

# Financial Section

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## Financial Summary (Unaudited)

Historical Operating Trends  
For the 10th–14th Fiscal Periods

Period	Unit	10th Period (as of Apr. 30, 2010)	11th Period (as of Oct. 31, 2010)	12th Period (as of Apr. 30, 2011)	13th Period (as of Oct. 31, 2011)	14th Period (as of Apr. 30, 2012)
Operating revenues	mn yen	8,067	8,358	8,136	9,044	9,090
(Rental revenues)	mn yen	8,067	8,242	8,136	8,498	9,090
Operating expenses	mn yen	4,329	4,522	4,427	4,618	5,004
(Property-related expenses)	mn yen	3,714	3,817	3,767	3,961	4,284
Operating income	mn yen	3,738	3,835	3,709	4,425	4,086
Ordinary income	mn yen	2,568	2,608	2,346	3,040	2,551
Net income (a)	mn yen	2,567	2,607	2,309	3,052	2,540
Total assets (b)	mn yen	251,566	251,080	261,928	274,973	303,284
(Period-on-period change)	%	(+6.5)	(-0.2)	(+4.3)	(+5.0)	(+10.3)
Interest-bearing debt (c)	mn yen	102,968	102,567	112,715	110,914	137,372
(Period-on-period change)	%	(+5.9)	(-0.4)	(+9.9)	(-1.6)	(+23.9)
Unitholders' equity (d)	mn yen	135,689	135,732	135,505	150,272	150,063
(Period-on-period change)	%	(+6.8)	(+0.0)	(-0.2)	(+10.9)	(-0.2)
Unitholders' capital	mn yen	133,129	133,129	133,129	147,153	147,153
(Period-on-period change)	%	(+6.5)	(0.0)	(0.0)	(+10.5)	(0.0)
Number of investment units issued and outstanding (e)	unit	233,550	233,550	233,550	286,550	286,550
Unitholders' equity per unit (d)/(e)	yen	580,987	581,170	580,199	524,419	523,668
Total distribution (f)	mn yen	2,567	2,541	2,310	2,749	2,683
Distribution per unit (f)/(e)	yen	10,993	10,881	9,891	9,596	9,364
(Earnings distributed per unit)	yen	10,993	10,881	9,891	9,596	9,364
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.1 (2.1)	1.0 (2.1)	0.9 (1.8)	1.1 (2.2)	0.9 (1.8)
Return on net assets (annualized) (Notes 2 and 3)	%	2.0 (3.9)	1.9 (3.8)	1.7 (3.4)	2.1 (4.2)	1.7 (3.4)
Net assets ratio at end of period (d)/(b)	%	53.9	54.1	51.7	54.6	49.5
(Period-on-period change)	%	(-0.2)	(+0.1)	(-2.3)	(+2.9)	(-5.2)
Interest-bearing debt ratio at end of period (c)/(b)	%	40.9	40.9	43.0	40.3	45.3
(Period-on-period change)	%	(-0.2)	(-0.1)	(+2.2)	(-2.7)	(+5.0)
Payout ratio (Note 4) (f)/(a)	%	99.9	97.4	100.0	90.0	105.6
<b>Other reference</b>						
Number of properties	properties	70	67	71	74	83
Total leasable floor area	m <sup>2</sup>	271,260.81	267,737.33	286,237.93	300,016.89	340,589.96
Occupancy at end of period	%	94.4	93.6	94.6	94.7	95.4
Depreciation expenses for the period	mn yen	1,477	1,440	1,406	1,442	1,578
Capital expenditures for the period	mn yen	330	312	574	674	918
Leasing NOI (Net Operating Income) (Note 5)	mn yen	5,830	5,864	5,776	5,980	6,384
FFO (Funds From Operation) (Note 6)	mn yen	4,044	3,995	3,716	3,950	4,119
FFO per unit (Note 7)	yen	17,318	17,106	15,914	13,786	14,374

Notes: 1. Return on assets = Ordinary income/(Total assets at beginning of period + Total assets at end of period)/2 × 100

2. Annualized values for the 10th Fiscal Period are calculated based on a period of 181 days, 184 days for the 11th Period, 181 days for the 12th Fiscal Period, 184 days for the 13th Fiscal Period and 182 days for the 14th Fiscal Period.

3. Return on net assets = Net income/(Total net assets at beginning of period + Total net assets at end of period)/2 × 100

4. Payout ratio is rounded down to the first decimal place.

5. Leasing NOI = Rental revenues – Rental expenses + Depreciation expenses for the period

6. FFO = Net income + Depreciation expenses for the period – Profit on sale of trust beneficiary interests in real estate or real estate + Loss on sale of trust beneficiary interests in real estate or real estate

7. FFO per unit = FFO/Number of investment units issued and outstanding (figures below ¥1 rounded down)

8. Where applicable, figures are rounded down to the nearest million.

## Independent Auditor's Report

The Board of Directors  
Kenedix Realty Investment Corporation

Pursuant to Article 130 of the Act on Investment Trusts and Investment Corporations, we have audited the accompanying financial statements of Kenedix Realty Investment Corporation ("the Investment Corporation"), which comprise the balance sheet as of April 30, 2012, and the statement of income and retained earnings, statement of changes in net assets, notes to the financial statements and distribution information for the six-month period then ended and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Realty Investment Corporation as of April 30, 2012, and its financial performance for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

### *Emphasis of Matter*

We draw attention to Note 14 to the financial statements, which describes that the Investment Corporation completed the sale of a property. Our opinion is not qualified in respect of this matter.

*Ernst & Young Shin Nihon LLC*

June 11, 2012  
Tokyo, Japan

# Balance Sheets

Kenedix Realty Investment Corporation  
As of April 30, 2012 and October 31, 2011

	In thousands of yen	
	As of April 30, 2012	As of October 31, 2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits (Note 12)	¥ 14,019,939	¥ 18,338,535
Rental receivables	176,474	173,773
Consumption tax refundable	220,729	—
Other current assets (Note 7)	70,447	77,564
Total current assets	14,487,589	18,589,872
<b>Property and equipment, at cost: (Notes 3,11 and 13)</b>		
Land	201,938,266	177,220,871
Buildings and structures (Note 5)	97,166,954	89,329,995
Machinery and equipment	1,540,138	1,354,493
Tools, furniture and fixtures	429,679	406,173
Construction in progress	6,894	1,874
Less-accumulated depreciation	(15,326,838)	(13,751,870)
Net property and equipment	285,755,093	254,561,536
<b>Other assets:</b>		
Ground leasehold (Notes 11 and 13)	358,655	359,429
Investment securities (Note 12)	896,655	—
Corporate bond issuance costs	39,405	30,906
Unit issuance costs	83,991	111,272
Other assets (Notes 11 and 13)	1,662,657	1,320,426
Total assets	¥303,284,045	¥274,973,441
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade and other payables	¥ 775,125	¥ 802,437
Current portion of corporate bonds (Notes 4 and 12)	—	9,000,000
Short-term debt and current portion of long-term debt (Notes 4 and 12)	26,580,000	24,050,000
Deposits received	27,249	2,814
Rents received in advance	1,887,967	1,281,807
Provision for loss due to disaster	—	2,334
Other current liabilities	220,298	272,913
Total current liabilities	29,490,639	35,412,305
Corporate bonds (Notes 4 and 12)	6,000,000	4,500,000
Long-term debt (Notes 4 and 12)	104,792,500	73,364,000
Leasehold and security deposits received	12,937,903	11,424,682
Total liabilities	153,221,042	124,700,987
<b>Net Assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	147,153,820	147,153,820
Units authorized: 2,000,000 units		
Units issued and outstanding: 286,550 units		
As of April 30, 2012 and October 31, 2011, respectively		
<b>Surplus</b>		
Voluntary retained earnings		
Reserve for reduction entry	368,796	65,796
Retained earnings	2,540,387	3,052,838
Total surplus	2,909,183	3,118,634
Total unitholders' equity	150,063,003	150,272,454
Total net assets (Note 8)	150,063,003	150,272,454
<b>Total liabilities and net assets</b>	¥303,284,045	¥274,973,441

See accompanying notes to the financial statements.

# Statements of Income and Retained Earnings

Kenedix Realty Investment Corporation

For the period from November 1, 2011 to April 30, 2012 and the period from May 1, 2011 to October 31, 2011

	In thousands of yen	
	From November 1, 2011 to April 30, 2012	From May 1, 2011 to October 31, 2011
<b>Operating revenues:</b>		
Rental revenues (Notes 10 and 11)	¥9,090,653	¥8,498,949
Gain on sale of real estate property (Note 10)	—	545,282
Total operating revenues	9,090,653	9,044,231
<b>Operating expenses:</b>		
Property-related expenses (Notes 10 and 11)	4,284,757	3,961,611
Asset management fees	491,073	487,406
Administrative service and custodian fees	80,726	81,852
Other operating expenses	147,751	88,039
Total operating expenses	5,004,307	4,618,908
<b>Operating income</b>	<b>4,086,346</b>	<b>4,425,323</b>
<b>Non-operating expenses:</b>		
Interest expense	1,058,930	1,036,388
Financing-related expenses	444,047	298,043
Amortization of unit issuance costs	27,282	27,282
Amortization of corporate bond issuance costs	9,001	6,881
Others, net	(4,723)	16,322
Total non-operating expenses	1,534,537	1,384,916
<b>Ordinary income</b>	<b>2,551,809</b>	<b>3,040,407</b>
Extraordinary income		
Gain on donation of noncurrent assets	—	13,970
Extraordinary losses		
Litigation settlement	10,000	—
Income before income taxes	2,541,809	3,054,377
Income taxes (Note 7)	1,526	1,560
Net income	2,540,283	3,052,817
Retained earnings at the beginning of period	104	21
<b>Retained earnings at the end of period</b>	<b>¥2,540,387</b>	<b>¥3,052,838</b>

See accompanying notes to the financial statements.

# Statements of Changes in Net Assets

Kenedix Realty Investment Corporation

For the period from November 1, 2011 to April 30, 2012 and the period from May 1, 2011 to October 31, 2011

	In thousands of yen					
	Unitholders' Equity					Total
	Unitholders' capital	Surplus			Total unitholders' equity	
		Voluntary retained earnings	Retained earnings	Total surplus		
Reserve for reduction entry						
<b>Balance as of April 30, 2011</b>	<b>¥133,129,755</b>	<b>¥ 65,796</b>	<b>¥2,310,063</b>	<b>¥2,375,859</b>	<b>¥135,505,614</b>	<b>¥135,505,614</b>
Changes during the fiscal period						
New unit issuance	14,024,065	—	—	—	14,024,065	14,024,065
Payments of dividends	—	—	(2,310,042)	(2,310,042)	(2,310,042)	(2,310,042)
Net income	—	—	3,052,817	3,052,817	3,052,817	3,052,817
Total changes during the fiscal period	14,024,065	—	742,775	742,775	14,766,840	14,766,840
<b>Balance as of October 31, 2011</b>	<b>147,153,820</b>	<b>65,796</b>	<b>3,052,838</b>	<b>3,118,634</b>	<b>150,272,454</b>	<b>150,272,454</b>
Changes during the fiscal period						
Provision of reserve for reduction entry	—	303,000	(303,000)	—	—	—
Payments of dividends	—	—	(2,749,734)	(2,749,734)	(2,749,734)	(2,749,734)
Net income	—	—	2,540,283	2,540,283	2,540,283	2,540,283
Total changes during the fiscal period	—	303,000	(512,451)	(209,451)	(209,451)	(209,451)
<b>Balance as of April 30, 2012</b>	<b>¥147,153,820</b>	<b>¥368,796</b>	<b>¥2,540,387</b>	<b>¥2,909,183</b>	<b>¥150,063,003</b>	<b>¥150,063,003</b>

See accompanying notes to the financial statements.

# Notes to Financial Statements

Kenedix Realty Investment Corporation

For the period from November 1, 2011 to April 30, 2012 and the period from May 1, 2011 to October 31, 2011

## 1. ORGANIZATION AND BASIS OF PRESENTATION

### ORGANIZATION

Kenedix Realty Investment Corporation ("the Investment Corporation") was established on May 6, 2005 under the Act on Investment Trusts and Investment Corporations of Japan ("the Investment Trust Act"). On July 21, 2005, the Investment Corporation was listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange with a total of 75,400 investment units issued and outstanding. (Securities Code: 8972). Subsequently, the Investment Corporation raised funds through public offerings and other means including three global offerings. Most recently, the Investment Corporation additionally issued 51,400 investment units on July 20, 2011 through public offerings including global offerings, and 1,600 investment units on August 8, 2011 by way of third-party allotment. As a result, as of April 30, 2012, the end of the fourteenth fiscal period, the number of investment units issued and outstanding totaled 286,550 units.

The Investment Corporation is externally managed by Kenedix REIT Management, Inc. ("the Asset Management Company") as its asset management company. In concert with the Asset Management Company, the Investment Corporation strives to maximize cash distribution to investors by securing stable earnings and sustainable investment growth. To this end, the Investment Corporation adopts a dynamic and flexible investment stance that accurately reflects its environment and market trends, and endeavors to ensure a timely response to each and every opportunity. The Investment Corporation endeavors to develop a diversified investment portfolio named "KENEDIX Selection," adopting a three-point investment criteria based on property type, area and size.

During the period ended April 30, 2012, the Investment Corporation acquired four office buildings (total acquisition price of ¥15,470 million) located in the Tokyo Metropolitan Area, four office buildings (total acquisition price of ¥15,205 million) and one others (acquisition price of ¥645 million) located in the Other Regional Areas. The Investment Corporation also acquired preferred equity securities (investment of ¥891 million) as a new investment method for external growth. The Investment Corporation issued the Fourth Series Unsecured Investment Corporation Bonds (totaling ¥1,500 million and maturing in 5.5 years) on March 8, 2012, and used the procured funds as a portion of source of funds to repay the First Series Unsecured Investment Corporation Bonds which matured on March 15, 2012. As of April 30, 2012, the Investment Corporation had total unitholders' capital of ¥147,154 million with 286,550 investment units outstanding. The outstanding investment corporation bonds as of the end of the fiscal period under review (fiscal period ended April 30, 2012) totaled ¥6,000 million. The Investment Corporation owned a portfolio of 83 properties with a total acquisition price of ¥286,867 million containing a total leasable area of 340,589.96m<sup>2</sup>. The occupancy ratio was approximately 95.4%. A portfolio of 83 properties consists of 76 office buildings, 4 residential properties, 2 central urban retail properties and one others. 66 properties are located in the Tokyo Metropolitan Area and 17 properties are located in other regional areas.

### BASIS OF PRESENTATION

The Investment Corporation maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The financial statements are prepared in accordance with the Investment Trust Act.

The financial statements are basically a translation of the Japanese audited financial statements of the Investment Corporation. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a format which is familiar to readers outside Japan. Certain information in the business report and supplementary schedule has been omitted. Additional information has been added to the Japanese audited financial statements for the convenience of readers outside Japan and this includes disclosing the prior year's comparatives as supplemental information in the English translated financial statements although the Japanese audited financial statements only need to disclose the current year's information.

## 2 ■ SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (A) SECURITIES

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

### (B) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

	From November 1, 2011 to April 30, 2012	From May 1, 2011 to October 31, 2011
Buildings and structures	2-49 years	2-49 years
Machinery and equipment	3-17 years	3-17 years
Tools, furniture and fixtures	3-20 years	3-20 years

### (C) UNIT ISSUANCE COSTS

Unit issuance costs are amortized over a period of three years under the straight-line method.

### (D) CORPORATE BOND ISSUANCE COSTS

Corporate bond issuance costs are amortized over a loan period under the straight-line method.

### (E) ACCOUNTING TREATMENT OF TRUST BENEFICIARY INTERESTS IN REAL ESTATE

For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan, all assets and liabilities within trust are recorded in the relevant balance sheets and statements of income and retained earnings.

### (F) LEASEHOLD RIGHTS

Fixed term leasehold with special agreement on buildings sales, and the building are amortized over a contractual period of forty-eight years and nine months under the straight-line method.

### (G) PROVISION FOR LOSS DUE TO DISASTER

For cost of repairs on impaired fixed assets due to the massive earthquake off the east coast of Japan, the amount reasonably estimable at the end of period is recognized as "provision for loss due to disaster" under current liability.

### (H) REVENUE RECOGNITION

Operating revenues consist of rental revenues including base rents and common area charges, and other operating revenues including utility charge reimbursements, parking space rental revenues and other miscellaneous revenues. Rental revenues are generally recognized on an accrual basis over the life of each lease. Utility charge reimbursements are recognized when earned and their amounts can be reasonably estimated. Reimbursements from tenants including utility charge reimbursements are recorded on a gross basis and such amounts are recorded both as revenues and expenses during the fiscal period, respectively.

### (I) TAXES ON PROPERTY AND EQUIPMENT

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to said period. Under the Japanese tax rule, the seller of the property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued property-related tax liabilities.

When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥23,881 thousand and ¥44,439 thousand as of April 30, 2012 and October 31, 2011, respectively. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period to which the installments of such taxes correspond.

### (J) INCOME TAXES

Deferred tax assets and liabilities are computed based on the difference between the financial statements and income tax bases of assets and liabilities using the statutory tax rates.

### (K) CONSUMPTION TAXES

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Non-deductible consumption taxes applicable to the acquisition of assets are included in the cost of acquisition for each asset.

### (L) DERIVATIVE FINANCIAL INSTRUMENTS

The Investment Corporation utilizes interest-rate swap agreements as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. The Investment Corporation deferred recognition of gains or losses resulting from changes in fair value of interest-rate swap agreements because its interest-rate swap agreements met the criteria for deferral hedging accounting. However, the Investment Corporation adopted special treatment for interest-rate swap agreements if its interest-rate swap agreements met the criteria for hedging accounting under this treatment, whereby the net amount to be paid or received under the interest-rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. The hedge effectiveness for interest-rate swap contracts is assessed each fiscal period except for those that meet the criteria of special treatment.

### (M) ROUNDING OF AMOUNTS PRESENTED

Amounts have been truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan, whereas amounts have been rounded to the nearest million in the accompanying financial statements. Totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

## 3. SCHEDULE OF PROPERTY

	In millions of yen					
	As of April 30, 2012			As of October 31, 2011		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥201,938	¥ —	¥201,938	¥177,221	¥ —	¥177,221
Buildings and structures	97,167	14,526	82,641	89,330	13,021	76,309
Machinery and equipment	1,540	590	950	1,354	540	814
Tools, furniture and fixtures	430	211	219	406	190	216
Construction in progress	7	—	7	2	—	2
Total	¥301,082	¥15,327	¥285,755	¥268,313	¥13,751	¥254,562

## 4. SHORT-TERM DEBT, LONG-TERM DEBT AND CORPORATE BONDS

The following summarizes short-term debt, long-term debt and corporate bonds outstanding as of April 30, 2012:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	July 29, 2011	July 31, 2012	1.04%	¥ 1,500
	October 31, 2011	October 31, 2012	0.99%	4,500
	December 26, 2011	October 31, 2012	0.91%	7,500
	January 31, 2012	January 31, 2013	0.84%	1,200
Current portion of long-term debt	June 30, 2008	June 30, 2012	2.15%	1,500
	February 27, 2009	August 31, 2012	2.04%	880
	October 29, 2010	October 31, 2012	1.45%	2,500
	December 8, 2009	December 8, 2012	1.67%	500
	June 30, 2008	December 28, 2012	2.26%	3,000
	January 13, 2010	January 15, 2013	1.90%	1,000
	February 18, 2010	February 18, 2013	1.90%	1,500
	April 28, 2011	April 30, 2013	1.50%	1,000
Subtotal				26,580

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	May 1, 2006	April 30, 2016	2.73%	5,000
	September 1, 2006	August 31, 2013	2.12%	3,000
	October 26, 2009	October 26, 2013	2.42%	900
	October 30, 2009	October 30, 2013	2.45%	1,800
	January 29, 2010	January 30, 2015	2.17%	1,080
	February 18, 2010	February 18, 2015	2.19%	4,813
	April 2, 2010	April 2, 2015	2.22%	1,800
	July 30, 2010	July 31, 2013	1.49%	500
	July 30, 2010	January 31, 2014	1.66%	3,700
	July 30, 2010	July 31, 2014	1.73%	3,700
	October 29, 2010	October 31, 2013	1.46%	500
	November 12, 2010	November 12, 2013	1.58%	2,700
	November 12, 2010	November 12, 2015	1.79%	2,000
	November 12, 2010	November 12, 2017	2.02%	2,300
	December 1, 2010	November 12, 2013	1.45%	800
	December 1, 2010	November 12, 2015	1.55%	1,000
	December 1, 2010	November 12, 2017	2.21%	700
	January 31, 2011	January 31, 2014	1.57%	1,300
	January 31, 2011	January 29, 2016	1.94%	800
	February 28, 2011	August 31, 2015	1.91%	3,000
	February 28, 2011	January 29, 2016	1.95%	500
	March 22, 2011	September 22, 2014	1.63%	2,700
	March 31, 2011	September 30, 2013	1.53%	2,000
	March 31, 2011	January 29, 2016	1.91%	2,000
	March 31, 2011	March 31, 2016	1.39%	1,000
	April 28, 2011	October 31, 2015	1.86%	1,500
	April 28, 2011	January 29, 2016	1.89%	1,000
	July 13, 2011	July 14, 2014	1.54%	1,000
	July 29, 2011	July 31, 2014	1.14%	3,200
	July 29, 2011	July 31, 2014	1.40%	300
	August 31, 2011	February 27, 2015	1.09%	1,500
	September 1, 2011	August 29, 2014	1.15%	1,000
	September 30, 2011	September 30, 2013	1.15%	1,000
	September 30, 2011	March 31, 2014	1.16%	2,500
	September 30, 2011	September 30, 2014	1.27%	1,000
	September 30, 2011	March 31, 2015	1.29%	2,500
	December 26, 2011	October 31, 2014	1.24%	2,500
	December 26, 2011	October 31, 2014	1.26%	5,000
	December 26, 2011	October 31, 2015	1.34%	4,500
	December 26, 2011	October 31, 2015	1.32%	2,500
	December 26, 2011	October 31, 2016	1.44%	4,500
	December 26, 2011	October 31, 2016	1.42%	2,500
	January 10, 2012	January 29, 2016	1.27%	2,500
	January 31, 2012	January 30, 2015	1.19%	1,500
March 12, 2012	March 12, 2014	0.98%	6,300	
March 12, 2012	March 12, 2015	1.08%	1,000	
March 28, 2012	March 28, 2017	1.36%	500	
March 28, 2012	March 28, 2019	1.77%	2,400	
March 30, 2012	September 30, 2015	1.21%	2,000	
April 27, 2012	October 30, 2015	1.27%	1,000	
Subtotal				104,793
Corporate bonds	March 15, 2007	March 15, 2017	2.37%	3,000
	September 15, 2011	September 13, 2013	1.59%	1,500
	March 8, 2012	September 8, 2017	2.00%	1,500
Subtotal				6,000
Total				¥137,373

## 5. REDUCTION ENTRY

The amount of reduction entry of property and equipment acquired by government subsidy

	In thousands of yen	
	As of April 30, 2012	As of October 31, 2011
Buildings and structures	¥26,230	¥26,230



## 6. PER UNIT INFORMATION

	Yen	
	From November 1, 2011 to April 30, 2012	From May 1, 2011 to October 31, 2011
Net asset value per unit	¥523,689	¥524,420
Net income per unit	¥ 8,865	¥ 11,593
Weighted average number of units (units)	286,550	263,341

The weighted average number of units outstanding of 286,550 and 263,341 were used for the computation of the amount of net income per unit as of April 30, 2012 and October 31, 2011. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

## 7. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 40%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measure Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement that it currently distribute in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. Since the Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥2,683 million (including ¥143 million as the reversal of reserve for reduction entry) and ¥2,750 million for the periods ended April 30, 2012 and October 31, 2011. Such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.06% and 0.05% for the periods ended April 30, 2012 and October 31, 2011. The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	As of April 30, 2012	As of October 31, 2011
Statutory tax rate	39.33%	39.33%
Deductible cash distributions	(41.52)	(35.41)
Provision of reserve for reduction entry	—	(3.90)
Others	2.25	0.03
Effective tax rate	0.06%	0.05%

The significant components of deferred tax assets and liabilities as of April 30, 2012 and October 31, 2011 were as follows:

	In thousands of yen	
	As of April 30, 2012	As of October 31, 2011
Deferred tax assets:		
Enterprise tax payable	¥ 43	¥ 49
Amortization of leasehold rights	749	558
Subtotal deferred tax assets	792	607
Valuation allowance	749	558
Total deferred tax assets	¥ 43	¥ 49

The Act to Revise the Income Tax Act, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure (Act No. 114 of 2011) and the Act on Special Measures for Securing Necessary Financial Resources to Implement Measures to Rebuild Areas Devastated by the Great East Japan Earthquake (Act No. 117 of 2011) were promulgated on December 2, 2011. In accordance with the promulgation, the effective statutory tax rate used to calculate the deferred tax assets and deferred tax liabilities concerning the temporary differences, etc. expected to be reversed in the accounting periods starting on April 1, 2012 and after will be changed to 36.59%, and the effective statutory tax rate used to calculate the deferred tax assets and deferred tax liabilities concerning the temporary differences, etc. expected to be reversed in the accounting periods starting on April 1, 2015 and after will be changed to 34.16%, respectively. The effect of the announced reduction of the effective statutory tax rate is immaterial.

## 8. NET ASSETS

The Investment Corporation issues only non-par value units in accordance with the Investment Trust Act. The entire amount of the issue price of new units is designated as stated capital. The Investment Corporation is required to maintain net assets of at least ¥50 million as required by the Investment Trust Act.

## 9. RELATED-PARTY TRANSACTIONS

### TRANSACTIONS WITH KENEDIX REIT MANAGEMENT, INC.

Kenedix REIT Management, Inc., a consolidated subsidiary of Kenedix, Inc., provides the Investment Corporation with property management services and related services. For these services, the Investment Corporation pays Kenedix REIT Management, Inc. property management fees in accordance with the terms of its Property Management Agreements. For these services, the Investment Corporation paid ¥368 million to Kenedix REIT Management, Inc.

## 10. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALE OF REAL ESTATE PROPERTY

Rental and other operating revenues, property-related expenses and gain on sale of real estate property for the periods from November 1, 2011 to April 30, 2012 and from May 1, 2011 to October 31, 2011 consist of the following:

	In thousands of yen	
	From November 1, 2011 to April 30, 2012	From May 1, 2011 to October 31, 2011
<b>Rental and other operating revenues:</b>		
Rental revenues	¥6,581,677	¥6,121,318
Common area charges	1,490,246	1,353,952
Subtotal	8,071,923	7,475,270
<b>Others:</b>		
Parking space rental revenues	271,260	249,514
Utility charge reimbursement	621,582	633,845
Miscellaneous	125,888	140,320
Subtotal	1,018,730	1,023,679
<b>Total rental and other operating revenues</b>	<b>¥9,090,653</b>	<b>¥8,498,949</b>
Property management fees and facility management fees	¥911,939	¥832,724
Depreciation	1,578,845	1,442,935
Utilities	663,800	617,943
Taxes	724,628	703,543
Insurance	14,084	14,655
Repairs and maintenance	165,367	152,453
Trust fees	47,277	43,614
Loss on retirement of fixed assets	3,719	—
Others	175,098	153,744
<b>Total property-related expenses</b>	<b>¥4,284,757</b>	<b>¥3,961,611</b>
<b>Gain on sale of real estate property:</b>		
Revenue from sale of investment property	¥ —	¥5,800,000
Cost of investment property	—	5,122,100
Other sales expenses	—	132,618
<b>Gain on sale of real estate property</b>	<b>¥ —</b>	<b>¥ 545,282</b>

# 11 . PROPERTY INFORMATION

Details of the property portfolio as of April 30, 2012 were as follows:

Type	Office Buildings		Residential Properties		Central Urban Retail Properties		Others
	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas	
Number of properties	61	15	3	1	2		1
Property information							(In millions of yen)
Acquisition price	¥212,106	¥52,295	¥7,641	¥1,800	¥12,380		¥ 645
Percentage of total acquisition price	73.94%	18.23%	2.66%	0.63%	4.32%		0.22%
Net book value	212,908	51,228	7,154	1,807	12,331		686
Appraisal value	198,385	45,084	6,368	1,520	11,000		1,100
Percentage of total appraisal value	75.30%	17.11%	2.42%	0.58%	4.17%		0.42%
Financial results for the period from November 1, 2011 to April 30, 2012							(In thousands of yen)
Rental and other operating revenues	¥6,556,908	¥1,837,212	¥223,760	¥91,396	¥337,886		¥43,491
Rental revenues	5,866,539	1,580,734	201,997	81,614	302,654		38,385
Other revenues	690,369	256,478	21,763	9,782	35,232		5,106
Property-related expenses	1,837,809	680,462	55,907	38,804	82,140		10,790
Property management fees	611,800	244,101	21,915	8,075	22,564		3,484
Taxes	515,644	162,372	15,367	7,959	20,817		2,469
Utilities	463,428	170,475	2,583	2,175	21,504		3,635
Repairs and maintenance	109,087	29,595	5,736	11,203	9,746		-
Insurance	8,137	4,861	419	323	199		145
Trust fees and other expenses	129,713	69,058	9,887	9,069	7,310		1,057
NOI (Net Operating Income)	4,719,099	1,156,750	167,853	52,592	255,746		32,701
Depreciation expenses	1,042,550	373,895	67,017	23,128	66,871		5,384
Operating income from property leasing activities	3,676,549	782,855	100,836	29,464	188,875		27,317
Capital expenditures	707,836	145,907	22,144	160	11,428		31,125
NCF (Net Cash Flow)	¥4,011,263	¥1,010,843	¥145,709	¥52,432	¥244,318		¥ 1,576

A breakdown of property-type as of April 30, 2012 was as follows:

Class of assets	Property type	Area	Balance at the end of period	
			(In millions of yen)	Percentage of total assets
Property and equipment	Office Buildings	Tokyo Metropolitan Area	¥212,908	70.2%
		Other Regional Areas	51,228	16.9%
	Subtotal		264,136	87.1%
	Residential Properties	Tokyo Metropolitan Area	7,154	2.4%
		Other Regional Areas	1,807	0.6%
	Subtotal		8,961	3.0%
	Central Urban Retail Properties	Tokyo Metropolitan Area	12,331	4.0%
	Subtotal		12,331	4.0%
Others	Other Regional Areas	686	0.2%	
Subtotal		686	0.2%	
Total			286,114	94.3%
Investment securities			897	0.3%
Bank deposits and other assets			16,273	5.4%
Total assets			303,284	100.0%
Total liabilities			153,221	50.5%
Net assets			¥150,063	49.5%

# 12 . FINANCIAL INSTRUMENTS

Fourteenth Fiscal Period (November 1, 2011 to April 30, 2012)

## (A) OVERVIEW

### (1) POLICY FOR FINANCIAL INSTRUMENTS

The Investment Corporation procures essential funds for acquiring properties and undertaking the repayment of loans primarily through bank loans and the issuance of corporate bonds and new investment units. The Investment Corporation uses derivatives for the purpose of hedging its exposure to changes in interest rates and does not enter into derivatives for speculative or trading purposes. Management of surplus funds is undertaken in a prudent manner that considers fully such factors as safety, liquidity, interest rate conditions and cash flows.

### (2) TYPES OF FINANCIAL INSTRUMENTS AND RELATED RISK

Investment securities are preferred equity securities of TMK as set forth by the Act on Securitization of Assets and are exposed to credit risk of the issuer and risk of fluctuation of value of its property.

Debt and corporate bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of seven years following the accounting date. Although a certain portion of said liabilities are subject to interest rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap transactions) in order to reduce such risk. Interest-rate swap transactions are used as derivative financial instruments. Utilizing interest-rate swap transactions, the Investment Corporation fixes its interest expense for long-term debt bearing interest at a variable rate. With regard to hedge accounting methods, hedging instruments and hedged items, hedge policy, and the assessment of the effectiveness of hedging activities, please see 2. (L) Derivative Financial Instruments.

### (3) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

#### (a) Monitoring of market risk (the risks arising from fluctuations in interest rates and others)

The Investment Corporation uses interest-rate swap transactions in order to minimize risk arising from fluctuations in interest rates on funds procured. The Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to investment securities.

#### (b) Monitoring of liquidity risk (the risk that the Investment Corporation may not be able to meet its obligations on scheduled due dates) associated with funds procurement

Although loans and other liabilities are subject to liquidity risk, the Investment Corporation reduces such risk by spreading out payment due dates and by using diversified fund procurement methods. Liquidity risk is also managed by such means as regularly checking the balance of cash reserves.

### (4) SUPPLEMENTARY EXPLANATION OF THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

## (B) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial instruments on the balance sheet as of April 30, 2012 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to Note 2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
① Cash and bank deposits	¥ 14,019,939	¥ 14,019,939	¥ —
Subtotal	14,019,939	14,019,939	—
① Short-term debt	14,700,000	14,700,000	—
② Corporate bonds (including current portion of corporate bonds)	6,000,000	5,874,300	(125,700)
③ Long-term debt (including current portion of long-term debt)	116,672,500	117,265,101	592,601
Subtotal	¥137,372,500	¥137,839,401	¥466,901
Derivative Transactions (*)	—	—	—

(\*) The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parentheses representing net liability position.

NOTE 1: METHODS TO DETERMINE THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER MATTERS RELATED TO SECURITIES AND DERIVATIVE TRANSACTIONS

ASSETS

① Cash and bank deposits

Since these items are settled in a short period of time, their carrying value approximates fair value.

LIABILITIES

① Short-term debt

Since these items are settled in a short period of time, their carrying value approximates fair value.

② Corporate bonds

The fair value of corporate bonds is based on quoted market prices.

③ Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into. The fair value of long-term debt bearing interest at variable rate, which is subject to fixed interest rates resulting from interest-rate swaps and special treatment applied to said swaps, is based on the present value of the total of principal and interest, which is handled together with applicable interest-rate swaps, discounted by the interest rate to be applied if similar loans were entered into.

DERIVATIVE TRANSACTIONS

(1) ITEMS THAT ARE NOT APPLIED TO HEDGE ACCOUNTING

Not applicable

(2) ITEMS THAT ARE APPLIED TO HEDGE ACCOUNTING

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	¥17,500,000	¥16,500,000	*	
Total			¥17,500,000	¥16,500,000		

\* Special treatment of interest-rate swaps is reported at the fair value of applicable long-term debt. This is because such swaps are handled together with hedged long-term debt.

NOTE 2: FINANCIAL INSTRUMENTS FOR WHICH IT IS EXTREMELY DIFFICULT TO DETERMINE THE FAIR VALUE

Classification	Carrying value (In thousands of yen)
Preferred equity securities	¥896,655

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above table.

NOTE 3: REDEMPTION SCHEDULE FOR RECEIVABLES

	Due within 1 year or less (In thousands of yen)
Cash and bank deposits	¥14,019,939
Total	¥14,019,939

NOTE 4: REDEMPTION SCHEDULE FOR DEBT AND CORPORATE BONDS

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	¥14,700,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	1,500,000	—	—	3,000,000	1,500,000
Long-term debt	11,880,000	27,846,000	33,746,500	30,300,000	7,500,000	5,400,000

## 13. INVESTMENT AND RENTAL PROPERTIES

Fourteenth Fiscal Period (November 1, 2011 to April 30, 2012)

The Investment Corporation owns real estate for rental purposes mainly in the Tokyo Metropolitan Area for the purpose of generating rental revenues.

The carrying value in the balance sheets and corresponding fair value of those properties are as follows:

Carrying value (In thousands of yen)			Fair value as of April 30, 2012 (In thousands of yen)
As of October 31, 2011	Net change	As of April 30, 2012	
¥254,921,755	¥31,192,664	¥286,114,419	¥263,867,000

Notes: 1. The carrying value represents the acquisition cost less accumulated depreciation.

2. The fair value is the appraisal value or the survey value determined by outside appraisers. The fair value of KDX Omori Building is based on the sales price of ¥4,200,000 thousand under the sales and purchase agreement dated February 23, 2012.

3. Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increases and decreases were the acquisition of nine properties totaling ¥31,851,609 thousand and depreciation amounting to ¥1,578,845 thousand.

Income and loss in the fiscal period ended April 30, 2012 for real estate for rental purposes is listed in the Note "10. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY."

## 14. SUBSEQUENT EVENTS

### SALES OF PROPERTY

The Investment Corporation has concluded a purchase and sales agreement on February 23, 2012 and sold the following property on May 11, 2012.

Property Name	KDX Omori Building (Office Building)
Type of Assets for Sale	Trust beneficiary interest in real estate
Location (Address)	1-6-8 Omori-kita, Ohta-ku, Tokyo
Buyer	Tokyo Property Service Co., Ltd. (Note)
Sales Price	¥4,200 million

Gain on sale of real estate property is estimated to be ¥597 million for the fifteenth fiscal period. The aforementioned sales price excludes sales costs, adjusted amounts for property and city-planning tax, consumption tax, regional consumption tax, etc.

Note: Tokyo Property Service Co., Ltd. has changed its company name from OIKOUGYOU CO., LTD. on March 16, 2012.

# Statements of Cash Flows (Unaudited)

Kenedix Realty Investment Corporation

For the period from November 1, 2011 to April 30, 2012 and the period from May 1, 2011 to October 31, 2011

	In thousands of yen	
	From November 1, 2011 to April 30, 2012	From May 1, 2011 to October 31, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before income taxes	¥ 2,541,809	¥ 3,054,377
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	1,872,257	1,724,828
Interest income	(674)	(1,063)
Interest expense	1,058,930	1,036,388
Loss on retirement of fixed assets	3,719	—
Litigation settlement	10,000	—
Gain on donation of noncurrent assets	—	(13,970)
Changes in assets and liabilities:		
Rental receivables	(2,702)	12,640
Consumption tax refundable	(220,729)	310,485
Accrued consumption tax	(66,864)	28,956
Trade and other payables	(30,365)	74,415
Rents received in advance	606,160	(590,901)
Property and equipment due to sale	—	5,122,100
Others, net	(572,096)	(258,096)
Subtotal	5,199,445	10,500,159
Interest income received	674	1,063
Cash payments of interest expense	(1,044,716)	(1,037,432)
Payments for loss on disaster	—	(28,598)
Litigation settlement paid	(10,000)	—
Cash payments of income taxes	(1,352)	(1,171)
<b>Net cash provided by operating activities</b>	<b>4,144,051</b>	<b>9,434,021</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(32,830,637)	(15,230,474)
Purchase of investment securities	(891,000)	—
Proceeds from leasehold and security deposits received	2,494,697	1,210,624
Proceeds from collection of lease and guarantee deposits	—	669
Payments of leasehold and security deposits received	(900,339)	(684,035)
Proceeds from withdrawal of time deposits	—	464,000
Payments of restricted bank deposits	(131,125)	—
Proceeds from restricted bank deposits	40,729	100,404
Others, net	(20)	—
<b>Net cash used in investing activities</b>	<b>(32,217,695)</b>	<b>(14,138,812)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term debt	8,700,000	6,000,000
Payments of short-term debt	(4,200,000)	(4,500,000)
Proceeds from long-term debt	38,700,000	14,000,000
Payments of long-term debt	(9,241,500)	(18,801,500)
Proceeds from issuance of investment units	—	13,938,969
Proceeds from issuance of investment corporation bonds	1,481,583	1,485,336
Redemption of investment corporation bonds	(9,000,000)	—
Payments of investment unit issuance costs	(28,322)	—
Payment of dividends	(2,747,109)	(2,310,038)
<b>Net cash (used in) provided by financing activities</b>	<b>23,664,652</b>	<b>9,812,767</b>
Net change in cash and cash equivalents	(4,408,992)	5,107,976
Cash and cash equivalents at the beginning of period	17,928,003	12,820,027
<b>Cash and cash equivalents at the end of period</b>	<b>¥13,519,011</b>	<b>¥17,928,003</b>

See related notes.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (UNAUDITED)

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, deposits placed with banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of purchase.

### CASH AND CASH EQUIVALENTS (UNAUDITED)

Cash and cash equivalents consisted of the following as of April 30, 2012 and October 31, 2011:

	In thousands of yen	
	As of April 30, 2012	As of October 31, 2011
Cash and bank deposits	¥14,019,939	¥18,338,535
Restricted bank deposits (Note)	(500,928)	(410,532)
Cash and cash equivalents	¥13,519,011	¥17,928,003

Note: Restricted bank deposits are retained for repayment of tenant leasehold and security deposits.