	93.9	225,510,389	94.1
Buildings	9,520,811		10,571,000	
Land	25,928,590		29,093,099	
Buildings in trust	56,291,945		59,032,593	
Lands in trust	124,742,605		126,813,694	
Intangible assets	285,350	0.1	285,350	0.1
Ground leasehold	285,350		285,350	
Investment and other assets	146,065	0.1	232,306	0.1
Leasehold and security deposite	23,326		12,226	
Long-term prepaid expenses	121,520		213,679	
Deffered income tax asset	1,217		6,399	
Deffered assets	207,848	0.1	155,412	0.1
Organization costs	20,358		15,269	
Corporate bond issuance costs	57,183		51,306	
Unit issuance costs	130,305		88,837	
Total asset	230,520,243	100.0	239,648,597	100.0

- PPE increase by ¥9,027M

(Acquisition price of assets acquired: ¥14,314M Acquisition price of assets sold: ¥5,110M)

Current liabilities	34,026,147	14.8	26,151,126	10.9
Trade and other payables	441,418		407,070	
Short-term debt	31,750,000		24,000,000	
Other account payables	351,588		321,639	
Rents in advance	1,172,674		1,238,194	
Others	310,465		184,220	
Fixed liabilities	68,179,934	29.6	85,409,894	35.6
Corporate bonds	12,000,000		12,000,000	
Long-term debt	46,000,000		62,750,000	
Leasehold and security deposit received	1,271,027		1,515,158	
Security deposit received in trust	8,905,814		9,128,461	
Derivative liability	3,091		16,271	
Liabilities	102,206,081	44.3	111,561,020	46.6
Total unitholders' capital	124,973,750	54.2	124,973,750	52.1
Retained earnings	3,342,285	1.4	3,123,698	1.3
Unrealized gain from deffered hedge transactions	▲ 1,873	▲0.0	▲ 9,872	▲0.0
Equities	128,314,161	55.7	128,087,577	53.4
Total liabilities and unitholders' equity	230,520,243	100.0	239,648,597	100.0

- Decrease in short-term borrowings by ¥7,750M
- Increase in long-term borrowings by ¥16,750M

Cashflow statement

	6th period As of Apr. 30, 2008 (¥ thousand)	7th period As of Oct. 31, 2008 (¥ thousand)
Cash flow from operating activities	36,143,837	9,279,012
Cash flow from investing activities	▲47,793,395	▲14,377,205
Csh flow from financing activities	11,460,091	5,659,983
Net increase (decrease) in cash and cash equivalents	▲189,466	561,790
Cash and cash equivalents at beginning of period	11,331,324	11,141,858
Cash and cash equivalents at end of period	11,141,858	11,703,649

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J-REIT and real estate market overview

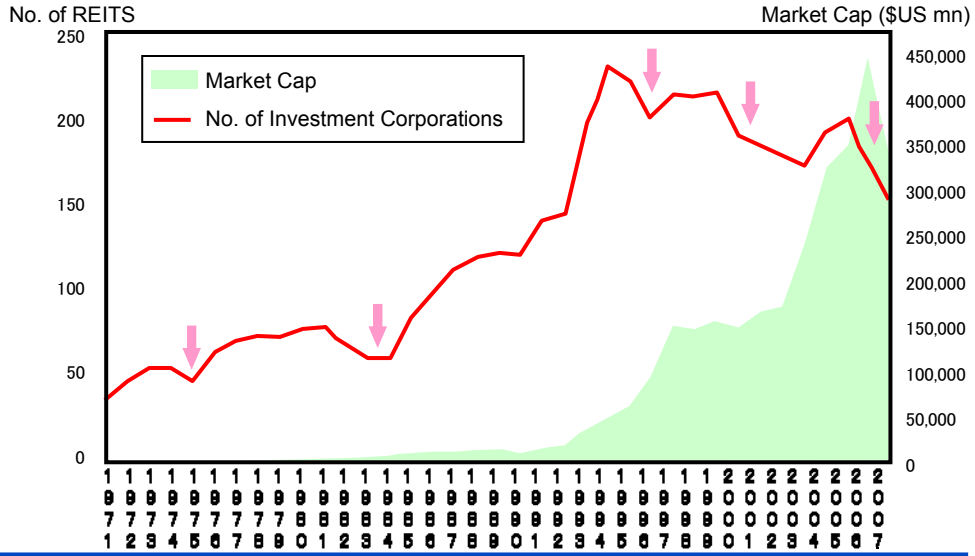
Forum for building up the real estate investment market that is trusted by investors

(MLIT, Organizer: ARES October 2008)

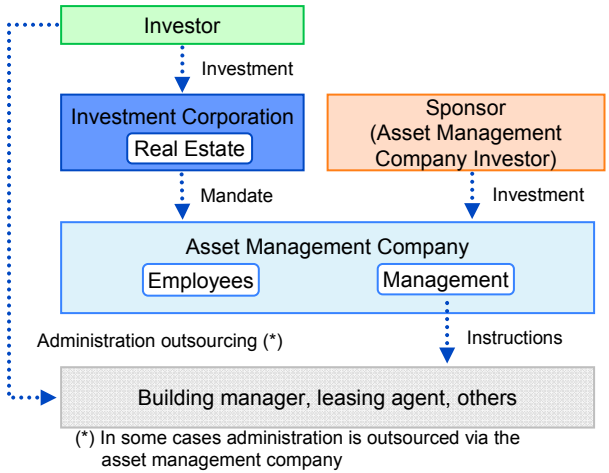
- ◆ J-REIT performance
- ◆ J-REIT consolidation effects and necessity
- ◆ J-REIT market development
  - Refinancing risk
  - Flexible capital policies (e.g., share buy-backs, convertible CBs)
  - Sponsor creditworthiness
  - Management structure – External or Internal

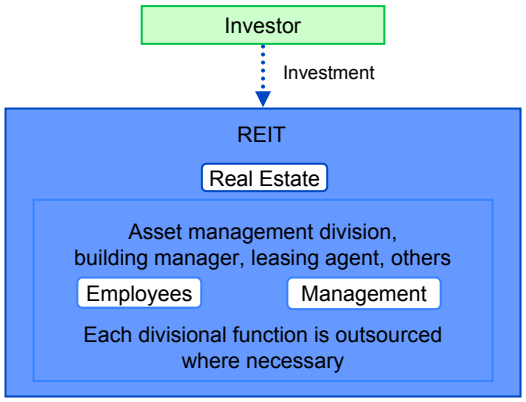
Source of information on this page:
The Third "Forum for Building Up the Real Estate Investment Market that is Trusted by Investors" reference materials (available on the ARES website - in Japanese only)

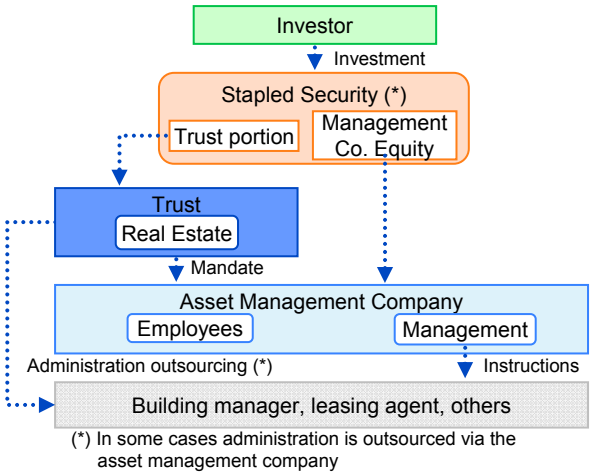
US REIT Reorganization



<Reference> REIT Structure by Country







Shareholders of Asset Management Company
（Change of Shareholders and Kenedix, Inc.'s result）

Change of shareholders of Kenedix REIT Management

Schedule of shareholder change

2008/12/11 Stock transfer approved by the Asset Management Company

2008/12/19 Execution of the Stocktransfer

Shareholders (before)

Name	Address	# of Shares	(%)
Kenedix Inc.	2-2-9 Shimbashi, Minato-ku, Tokyo	6,450	100%

Change to multi shareholders from sole shareholder

Shareholders (after)

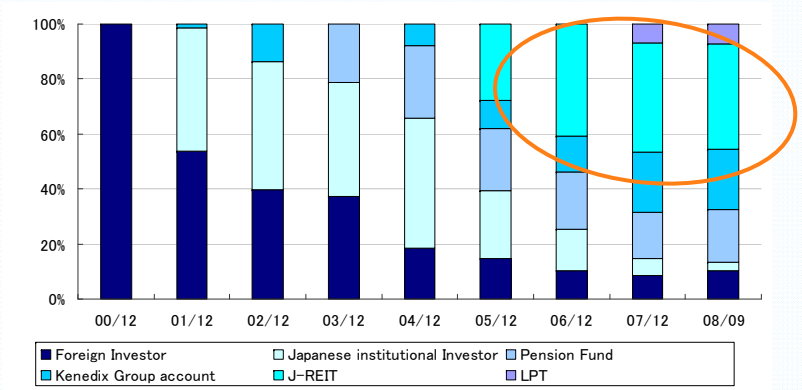
Name	Address	# of shares	(%)
Kenedix Inc.	2-2-9 Shimbashi, Minato-ku, Tokyo	5,805	90%
ITOCHU Corporation	2-5-1 Kita-Aoyama, Mnato-ku, Tokyo	645	10%
Total	-	6,450	100%

Profile of ITOCHU co.

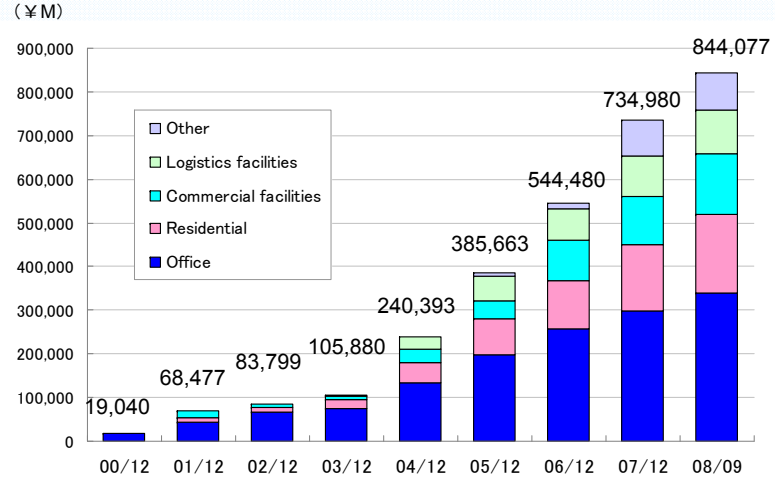
Name	ITOCHU Corporation
Founded	1949/12
President	Eizo Kobayashi
Capital	¥202,241M

Results of Kenedix group

AUM (by type of investor)



AUM (by type of property)



Source: Kenedix, Inc. as of Sep. 2008

Note: Includes properties of Japan Logistics Fund, which are entrusted to an affiliate of Lenedix, Inc. for asset management, and properties held by KRI

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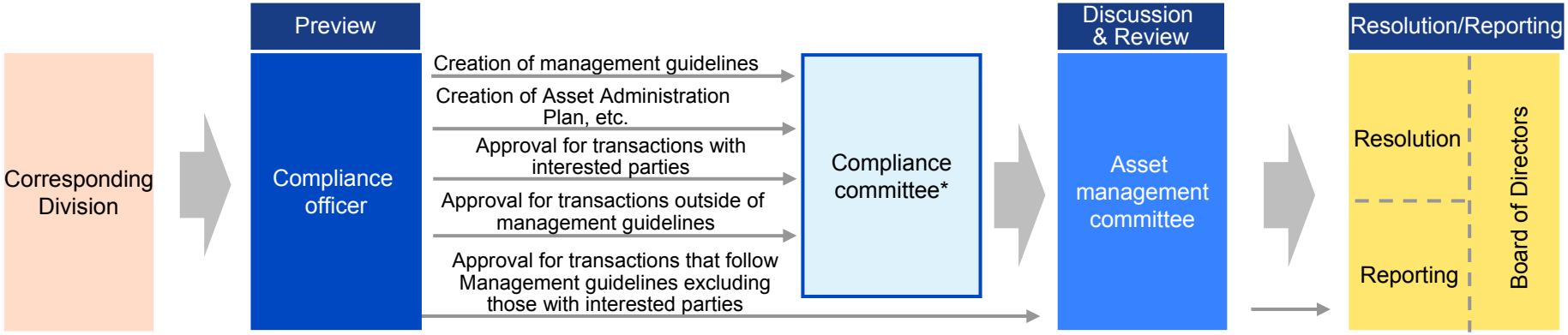
Management structure of the asset management company

Decision making flow chart



Note: One lawyer works as an external commission member

Policy on transaction with related parties

- Asset acquisition: **Must not acquire properties for more than appraised price** (except for properties pre-acquired by Kenedix Inc. pursuant to the MOU)
- Asset disposal: **Must not sell properties for less than appraised price**

＜Reference＞

Meetings held by the various committees, Board of Directors of the asset management company/investment corporation

	1st period	2nd period	3rd period	4th period	5th period	6th period	7th period
Compliance committee	7	7	7	8	6	8	9
Asset management committee	21	35	39	39	38	38	53
Board of Directors	9	7	9	8	9	7	9
Board of Directors of Investment Corporation	11	7	7	9	7	7	8

< Reference >

Asset management company's management fee structure

◆ Asset management company's management fee structure

- Management fee I : 0.15% of total assets
- Management fee II : 3.0% of money available for distribution in each fiscal period
- Acquisition fee : 0.5%of acquisition price (0.25% if interested parties)
- Sale fee : capped at 0.5% of transfer price

◆ Property management fees

- Rental property management: 2% of rent revenues + 2% of the operating revenues from the property (after operating expenses, and before depreciation expenses)
- Management transfer: amount determined in proportion to the acquisition/sale price (e.g. ¥1 – 3B → ¥2M, or ¥5 – 10B → ¥2.4M)
- Construction Supervision: amount determined in proportion to the construction costs (e.g. ¥1 – 5M →5% or ¥10 – 100M → ¥450,000＋3%)

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Kenedix REIT Management, Inc.—Organizational chart

Shareholders' meeting

Auditors

Auditor (part-time)
Haruo Funabashi, Kenichi Yamasaki

Haruo Funabashi
Auditor
(part-time)

- After joining the Ministry of Finance, he served as commissioner of Tokyo Customs, Deputy Commissioner of the National Tax Administration, Secretary General of the Securities and Exchange Surveillance Commission, Director General, Minister's Secretariat of the National Land Agency before joining Kenedix as an auditor

Board of directors

Compliance officer
Yuuji Kamimura

Investment committee

Compliance committee

Representative director
Taisuke Miyajima

- Investment management div. Kenji Ajitani
  - Asset Investment group
    - Property acquisition and disposition
    - Research and Analysis of real estate markets
  - Asset Management group
    - Property management
    - Assessment of property management/risk management
- Property management div. Masashi Ohwa
  - Property Management group
    - Property leasing
    - Property management
  - Engineering group
    - Construction management
- Financial planning div. Masahiko Tajima
  - IR group
    - Investor Relations activities
    - Negotiations with regulatory agencies and concerned bodies
  - Finance and accounting group
    - Formulation of budget, financial statements, disclosure
    - Procurement of funds
- Business administration div. Teruo Nozaki
  - Business administration group
    - Running unitholders' and directors' meetings
    - Administration/ Accounting/ Human Resources

Major members

Taisuke Miyajima
CEO & President

- Worked for **Mitsubishi Trust and Banking** (debt capital market group, Los Angeles branch). Seven years of experience in real estate investment advisory division after joining Kenedix, Inc.
- Transferred to Kenedix REIT Management to become CEO and president

Kenji Ajitani
Director & General Manager, Investment Management Division

- Worked for 10 years for **Sojitz Corporation** (incl. Construction Department)
- After joining Kenedix, he worked for Kenedix Advisors before being transferred to Kenedix REIT Management

Masashi Ohwa
Director & General Manager, Property Management Division

- Worked for **Asahi Urban Development Corporation, Nihonjisho**, others before he joined Kenedix
- Executive Officer & General Manager of REIT Management Division, Kenedix Advisors before joining Kenedix REIT Management

Masahiko Tajima
Director & General Manager, Financial Planning Division

- Worked for 12 years at **Chuo Mitsui Trust and Banking**, where he was responsible for securitization
- Joined Kenedix, Inc. after 4 years of experience in various securitized paper investments at **Sumitomo Life Insurance**
- MBA from Columbia Business School

Yuuji Kamimura
Compliance Officer

- Worked for 27 years for Joined **Shinsei Bank, Ltd.**
- Joined Kenedix REIT Management,after 8 years of experience as a compliance officer at Shinsei Bank.

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