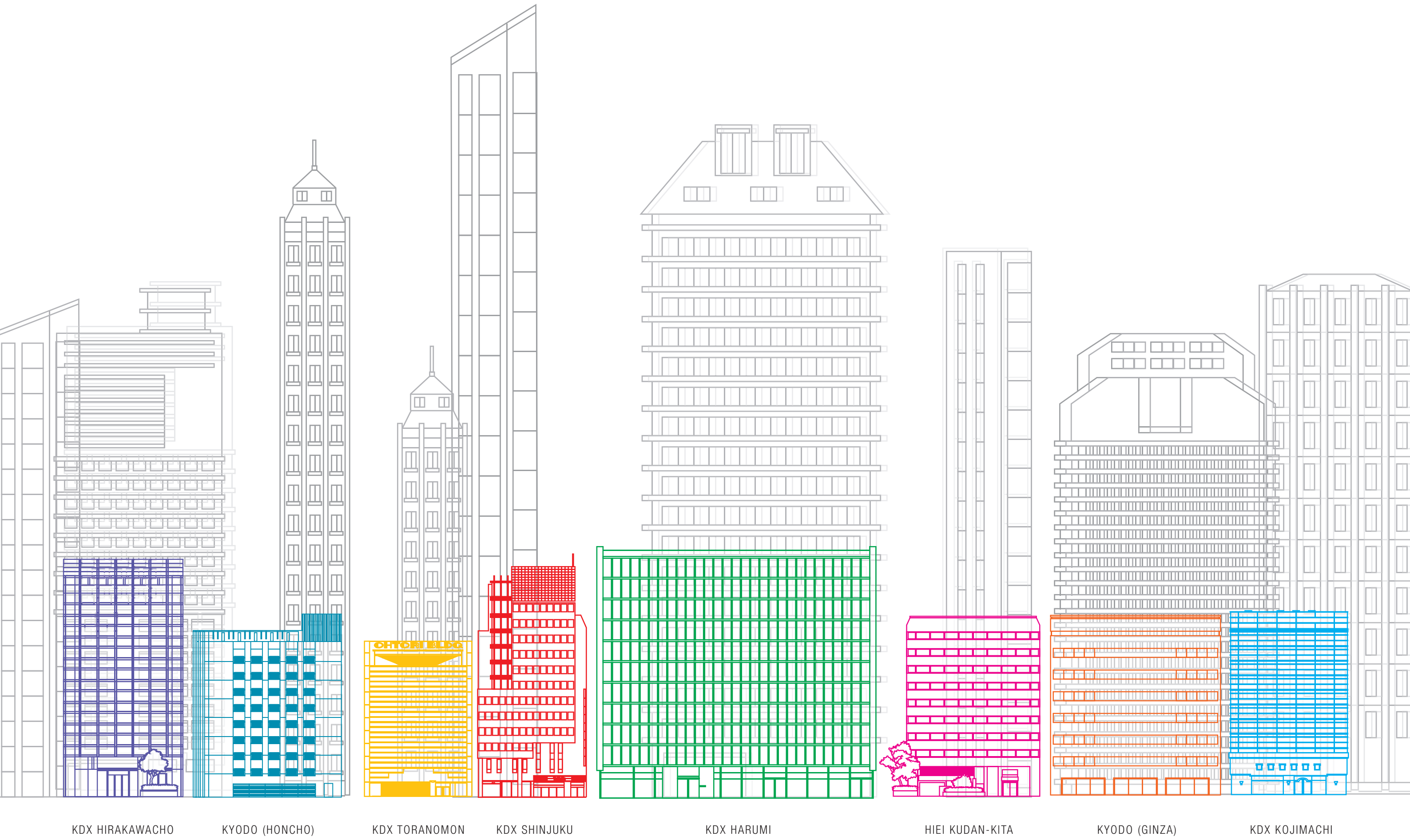
BEST INVEST
KENEDIX
Realty Investment Corporation

Semiannual Report

11th Fiscal Period

May 1, 2010 – October 31, 2010



KENEDIX-REIT

Is Poised for Growth

Challenge Breeds Opportunity.

KENEDIX Realty Investment Corporation (KENEDIX-REIT) successfully weathered one of the most turbulent periods in memory.

KENEDIX-REIT emerged from adversity with renewed ability to grow its dynamic portfolio. Over the medium to long term, KENEDIX-REIT is targeting 400 billion yen in assets while maintaining sustainable yields.

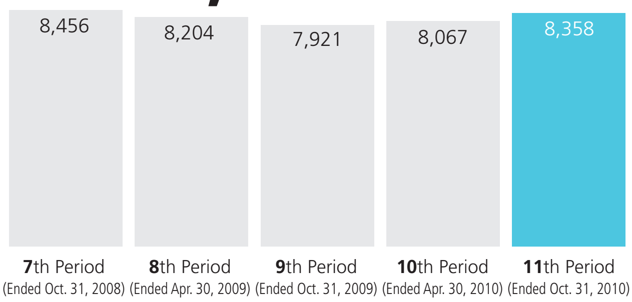
Strategy, Stability and Service

will drive this growth.

Contents

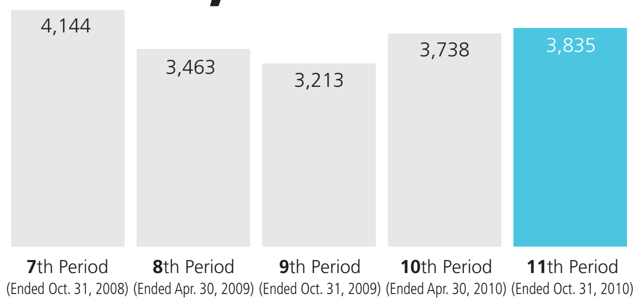
Operating Revenues

8,358 million yen



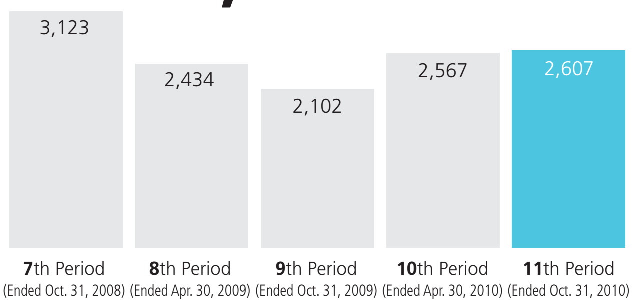
Operating Income

3,835 million yen



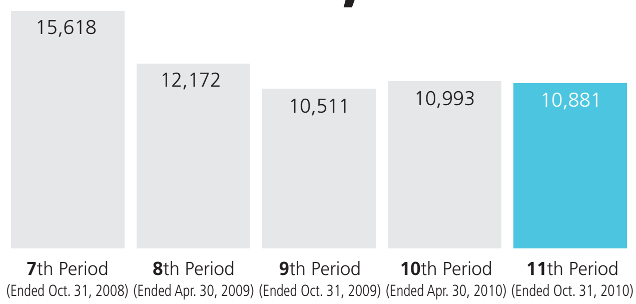
Net Income

2,607 million yen



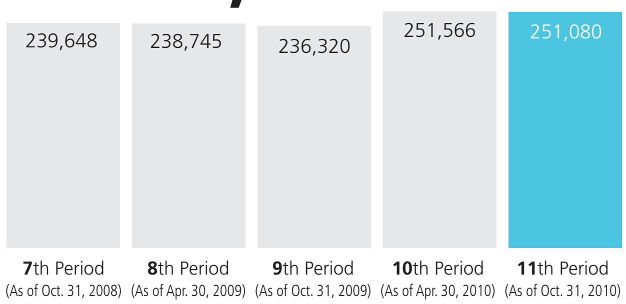
Distribution per Unit

10,881 yen



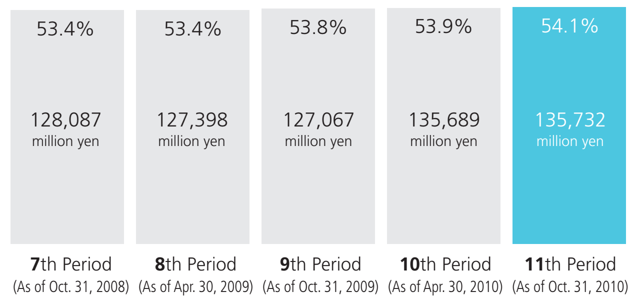
Total Assets

251,080 million yen



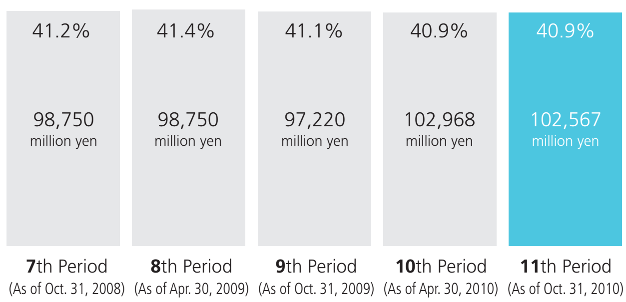
Unitholders' Equity Ratio Unitholders' Equity

54.1%



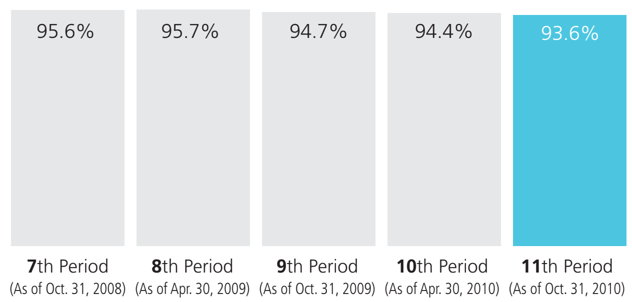
Interest-Bearing Debt Ratio Interest-Bearing Debt

40.9%



Occupancy Ratio

93.6%



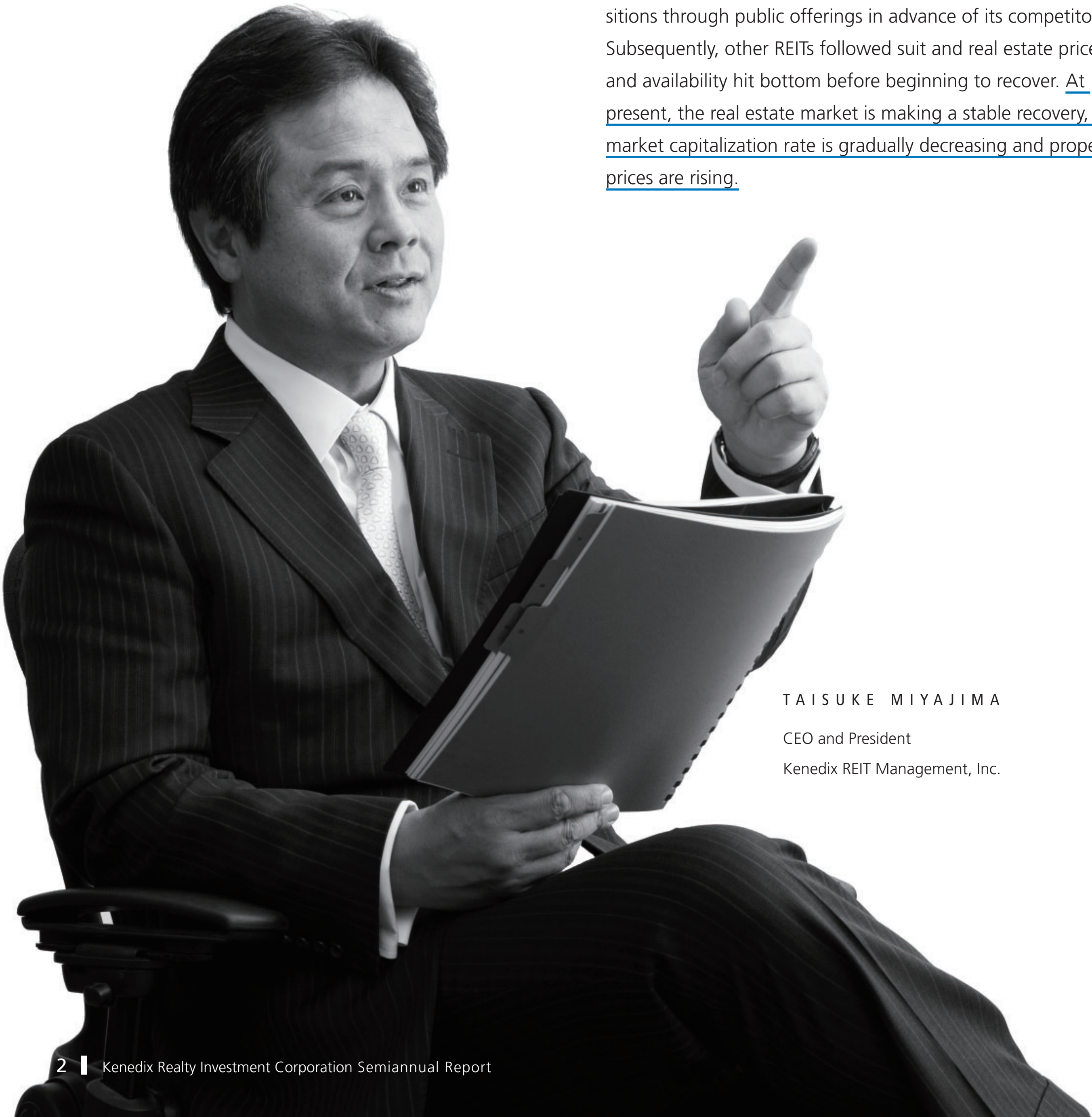
Dear Investors,

Always staying a step ahead of its competitors, KENEDIX-REIT is targeting portfolio expansion and stable growth in dividends to its investors. Both will be achieved by accurately identifying the second wave of growth and moving toward reaching 400 billion yen (100 buildings) in assets.

Japanese Real Estate Market Entering Recovery Phase

The Japanese real estate market is showing pronounced signs of a stable recovery. Real estate securitization markets that include J-REITs hit a low point in the spring of 2009. The attitude of financial institutions toward real estate financing has improved noticeably from the fourth quarter of 2009 onward. This, in turn, affected real estate markets, which in retrospect are believed to have bottomed out in the fall of 2009.

In November 2009, KENEDIX-REIT resumed property acquisitions through public offerings in advance of its competitors. Subsequently, other REITs followed suit and real estate prices and availability hit bottom before beginning to recover. At present, the real estate market is making a stable recovery, the market capitalization rate is gradually decreasing and property prices are rising.



TAISUKE MIYAJIMA

CEO and President

Kenedix REIT Management, Inc.

Hampered by the financial crisis that has persisted over the past few years, real estate in Japan has been sold at prices far lower than its intrinsic value. However, when consideration is given to such strengths as the size of the Japanese real estate market, the stability of the legal system, a simple and highly transparent market structure, the depth of its tenant base, and the high degree of liquidity in real estate, it is clear that overselling has taken place and obvious that adjustments are needed. Amid these cyclical flows, I believe that the investment opportunities and attractiveness of real estate currently available in Japan are immense.

Aggressive Property Acquisitions Keep KENEDIX-REIT a Step Ahead of Its Competitors

With an understanding of the best time to acquire properties, we have acquired eight mid-sized office buildings worth 26.7 billion yen since resuming public offerings at the end of 2009. KENEDIX-REIT acquired four properties totaling 8.8 billion yen through public offerings in late 2009, one property worth 6.8 billion yen in February 2010 by undertaking new loans, as well as two properties in Tokyo and one in Osaka (with a combined value of 11.1 billion yen) in November and December 2010, respectively, by undertaking new loans.

Astutely identifying changing trends in real estate markets, KENEDIX-REIT was able to get a step ahead of its competitors based on its specialized strategy related to mid-sized office buildings in the Tokyo Metropolitan Area. Although many market players appear to be interested in acquiring properties, the fact remains that only a few have been successful in making purchases. Against this backdrop, we have established a vastly superior position in terms of our property information-gathering and pricing capabilities.

Turning to acquisition pipelines, KENEDIX-REIT now has access to an abundance of quality property information thanks to having ITOCHU Corporation as one of its sponsors. At the same time, we are focusing on expanding a proprietary network that is not sponsor-reliant. Consequently, in terms of the acquisition price, over three-quarters of our acquisitions were or will be accounted for by sources other than those of the Kenedix Group in the 10th, 11th and 12th Fiscal Periods. We will actively collect information on properties coming up for sale as the maturity periods of Commercial Mortgage-Backed Securities (CMBSs) worth 5 trillion yen draws near. In addition, while avoiding an increase in our debt ratio, we will cooperate with our sponsors in establishing a private placement fund for the purpose of warehousing to avoid missing any opportunities to acquire attractive properties. To this end, we are investigating the possibility of undertaking partial investment in this area.

Aiming to Reach Assets Worth 400 Billion Yen over the Medium to Long Term

Owing to such active property acquisitions, as of December 2010, KENEDIX-REIT had extended its portfolio to 70 properties, totaling 244.4 billion yen. We are aiming to build up a portfolio of assets worth 400 billion yen, mainly consisting of 100 office buildings, over the medium to long term. For KENEDIX-REIT to own assets worth 400 billion yen will be very significant. In addition to advantages including increased economies of scale, stabilized cash flows stemming from a diversified portfolio, and an expanded capacity to respond to new acquisition opportunities, such as development projects and single-tenant properties, our 400 billion yen portfolio will benefit investors by offering them increased liquidity.

Displaying KENEDIX-REIT's Unique Property Management Strengths

The occupancy ratio of KENEDIX-REIT's portfolio, which bottomed out at 92.4% in July 2009, had recovered to 93.6% as of October 31, 2010. The turnover ratio for office buildings, which rose above 10%, fell to 8.4%, while market trends toward a decrease in rent levels have subsided.

In terms of the management of mid-sized office buildings, Kenedix REIT Management has completely taken over our property management operations, one of our strengths. Thanks to Kenedix REIT Management having taken over all leasing activities and transactions with building maintenance companies, we are able to build stronger tenant relations that precisely respond to their needs.

In particular, we undertake regular customer satisfaction surveys that target all tenants. As we ascertain tenants' intentions and desires, we are making a conscious effort to pinpoint and respond to tenant needs. In this manner, property management and customer satisfaction surveys are being used as tools to bolster tenant relations. Through these activities, we are working to maintain stable cash flows.

Proactive Investments Focusing on Energy Conservation

We made efforts to maintain internal cash reserves by refraining from commencing new construction during the financial crisis, and in 2010 resumed investing with the intention of initiating a facilities renewal program and improving our competitiveness. In addition to routine construction, KENEDIX-REIT is bolstering its environmental responsiveness in accordance with the revised Energy Conservation Law.

We expect to successfully reduce energy consumption (equivalent to the corresponding amount of oil) by over 5% over a five-year period while working to control costs. To that end, we will undertake facility renewals in areas including air-conditioning systems while construction costs remain low, following these with the introduction of new lighting fixtures when LED prices decline. In addition, we will reduce construction expenses by utilizing our strengths from having specialized in mid-sized office buildings and by maximizing economies of scale. Through such actions, we will do our utmost to control capital expenditures while working to reduce energy consumption to the maximum extent possible. Thanks to a forecast 13.8% reduction in energy consumption at the KDX Shin-Yokohama Building, our proactive measures in this area are beginning to be recognized. Such recognition includes being selected by the Ministry of Land, Infrastructure, Transport and Tourism as a building that prominently promotes improvements in energy consumption.

Maintaining a Solid Financial Foundation to Achieve Further Growth

Turning to financial management, being mindful of diversifying repayment dates, extending borrowing periods, and the fixing of interest rates and diversifying procurement methods has remained our fundamental strategy since KENEDIX-REIT was first listed. We also take actions that avoid excessive financial pressures by diversifying our funding sources.

With regard to the attitude of banks towards lending in relation to property acquisitions that occurred in November 2010, there has been a major improvement in borrowing provisions—including extended maturity dates, an increase in the number of participating banks, a rise in loan amounts, and a shift from amortization to lump-sum payments—in contrast to the property acquisitions that took place in February 2010. Moreover, the 3-month Tibor spread for interest rates on loans has declined from a basis that exceeded 200 basis point to approximately 150 basis point. This is very beneficial for maintaining stable distributions.

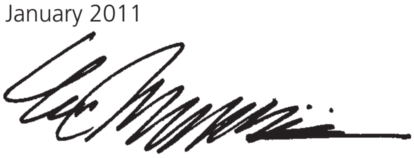
Leading the Market by Independent Strategies and Expertise

The foremost strength of Kenedix REIT Management is its orientation toward becoming an "autonomous J-REIT." Rather than undertake management operations that focus only on the wishes of sponsors, we make quick, unimpeded decisions based on what must be done to maximize value for investors.

We are confident in our management capabilities based on our experience as a group with specialized skills that boasts a wealth of achievements, as well as on our ability to make autonomous decisions that enables us to take defensive or aggressive actions as needed. Consequently, we have been able to survive as an emerging REIT in the severe conditions that have prevailed over the past few years and by undertaking public offerings ahead of REITs sponsored by large corporations. Taking advantage of its management capabilities, KENEDIX-REIT will pursue management operations that utilize its freedom to engage in independent investment while making appropriate judgments concerning market conditions. The market for mid-sized office buildings is highly inefficient, in the sense that investors do not know enough about it to make informed decisions. Adding the fact that the market players mainly consist of individuals and small- and medium-sized businesses, this market has plenty of room to develop.

As we ceaselessly work to realize unparalleled management operations as a unique REIT specializing in mid-sized office buildings, I believe that it is our mission to convey to the wider world the attractiveness of mid-sized office buildings in the Tokyo Metropolitan Area.

January 2011



Taisuke Miyajima
CEO and President
Kenedix REIT Management, Inc.

An Overview of Newly Acquired and Sold Properties

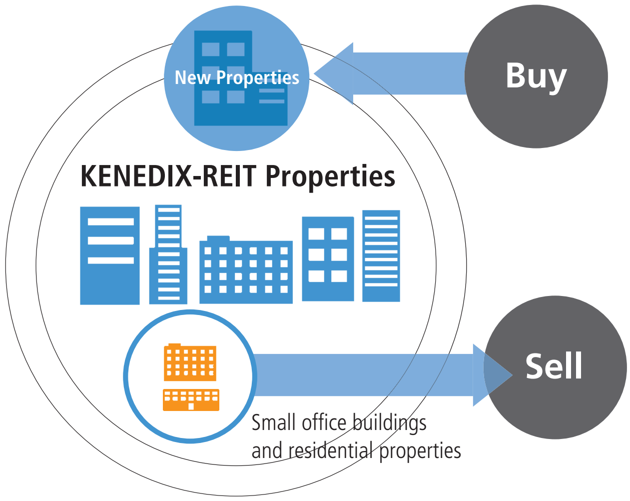
Proactive Property Acquisition Targeting 400 Billion Yen in Assets

KENEDIX-REIT employs a flexible property acquisition strategy that it adjusts to real estate market conditions. Given this, we believe that we are now at an appropriate time to acquire properties. To this end, since November 2009 we have been improving the quality of our portfolio through the resumption of property acquisitions, keeping pace with the recovery that is taking place in the market. By the end of the 11th Fiscal Period we had acquired five mid-sized office buildings.

Furthermore, KENEDIX-REIT acquired a total of three office buildings (two mid-sized office buildings in Tokyo and one highly profitable office building in Osaka) in November and December 2010, respectively. To this end, Kenedix-REIT extended the worth of its assets to 244.4 billion yen as of December 2010.

External Growth as a Generator of Stable Distributions

Improving the quality of the portfolio by replacing relatively small office buildings and residential properties with superior office buildings



Newly Acquired Properties (During 12th Period)

KYODO BUILDING (Ginza No.8)
Location: Chuo-ku, Tokyo
Gross Floor Area: 4,724.62m²
Acquisition Price: 4,300 million yen
Appraisal Value: 4,520 million yen
(as of October 1, 2010)
Acquisition Date: November 12, 2010

KYODO BUILDING (Honcho 1chome)
Location: Chuo-ku, Tokyo
Gross Floor Area: 5,110.45m²
Acquisition Price: 4,000 million yen
Appraisal Value: 4,330 million yen
(as of October 1, 2010)
Acquisition Date: November 12, 2010

KDX KOBAYASHI-DOSHOMACHI BUILDING
Location: Chuo-ku, Osaka
Gross Floor Area: 10,723.83m²
Acquisition Price: 2,870 million yen
Appraisal Value: 2,970 million yen
(as of October 1, 2010)
Acquisition Date: December 1, 2010

Properties Sold (During 11th Period)

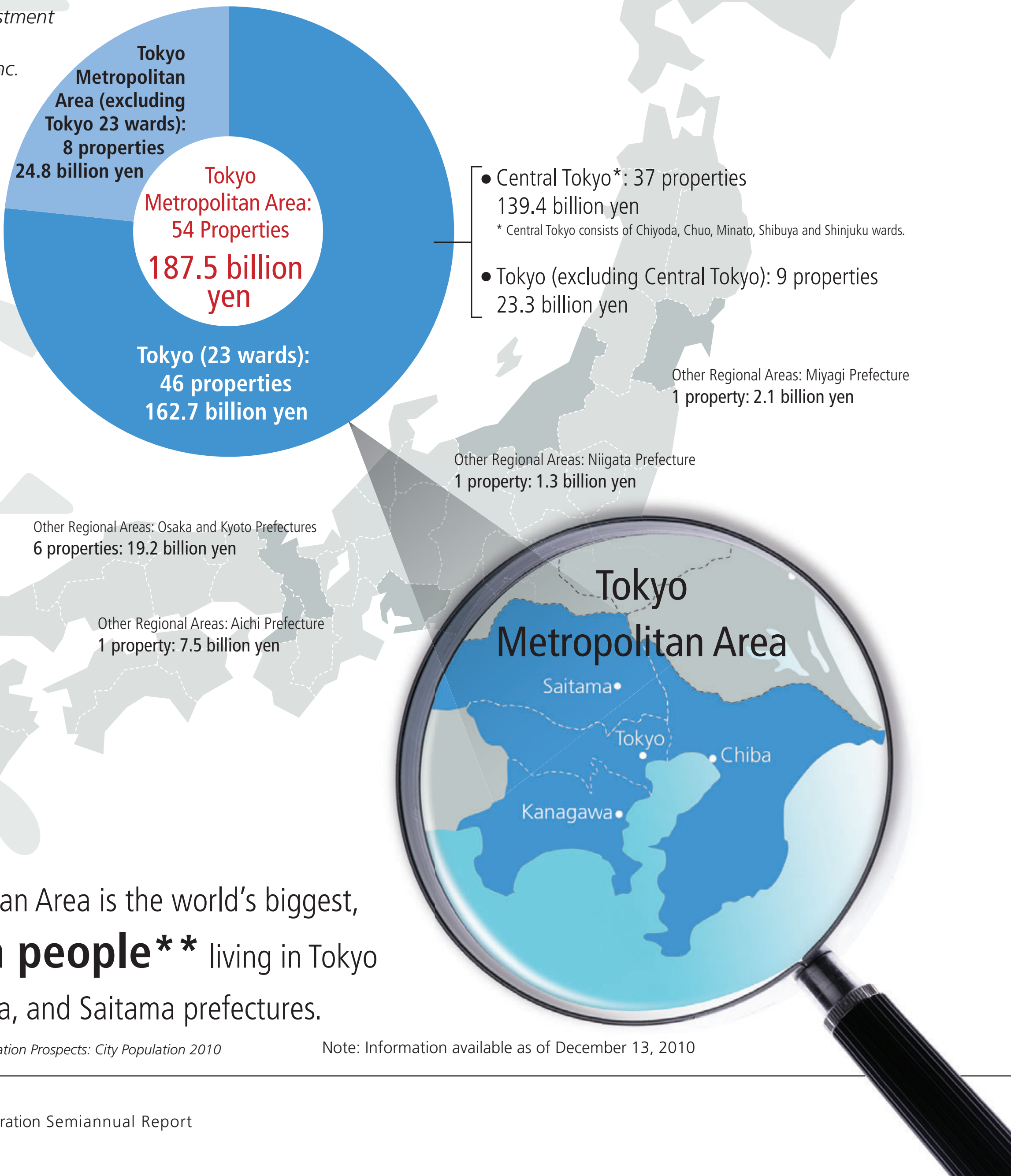
KDX SHINJUKU-GYOEN BUILDING (office building)
Sales Price: 1,710 million yen
Date Sold: September 30, 2010

COURT SHIN-OKACHIMACHI (residential property)
Sales Price : 790 million yen
Date Sold: October 27, 2010

We Are the Only REIT Focused on Mid-Sized Office Build

KENEDIX-REIT Is Poised for Growth with its strategic focus on mid-sized office buildings that deliver strong, sustainable yields, especially in Tokyo Metropolitan Area. KENEDIX-REIT evaluates each investment decision critically, only investing when the asset meets its exacting criteria.

Koju Komatsu
General Manager of the Investment Management Division (CIO)
Kenedix REIT Management, Inc.



Did You Know?

The Tokyo Metropolitan Area is the world's biggest, with **36 million people**** living in Tokyo and Kanagawa, Chiba, and Saitama prefectures.

** Source: *United Nations World Urbanization Prospects: City Population 2010*

Note: Information available as of December 13, 2010

ings in Tokyo Metropolitan Area

84.2%

of our office building portfolio is located in the Tokyo Metropolitan Area.

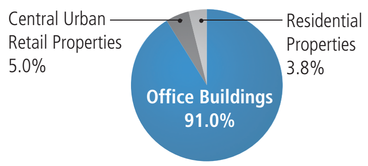
KENEDIX-REIT has developed into a unique market player in Japan, having implemented a strategy that specifically targets mid-sized office buildings in the Tokyo Metropolitan Area.

Compared with large-sized office buildings there are numerous mid-sized office buildings in the Tokyo Metropolitan Area, and because of the many tenants and stable demand their rent fluctuation rates are not as high.

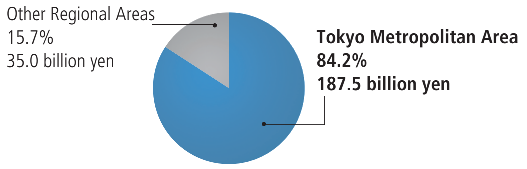
Owing to these advantages as well as a stable market that is relatively resistant to economic downturns, mid-sized office buildings benefit from both stable occupancy ratios and leasing business income, which are major strengths.

Utilizing these strengths, 84.2% of KENEDIX-REIT's office portfolio currently consists of properties acquired in the Tokyo Metropolitan Area. Pivotal in this, KENEDIX-REIT is working to maintain and improve a stable leasing Net Operating Income (NOI) ratio for the remaining 15% of its office portfolio, which is situated in favorable locations in large regional cities, by undertaking diversified investments in office buildings that feature high leasing NOI ratios.

Portfolio Breakdown by Usage (Entire Portfolio)



Portfolio Breakdown by Area (Office Buildings)



93.4%

of companies in Tokyo are small and medium sized, ensuring stable tenant demand for mid-sized office buildings.

The Tokyo Metropolitan Area is the world's biggest urban area, with approximately 36 million people living in Tokyo and the adjacent prefectures of Kanagawa, Chiba and Saitama. Despite a decline in Japan's total population, this area is still growing. With Tokyo's gross metropolitan product (GMP) expected to retain its leading position until 2025, this market is anticipated to enjoy stable demand in the years ahead as a center of the global economy.

Moreover, according to a survey conducted by the Tokyo Metropolitan Government in 2006, 93.4% of businesses located in Tokyo have fewer than 29 employees. Based on this, mid-sized office buildings located in Tokyo feature stable demand compared with larger buildings due to having extremely high numbers of potential tenants and property liquidity levels. Consequently, the cyclical demand that exists in the Tokyo Metropolitan Area is high in spite of current economic conditions.

Fully utilizing the advantages of mid-sized office buildings, KENEDIX-REIT is working to expand its assets and establish a stable earnings foundation with the aim of reaching a portfolio consisting of 100 buildings worth 400 billion yen. As a REIT that boasts a staff of skilled professionals, specializes in mid-sized office buildings in the Tokyo Metropolitan Area, and is bolstered by achievements that it has accumulated since being listed, KENEDIX-REIT will achieve these initiatives by engaging in management operations that are a step ahead of its competitors.

Notes: 1. Acquisition prices are rounded to the nearest 100 million yen.
2. Ratios indicate the total acquisition price for properties in each area in proportion to the total acquisition price for all properties combined.
3. Figures are rounded down to the first decimal place.

Our Diversification Generates Stab

Masahiko Tajima
Director and General Manager,
Financial Planning Division
Kenedix REIT Management, Inc.

KENEDIX-REIT Is Poised for Growth with diversified sources of funding and stable occupancy across a portfolio of 70 properties located primarily in the Tokyo Metropolitan Area.

64 Buildings

The volume generates scale-merits such as cost-cutting and risk hedging

KENEDIX-REIT strives to maximize obtainable economies of scale by undertaking management operations that concentrate on mid-sized office buildings. We already own 64 office buildings in this category and can therefore achieve economies of scale by consigning renovation and maintenance work for a number of properties to a single outside contractor. In terms of individual buildings, investment risks exist, although we can enjoy higher yields for mid-sized office buildings.

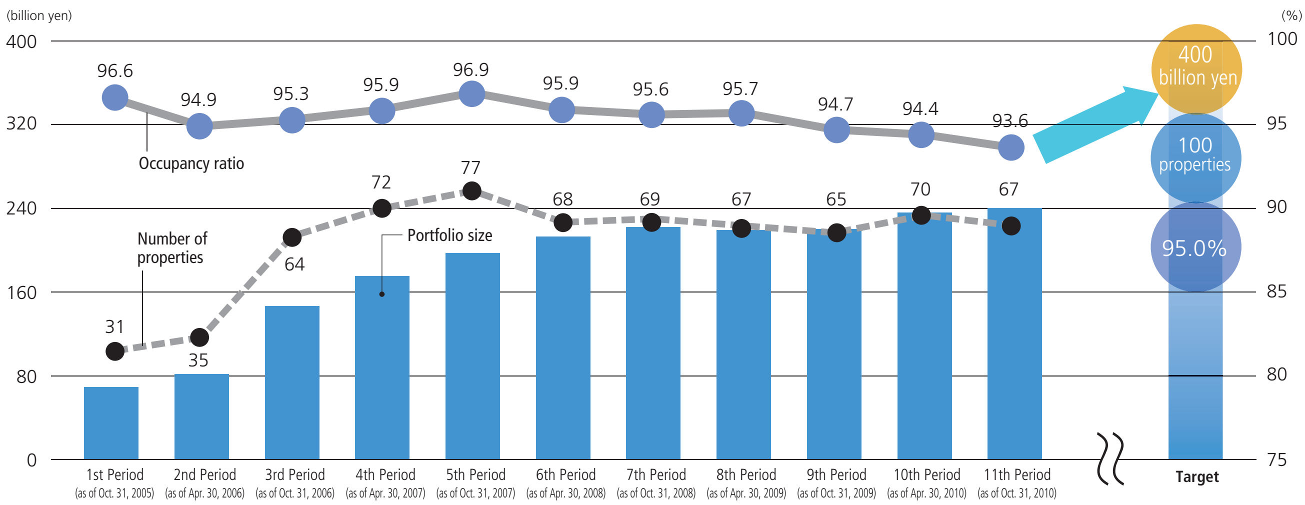
Consequently, KENEDIX-REIT minimizes investment risks by fully spreading investments among a number of buildings.

Strengthening Sponsorships and Information Pipelines

In 2009, ITOCHU Corporation was accepted as a new sponsor. Consequently, KENEDIX-REIT is able to maximize the use of its property information pipelines as well as those of its sponsors, Kenedix, Inc. and ITOCHU Corporation.

Furthermore, we plan to acquire prime properties by fully utilizing our property acquisition sources, including proprietary networks. In order to acquire superior properties, we will also investigate the establishment of a warehousing fund with our sponsors and the feasibility of undertaking *tokumei-kumiai* (Japanese silent partnership) contributions. Consequently, we aim to diversify property acquisition routes and, in turn, achieve stable growth by obtaining preferential negotiating rights for properties in the fund.

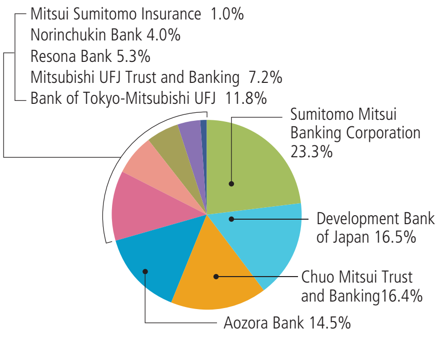
Portfolio Growth



le Growth

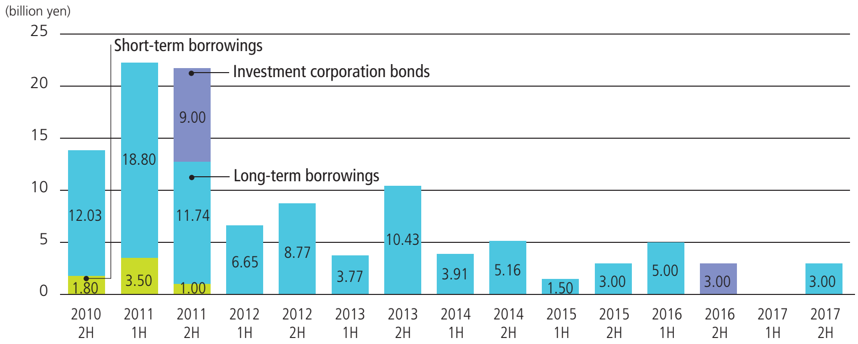
Breakdown of Lenders

(As of December 13, 2010)



Diversification of Debt Maturities

(As of December 13, 2010)



Notes: 1. Shows debt amounts that mature in each period (rounded to the second decimal place)
2. 1H is April 1 to September 30; 2H is October 1 to March 31 of the following year. These are different from the fiscal periods of the Investment Corporation (e.g. 2010, 2H is October 1, 2010 to March 31, 2011)

40.9%

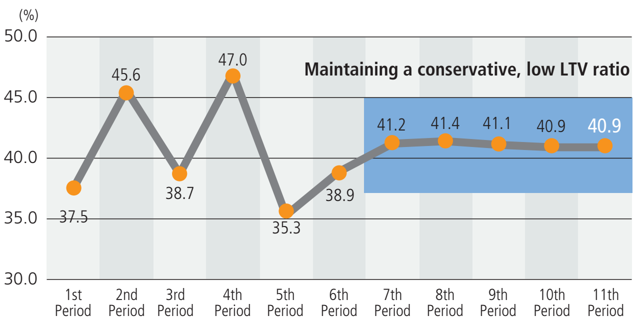
Conservative, low LTV realizes a sound and stable foundation

Since being listed, KENEDIX-REIT has worked to build a sound and stable financial foundation. In order to realize stable financial management, we have endeavored to minimize refinancing risks as part of our basic policy to stagger repayment dates, extend loan periods, fix interest rates and employ a wide array of procurement methods. Basically KENEDIX-REIT limits its Loan to value (LTV) ratio to 45% so as to smoothly procure assets when the opportunity arises to acquire properties. We aim to employ a diverse array of procurement methods—including issuing corporation bonds, implementing public offerings and obtaining asset-backed funding—and achieve external growth through property acquisition based on stable financial management. By setting our sights in this way, the LTV ratio at the end of the period under review was at the 41% level. Such actions are intended to facilitate agile fund procurement to take advantage of future property acquisition opportunities. We are achieving growth through external acquisitions by continuing to focus on diversified procurement methods. At the same time, we are committed to generating stable distributions for our investors.

Borrowing provisions, which worsened following the financial crisis, have been on a recovery track since the end of 2009. KENEDIX-REIT is working to establish stable financial management operations by taking advantage of extensions to average loan periods, lowered interest rate levels on loans and improved borrowing provisions. In terms of property acquired in November 2010, loan conditions have recovered compared with those in February 2010 since borrowing provisions have improved significantly; lending periods have been extended to seven years (compared with five years in February 2010); and the number of banks offering loans has expanded from four to six.

We will strive to improve borrowing conditions by building favorable relationships with financial institutions through closer communication, affecting positive changes in borrowing provisions and using a variety of procurement methods.

Changes in LTV Ratio



Note: LTV = Total debt ÷ total assets

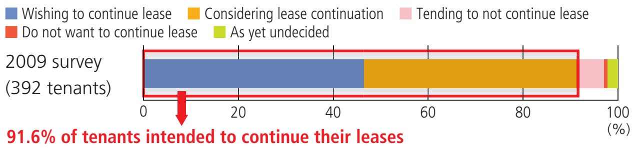
Our Focus on Service and Pro

Masashi Ohwa
Director and General Manager, Property Management Division
Kenedix REIT Management, Inc.

KENEDIX-REIT Is Poised for Growth

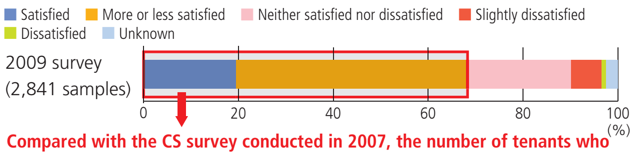
due to its unrelenting attention to service and property management. We are so dedicated that we enlisted market research specialist J.D. Power Asia Pacific to gauge customer (tenant) satisfaction (CS) by survey and are taking new steps based on its results.

CS Survey of Tenant Lease Continuation Intentions



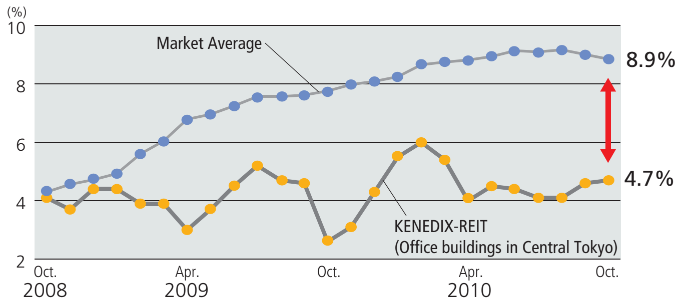
91.6% of tenants intended to continue their leases

Overall Customer (Tenant) Satisfaction



Compared with the CS survey conducted in 2007, the number of tenants who declared themselves to be "satisfied" or "slightly satisfied" increased by 4.6%.

Market Vacancies: KENEDIX-REIT versus the Market



Note: The average market vacancy ratio for Tokyo's business district (five central wards) provided by Miki Shoji. Covers both existing and new buildings
Source: Prepared by the Kenedix REIT Management based on data provided by Miki Shoji

93.3%

Personalized service helps maintain high occupancy ratio for office buildings

Staying ahead of leasing market trends, KENEDIX-REIT has been working to maintain stable cash flows—and upholding its principle of not engaging in rent increase negotiations—since November 2008 based on a management policy that prioritizes the maintenance of occupancy ratios. Behind this measure is the intention to respond to risks associated with turnover rates caused by the recession. In turn, we can rapidly identify trends in leasing markets for office buildings as well as tenant needs. We will also maintain occupancy ratio at high levels amid slumping leasing markets by as far as is possible attracting new tenants. With a steady occupancy ratio of 93.3% for the office building portfolio as of October 31, 2010, we have secured a stable source of earnings. In terms of vacancy ratios, market vacancy ratios for office buildings in Tokyo's central five wards stood at 8.9% as of October 31, 2010. In contrast, KENEDIX-REIT achieved the very low vacancy ratio of 4.7% for office buildings located in this area.

KENEDIX-REIT collected tenant feedback through CS surveys conducted by J.D. Power Asia Pacific in 2009. Having gained an understanding of both the strengths and weaknesses of each building's intangible and tangible aspects, we are working to improve the situation. Based on the three CS surveys conducted to date, we have made efforts to maintain and improve occupancy ratios by undertaking appropriate renovations and providing appropriate services.

perty Management

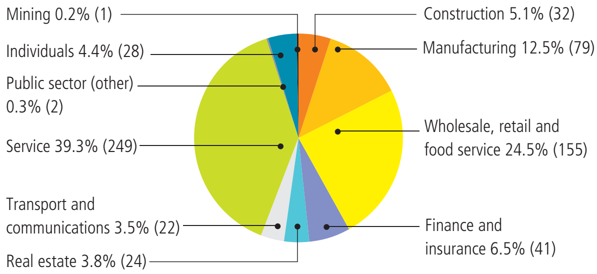
Contributes to Stable Occupancy

633

Office End Tenants

Tenant diversity contributes to stable occupancy

End Tenants of Office Buildings (by Sector)
(As of October 31, 2010)



KENEDIX-REIT is taking steps to establish a tenant base that is engaged in a diverse array of businesses by maximizing the characteristics of mid-sized office buildings and economies of scale. Through such actions, we are able to spread and minimize risks in such areas as turnover by not relying on particular types of clients or businesses categories.

As of October 31, 2010, the number of end tenants rose to 633 in 61 office buildings, spanning a broad array of business categories that include the service industry (approximately 40%); the wholesale, retail and food service (24.5%); followed by manufacturing (12.5%).

With the ratio of our largest end tenant standing at 2.1%* and the top three standing at only 5.5%*, we are not reliant on our top end tenants to any great extent. As such, we are working to build an exceptionally balanced situation through our end tenants. We will work to spread and minimize risks primarily related to tenant turnover and, in turn, ensure stable income.

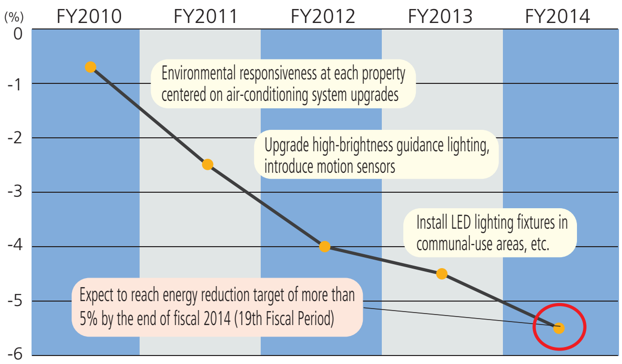
* The above percentages represent the proportion of KENEDIX-REIT's overall portfolio accounted for by top-end office building tenants (based on total leased floor area).

More Than 5%

Energy reduction target in the next five years

KENEDIX-REIT is actively implementing capital expenditures to increase the competitiveness of its properties, improve the value of its assets and conform to the revised Energy Conservation Law. In particular, we are systematically implementing specific energy-saving measures per property that are centered on air-conditioning systems and lighting fixtures, which account for 80% of total energy usage. We began an energy conservation check and measured the effectiveness of the attributes of each property from the 11th Fiscal Period, ended October 31, 2010, onward. Based on these results, from that period we have started to undertake measures for individual properties, primarily air-conditioning unit upgrades. Moving forward, we will deploy motion sensors and upgrade transformers and fans, and also introduce LED-based systems. We expect to reduce energy consumption by more than 5% in 5 years. KENEDIX-REIT aims to significantly decrease construction costs by using economies of scale with 70 properties worth 244.4 billion yen and by undertaking block bidding for multiple properties. We will work to save energy to the maximum extent possible while minimizing capital expenditures.

Five-Year Energy Reduction Plan



Corporate Governance

With the aim of becoming an "autonomous J-REIT," KENEDIX-REIT endeavors to build a corporate governance system that fosters highly transparent asset management operations and fair transactions.

Ensuring management independence and transparency is extremely important in undertaking fair transactions and is indispensable for promoting sound management practices. In order to remain in compliance with each legal regulation and realize asset management operations that are fair and highly transparent, KENEDIX-REIT and Kenedix REIT Management are mindful of the following items, shown in the chart below. In particular, the Compliance Officer and the Asset Management Committee (AMC) function as two integral aspects of the decision-making process, ensuring compliance with rules and regulations that govern J-REITs, organization-wide support and the implementation of decisions.

Corporate Governance System of KENEDIX-REIT

KENEDIX-REIT has established a Board of Directors—a meeting of which is held on a regular basis—that is fully capable of undertaking operating decisions and functioning as a body that supervises the executive officers. Through the functions of the Board of Directors, KENEDIX-REIT works to grasp and oversee the status of Kenedix REIT Management's business operations.

Corporate Governance System of Kenedix REIT Management

Kenedix REIT Management endeavors to control the various risks related to investment management by drafting management guidelines and adhering to fundamental investment management concepts, including investment policies, transaction rules with interested parties, and investment allotment and disclosure policies.

Furthermore, based on a review conducted by the Compliance Officer, important items that include transactions with interested parties are subject to strict protocols that involve deliberations and resolutions undertaken by the AMC and the Compliance Committee (which includes one outside lawyer). Final decisions regarding such transactions are made by the Board of Directors.

AMC's Role in Advancing Decision Making

On a weekly basis, AMC members receive reports on tenant movements and plans, discuss measures to deal with negative movements, receive proposals on renovations and other improvements, and deliberate and approve property acquisition and dispositions. While each division takes action to fulfill its respective areas of responsibility, the process of discussion and approval vets issues and ensures a flow of communication that is logical and meaningful to the decision-making process.

Decision Making at Kenedix REIT Management

The Compliance Officer previews the REIT's major pending decisions to ensure that no transactions are detrimental to the interests of investors, that the rules for deals with interested parties are obeyed and that the deals are implemented in accordance with established guidelines. The Compliance Officer also works to ensure that service providers are in compliance with the rules and regulations that govern J-REITs.

AMC is the crux of cross-organizational management and communication. Attendees of the regular weekly meetings comprise leaders and managers, and meetings affiliated with property or other material decisions are attended by the CEO and President of Kenedix REIT Management, the General Manager of the Financial Planning Division (CFO), the General Manager of the Investment Management Division (CIO), the General Manager of the Property Management Division and the Compliance Officer.

Meetings of Committees in Each Fiscal Period

	1st Period	2nd Period	3rd Period	4th Period	5th Period	6th Period	7th Period	8th Period	9th Period	10th Period	11th Period
Compliance Committee	7	7	7	8	6	8	9	8	8	10	7
Asset Management Committee	21	35	39	39	38	38	52	44	36	39	32
Kenedix REIT Management Board of Directors	9	7	9	8	9	7	10	8	10	12	11
KENEDIX-REIT Board of Directors	11	7	7	9	7	7	7	8	8	8	8

KENEDIX-REIT Portfolio Table

End of 11th Fiscal Period (As of October 31, 2010)

	No.	Collateralized Assets	Property Name	Location	Acquisition Price (mn yen)	Year Built (Note 1)	Occupancy Ratio
Office (Tokyo Metropolitan Area)	A-1	*	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	Apr. 1974	100.0%
	A-2		KDX Hirakawacho Building	Chiyoda-ku, Tokyo	5,180	Mar. 1988	100.0%
	A-3	*	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	Jan. 1987	100.0%
	A-4		KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	Jun. 1993	100.0%
	A-5	*	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	Aug. 1992	96.5%
	A-6	*	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	Nov. 1985	100.0%
	A-7		FIK Minami Aoyama	Minato-ku, Tokyo	2,270	Nov. 1988	100.0%
	A-8	*	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	May 1993	100.0%
	A-13		KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	May 1994	91.9%
	A-14	*	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	98.5%
	A-15	*	KDX Hamacho Building	Chuo-ku, Tokyo	2,300	Sep. 1993	93.9%
	A-16	*	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	72.7%
	A-17		Ebisu East 438 Building	Shibuya-ku, Tokyo	4,640	Jan. 1992	83.4%
	A-18	*	KDX Omori Building	Ohta-ku, Tokyo	3,500	Oct. 1990	100.0%
	A-19	*	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	Sep. 1999	100.0%
	A-20	*	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	Oct. 1987	100.0%
	A-21		KDX Shinbashi Building	Minato-ku, Tokyo	2,690	Feb. 1992	100.0%
	A-22	*	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	74.0%
	A-23		KDX Yotsuya Building	Shinjuku-ku, Tokyo	1,950	Oct. 1989	100.0%
	A-26	*	KDX Kiba Building	Koto-ku, Tokyo	1,580	Oct. 1992	100.0%
	A-27	*	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	Mar. 1990	84.2%
	A-28		KDX Nogizaka Building	Minato-ku, Tokyo	1,065	May 1991	78.1%
	A-29	*	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	Jan. 1990	100.0%
	A-30	*	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	Nov. 1992	100.0%
	A-31	*	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	Sep. 1986	100.0%
	A-32	*	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	Jul. 1986	100.0%
	A-33		KDX Okachimachi Building	Taito-ku, Tokyo	2,000	Jun. 1988	100.0%
	A-34	*	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May 1995	100.0%
	A-35		KDX Hachioji Building	Hachioji, Tokyo	1,155	Dec. 1985	96.4%
	A-37	*	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	Aug. 1982	100.0%
	A-38		KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	Oct. 1992	87.6%
	A-39	*	KDX Toranomon Building	Minato-ku, Tokyo	4,400	Apr. 1988	100.0%
	A-40	*	Toranomon Toyo Building	Minato-ku, Tokyo	9,850	Aug. 1962	95.4%
	A-41	*	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	Aug. 1989	100.0%
	A-45		KDX Roppongi 228 Building	Minato-ku, Tokyo	3,300	Apr. 1989	65.1%
	A-46	*	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	Mar. 1988	85.3%
	A-47		KDX Shin-Yokohama 381 Building (Note 2)	Yokohama, Kanagawa	5,800	Mar. 1988	100.0%
	A-48	*	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	Feb. 1985	100.0%
	A-49	*	Nissou Dai-17 Building	Yokohama, Kanagawa	2,710	Jul. 1991	94.9%
	A-50	*	Ikejiri-Oohashi Building	Meguro-ku, Tokyo	2,400	Sep. 1988	91.3%
	A-51	*	KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	Sep. 1988	93.0%
	A-52		KDX Kanda Misaki-cho Building	Chiyoda-ku, Tokyo	1,380	Oct. 1992	86.9%
	A-55	*	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	Jul. 1990	100.0%
	A-56	*	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	May 1994	94.4%
	A-57		KDX Gobancho Building	Chiyoda-ku, Tokyo	1,951	Aug. 2000	85.7%
	A-59		KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	Mar. 2008	100.0%
	A-60	*	KDX Harumi Building	Chuo-ku, Tokyo	10,250	Feb. 2008	98.2%
	A-61		KDX Hamamatsucho Dai-2 Building	Minato-ku, Tokyo	2,200	Apr. 1992	100.0%
	A-62	*	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	Nov. 1989	100.0%
	A-63	*	Gotanda TG Building	Shinagawa-ku, Tokyo	2,620	Apr. 1988	77.1%
	A-64	*	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	Oct. 2006	75.0%
	A-66	*	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	May 1993	93.7%
Office (Other Regional Areas)	A-12		Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	93.9%
	A-24	*	KDX Minami Semba Dai-1 Building	Osaka, Osaka	1,610	Mar. 1993	83.1%
	A-25	*	KDX Minami Semba Dai-2 Building	Osaka, Osaka	1,560	Sep. 1993	100.0%
	A-36		KDX Niigata Building	Niigata, Niigata	1,305	Jul. 1983	65.4%
	A-42	*	Karasuma Building	Kyoto, Kyoto	5,400	Oct. 1982	93.2%
	A-44	*	KDX Sendai Building	Sendai, Miyagi	2,100	Feb. 1984	98.7%
	A-53	*	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun. 1973	80.6%
	A-54		KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	96.4%
	A-58		KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Apr. 2009	90.3%
	Office Subtotal (61 properties)				**211,461**	**Avg. 21.1 years**	**93.3%**
Residential	B-3		Court Mejiro	Shinjuku-ku, Tokyo	1,250	Mar. 1997	95.2%
	B-18	*	Venus Hibarigaoka	Sapporo, Hokkaido	1,800	Mar. 1989	92.4%
	B-19	*	Residence Charmante Tsukishima	Chuo-ku, Tokyo	5,353	Jan. 2004	100.0%
	B-34		Gradito Kawaguchi	Kawaguchi, Saitama	1,038	Feb. 2006	100.0%
	Residential Subtotal (4 properties)				**9,441**	**Avg.10.3 years**	**95.6%**
Central Urban Retail	C-1	*	Frame Jinnan-zaka	Shibuya-ku, Tokyo	9,900	Mar. 2005	100.0%
	C-2		KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	Aug. 1991	94.8%
	Central Urban Retail Subtotal (2 properties)				**12,379**	**Avg. 8.3 years**	**98.9%**
Total (67 properties)					**233,281**	**Avg. 20.0 years**	**93.6%**

Notes: 1. The Year Built refers to the date of construction completion recorded in the land register. The average age subtotal and total data are calculated using the weighted-average based on acquisition prices as of October 31, 2010, and are rounded down to the first decimal place.
2. Stating from disclosures pertaining to the fiscal period under review, A-47 KDX Shin-Yokohama 381 Building (existing tower) and A-65 KDX Shin-Yokohama 381 Building Annex Tower are indicated collectively as one property.
3. The completion date of the existing tower is shown for the completion date of KDX Shin-Yokohama 381 Building. Upon calculating the weighed-average portfolio age, the completion date (April 2009) for the KDX Shin-Yokohama 381 Building Annex Tower is not considered.
4. Amounts indicated have been rounded down.

Financial Section

Contents

Financial Summary (Unaudited)

Historical Operating Trends
For the 7th–11th Fiscal Periods

Period	Unit	7th Period (as of Oct. 31, 2008)	8th Period (as of Apr. 30, 2009)	9th Period (as of Oct. 31, 2009)	10th Period (as of Apr. 30, 2010)	11th Period (as of Oct. 31, 2010)
Operating revenues	mn yen	8,456	8,204	7,921	8,067	8,358
(Rental revenues)	mn yen	8,156	8,204	7,921	8,067	8,242
Operating expenses	mn yen	4,311	4,740	4,708	4,329	4,522
(Property-related expenses)	mn yen	3,678	3,603	3,652	3,714	3,817
Operating income	mn yen	4,144	3,463	3,213	3,738	3,835
Ordinary income	mn yen	3,124	2,435	2,103	2,568	2,608
Net income (a)	mn yen	3,123	2,434	2,102	2,567	2,607
Total assets (b) (Period-on-period change)	mn yen %	239,648 (+4.0)	238,745 (-0.4)	236,320 (-1.0)	251,566 (+6.5)	251,080 (-0.2)
Interest-bearing debt (c) (Period-on-period change)	mn yen %	98,750 (+10.0)	98,750 (0.0)	97,220 (-1.5)	102,968 (+5.9)	102,567 (-0.4)
Unitholders' equity (d) (Period-on-period change)	mn yen %	128,087 (-0.2)	127,398 (-0.5)	127,067 (-0.3)	135,689 (+6.8)	135,732 (-0.0)
Unitholders' capital (Period-on-period change)	mn yen %	124,973 (0.0)	124,973 (0.0)	124,973 (0.0)	133,129 (+6.5)	133,129 (0.0)
Number of investment units issued and outstanding (e)	unit	200,000	200,000	200,000	233,550	233,550
Unitholders' equity per unit (d)/(e)	yen	640,437	636,990	635,335	580,987	581,170
Total distribution (f)	mn yen	3,123	2,434	2,102	2,567	2,541
Distribution per unit (f)/(e)	yen	15,618	12,172	10,511	10,993	10,881
(Earnings distributed per unit)	yen	15,618	12,172	10,511	10,993	10,881
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.3 (2.6)	1.0 (2.1)	0.9 (1.8)	1.1 (2.1)	1.0 (2.1)
Return on unitholders' equity (annualized) (Notes 2 and 3)	%	2.4 (4.8)	1.9 (3.8)	1.7 (3.3)	2.0 (3.9)	1.9 (3.8)
Unitholders' equity ratio at end of period (d)/(b) (Period-on-period change)	%	53.4 (-2.2)	53.4 (-0.1)	53.8 (+0.4)	53.9 (+0.2)	54.1 (+0.1)
Interest-bearing debt ratio at end of period (c)/(b) (Period-on-period change)	%	41.2 (+2.3)	41.4 (+0.2)	41.1 (-0.2)	40.9 (-0.2)	40.9 (-0.1)
Payout ratio (Note 4) (f)/(a)	%	99.9	100.0	100.0	99.9	97.4
Other reference						
Number of properties	properties	69	67	65	70	67
Total leasable floor area	m²	256,214.30	250,364.42	254,225.04	271,260.81	267,737.33
Occupancy at end of period	%	95.6	95.7	94.7	94,4	93.6
Depreciation expenses for the period	mn yen	1,445	1,429	1,451	1,477	1,440
Capital expenditures for the period	mn yen	1,105	891	400	330	312
Leasing NOI (Net Operating Income) (Note 5)	mn yen	5,923	6,030	5,721	5,830	5,864
FFO (Funds From Operation) (Note 6)	mn yen	4,269	4,356	3,994	4,044	3,995
FFO per unit (Note 7)	yen	21,345	21,780	19,973	17,318	17,106

Notes: 1. Return on assets = Ordinary income/(Total assets at beginning of period + Total assets at end of period)/2 x 100
2. Annualized values for the 7th Fiscal Period are calculated based on a period of 184 days, 181 days for the 8th Fiscal Period, 184 days for the 9th Fiscal Period, 181 days for the 10th Fiscal Period and 184 days for the 11th Period.
3. Return on unitholders' equity = Net income/(Total unitholders' equity at beginning of period + Total unitholders' equity at end of period)/2 x 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.

Report of Independent Auditors

The Board of Directors of
Kenedix Realty Investment Corporation

We have audited the accompanying balance sheets of Kenedix Realty Investment Corporation as of October 31, 2010 and April 30, 2010, and the related statements of income and retained earnings and changes in unitholders' equity for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Realty Investment Corporation at October 31, 2010 and April 30, 2010, and the results of its operations for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

Balance Sheets

Kenedix Realty Investment Corporation
As of October 31, 2010 and April 30, 2010

	In thousands of yen	
	As of October 31, 2010	As of April 30, 2010
ASSETS		
Current assets:		
Cash and bank deposits	¥ 16,245,674	¥ 13,297,791
Rental receivables	208,479	151,363
Consumption tax refundable	—	48,308
Other current assets	74,717	83,141
Total current assets	16,528,870	13,580,603
Property and equipment, at cost:		
Land	163,047,282	164,462,798
Buildings and structures	80,067,548	80,958,715
Machinery and equipment	1,276,061	1,264,468
Tools, furniture and fixtures	366,696	340,770
Less-accumulated depreciation	(11,318,857)	(10,108,997)
Net property and equipment	233,438,730	236,917,754
Other assets:		
Ground leasehold	285,350	285,350
Corporate bond issuance costs	27,988	33,865
Unit issuance costs	33,515	41,893
Other assets	765,604	707,019
Total assets	¥251,080,057	¥251,566,484
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities		
Current liabilities:		
Trade and other payables	¥ 711,485	¥ 549,294
Short-term debt	41,550,000	37,050,000
Deposits received	7,159	17,054
Rents received in advance	1,166,896	1,245,403
Other current liabilities	445,572	179,264
Total current liabilities	43,881,112	39,041,015
Corporate bonds	12,000,000	12,000,000
Long-term debt	49,017,000	53,918,500
Leasehold and security deposits received	10,449,570	10,917,330
Total liabilities	¥115,347,682	¥115,876,845
Unitholders' equity		
Unitholders' capital	¥133,129,755	¥133,129,755
Units authorized: 2,000,000 units		
Units issued and outstanding: 233,550 units		
As of October 31, 2010 and April 30, 2010, respectively		
Retained earnings	2,607,122	2,567,480
Unrealized gain from deferred hedge transactions	(4,502)	(7,596)
Total unitholders' equity	135,732,375	135,689,639
Total liabilities and unitholders' equity	¥251,080,057	¥251,566,484

See accompanying notes to the financial statements.

Statements of Income and Retained Earnings

Kenedix Realty Investment Corporation
For the period from November 1, 2009 to April 30, 2010 and the period from May 1, 2010 to October 31, 2010

	In thousands of yen	
	From May 1, 2010 to October 31, 2010	From November 1, 2009 to April 30, 2010
Operating revenues:		
Rental revenues	¥8,242,200	¥8,067,448
Profit on sale of real estate	116,397	—
Total operating revenues	8,358,597	8,067,448
Operating expenses:		
Property-related expenses	3,817,752	3,714,418
Loss on sale of real estate	64,349	—
Asset management fees	458,034	433,915
Administrative service and custodian fees	80,061	77,229
Other operating expenses	102,747	103,530
Total operating expenses	4,522,943	4,329,092
Operating income	¥3,835,654	¥3,738,356
Non-operating expenses:		
Interest expense	¥ 993,950	¥ 932,081
Financing-related expenses	211,796	210,091
Amortization of organization costs	—	5,090
Amortization of unit issuance costs	8,379	32,063
Amortization of corporate bond issuance costs	5,878	5,782
Others, net	7,595	(15,122)
Income before income taxes	2,608,056	2,568,371
Income taxes	999	940
Net income	2,607,057	2,567,431
Retained earnings at the beginning of period	65	49
Retained earnings at the end of period	¥2,607,122	¥2,567,480

See accompanying notes to the financial statements.

Statements of Changes in Unitholders' Equity

Kenedix Realty Investment Corporation
For the period from November 1, 2009 to April 30, 2010 and the period from May 1, 2010 to October 31, 2010

	In thousands of yen			
	Unitholders' Equity			
	Unitholders' capital	Retained earnings	Unrealized gain from deferred hedge transactions	Total
Balance as of October 31, 2009	**¥124,973,750**	**¥2,102,249**	**¥(8,830)**	**¥127,067,169**
Changes during the fiscal period				
New unit issuance	8,156,005	—	—	8,156,005
Payment of dividends	—	(2,102,200)	—	(2,102,200)
Net income	—	2,567,431	—	2,567,431
Interest-rate swap	—	—	1,234	1,234
Total changes during the fiscal period	8,156,005	465,231	1,234	8,622,470
Balance as of April 30, 2010	**¥133,129,755**	**¥2,567,480**	**¥(7,596)**	**¥135,689,639**
Changes during the fiscal period				
New unit issuance	—	—	—	—
Payment of dividends	—	(2,567,415)	—	(2,567,415)
Net income	—	2,607,057	—	2,607,057
Interest-rate swap	—	—	3,094	3,094
Total changes during the fiscal period	—	39,642	3,094	42,736
Balance as of October 31, 2010	**¥133,129,755**	**¥2,607,122**	**¥(4,502)**	**¥135,732,375**

See accompanying notes to the financial statements.

Notes to Financial Statements

Kenedix Realty Investment Corporation
For the period from November 1, 2009 to April 30, 2010 and the period from May 1, 2010 to October 31, 2010

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Kenedix Realty Investment Corporation ("the Investment Corporation") was established on May 6, 2005 under the Law Concerning Investment Trusts and Investment Corporations of Japan ("the Investment Trust Law"). 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 including two global offerings. The Investment Corporation also undertook an additional issue of 33,550 investment units through a public offering in Japan on November 16, 2009. Consequently, as of October 31, 2010, the end of the 11th fiscal period, the number of investment units issued and outstanding totaled 233,550 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 October 31, 2010, the Investment Corporation sold an office building (initial acquisition price of ¥1,610 million), and a residential property (initial acquisition price of ¥878 million) in the Tokyo metropolitan area. At October 31, 2010, the Investment Corporation had total unitholders' capital of ¥133,130 million with 233,550 investment units outstanding. The Investment Corporation owned a portfolio of 67 properties with a total acquisition price of ¥233,282 million containing a total leasable area of 267,737.33m^2. The occupancy ratio was approximately 93.6%. A portfolio of 67 properties consists of 61 office buildings, 4 residential properties and 2 central urban retail properties. 57 properties are located in the Tokyo metropolitan area and 10 properties are located in other regional areas.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Law of Japan, the Japanese Corporation Law, the Financial Instruments and Exchange Law of Japan and related regulations, and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of the International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements are basically a translation of the audited financial statements that were prepared for Japanese domestic purposes from the accounts and records maintained by the Investment Corporation and filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. In preparing the accompanying financial statements, relevant notes have been added and certain reclassifications have been made from the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. The Investment Corporation's fiscal period is a six-month period which ends at the end of April and October of each year, respectively. The Investment Corporation does not prepare consolidated financial statements because it has no subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) 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 May 1, 2010 to October 31, 2010	From November 1, 2009 to April 30, 2010
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

(B) ORGANIZATION COSTS

Organization costs are amortized over a period of five years, comprised of ten fiscal periods, with an equal amount amortized in each fiscal period.

(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 sheet and income statement accounts.

(F) 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 revenue and an expense during the fiscal period, respectively.

(G) 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. 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.

(H) 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.

(I) 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-swap agreements if its interest-rate swap agreement 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.

(J) 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. ACCOUNTING CHANGES

(A) ACCOUNTING STANDARD FOR ASSET RETIREMENT OBLIGATIONS

From the fiscal period under review, the Investment Corporation has applied “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan (ASBJ) Statement No. 18; March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21; March 31, 2008). This does not impact profit/loss.

(B) ACCOUNTING METHOD FOR PROPERTY TAX

Under the accounting method adopted for property-related taxes, including property taxes, city planning taxes and depreciable property taxes, for owned real estate, of the assessment and decision tax amount, the amount of taxes to be paid in the fiscal period under review used to be charged to rental expenses (expenses related to rent business). As of the fiscal period under review, the Investment Corporation changed the accounting method to one under which, of the assessment and decision tax amount, the amount of taxes corresponding to the fiscal period under review is charged to rental expenses (expenses related to rent business).

The recent increase in real estate and other acquisitions has increased the financial significance of the amount of property taxes, etc. charged to expenses. The change in accounting method is thus being made to more appropriately allocate expenses because the described circumstances are expected to persist.

As a result, compared to the accounting method adopted prior to the change, operating expenses increase by ¥67,895 thousand and operating income, ordinary income and net income each decrease by said amount.

4. SCHEDULE OF PROPERTY

	In millions of yen					
	As of October 31, 2010			As of April 30, 2010		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥163,047	¥ —	¥163,047	¥164,463	¥ —	¥164,463
Buildings and structures	80,068	10,714	69,354	80,959	9,573	71,386
Machinery and equipment	1,276	452	824	1,264	399	865
Tools, furniture and fixtures	367	153	214	341	137	204
Total	¥244,758	¥11,319	¥233,439	¥247,027	¥10,109	¥236,918

5. SHORT-TERM AND LONG-TERM DEBT

The following summarizes short-term and long-term debt outstanding as of October 31, 2010:

Classification	Drawdown date	Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	January 29, 2010	January 29, 2011	1.29%	¥ 1,300
	February 26, 2010	February 28, 2011	1.59%	500
	April 30, 2010	April 28, 2011	1.39%	1,000
	April 30, 2010	April 30, 2011	1.39%	1,000
	July 30, 2010	July 31, 2011	1.18%	1,500
	October 29, 2010	October 31, 2011	1.14%	1,000
	July 31, 2008	January 31, 2011	1.87%	3,500
	February 29, 2008	February 28, 2011	1.37%	2,000
	June 30, 2008	February 28, 2011	1.99%	1,000
	September 22, 2008	March 22, 2011	1.71%	1,250
	July 15, 2008	March 31, 2011	1.87%	2,000
	September 30, 2008	March 31, 2011	1.82%	2,000
	April 17, 2007	April 16, 2011	1.65%	1,500
	May 1, 2006	April 30, 2011	2.20%	2,500
	April 30, 2009	April 28, 2011	2.23%	1,500
	April 30, 2009	April 30, 2011	2.23%	1,000
	July 14, 2006	July 13, 2011	2.15%	1,000
	July 31, 2008	July 31, 2011	1.99%	3,500
	February 29, 2008	August 31, 2011	1.43%	1,500
	September 1, 2008	September 1, 2011	1.78%	1,000
	March 31, 2008	September 30, 2011	1.61%	3,000
	March 31, 2008	September 30, 2011	1.56%	2,000
	April 30, 2009	October 31, 2011	2.29%	3,500
	October 26, 2010	October 31, 2011	1.25%	1,500
Subtotal				¥ 41,550

Classification	Drawdown date	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
	December 1, 2006	November 30, 2011	1.96%	2,500
	April 2, 2007	April 2, 2012	1.88%	2,000
	January 10, 2008	January 10, 2012	1.50%	2,500
	May 1, 2008	November 1, 2011	1.91%	1,000
	June 30, 2008	June 30, 2012	2.15%	1,500
	June 30, 2008	December 28, 2012	2.26%	3,000
	February 27, 2009	February 29, 2012	2.07%	470
	February 27, 2009	August 31, 2012	2.04%	940
	April 30, 2009	April 27, 2012	2.29%	2,000
	October 26, 2009	October 26, 2013	2.42%	960
	October 30, 2009	October 30, 2013	2.45%	1,920
	December 8, 2009	December 8, 2012	1.67%	500
	January 13, 2010	January 15, 2013	1.90%	1,000
	January 29, 2010	January 30, 2015	2.17%	1,152
	February 18, 2010	February 18, 2013	1.90%	1,500
	February 18, 2010	February 18, 2015	2.19%	5,225
	April 2, 2010	April 2, 2015	2.22%	1,950
	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, 2012	1.45%	2,500
	October 29, 2010	October 31, 2013	1.46%	500
Subtotal				¥ 49,017
Corporate bonds	March 15, 2007	March 15, 2012	1.74%	9,000
	March 15, 2007	March 15, 2017	2.37%	3,000
Subtotal				¥ 12,000
Total				¥102,567

6. LINE OF CREDIT

The Investment Corporation has established a credit commitment line with a lender. The borrowing under the commitment line agreement is ¥2 billion. The Investment Corporation had an outstanding balance of ¥2 billion as of October 31, 2010.

The commitment period of the commitment line agreement concluded with The Bank of Tokyo-Mitsubishi UFJ, Ltd. has already expired. Furthermore, the expiration date of the commitment line agreement is March 31, 2011, set in the memorandum of understanding executed on September 26, 2008. However, since the commitment period has already expired, the Investment Corporation cannot undertake new borrowings.

7. ASSETS PLEDGED AS COLLATERAL AND SECURED LOANS PAYABLE

(As of October 31, 2010)

Assets pledged as collateral	In thousands of yen
Cash and bank deposits	¥ 5,084,003
Land	117,541,230
Buildings and structures	50,772,873
Machinery and equipment	518,878
Tools, furniture and fixtures	132,263
Other assets	1,027
Total	¥174,050,274
Secured loans payable:	
Short-term debt	¥ 41,550,000
Long-term debt	49,017,000
Total	¥ 90,567,000

8. PER UNIT INFORMATION

The net asset value per unit as of October 31, 2010 and April 30, 2010 was ¥581,170 and ¥580,987. Net income per unit as of October 31, 2010 and April 30, 2010 was ¥11,162 and ¥11,125.

The weighted-average number of units outstanding of 233,550 and 230,770 was used for the computation of the amount of net income per unit as of October 31, 2010 and April 30, 2010.

9. 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 approximately 100% of its distributable income in the form of cash distributions totaling ¥2,541 million and ¥2,567 million for the periods ended October 31, 2010 and April 30, 2010. Such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.04% and 0.04% for the periods ended October 31, 2010 and April 30, 2010. The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	From May 1, 2010 to October 31, 2010	From November 1, 2009 to April 30, 2010
Statutory tax rate	39.33 %	39.33 %
Deductible cash distributions	(38.32)	(39.32)
Other	(0.97)	0.03
Effective tax rate	0.04 %	0.04 %

10. UNITHOLDERS' EQUITY

The Investment Corporation issues only non-par value units in accordance with the Investment Trust Law. 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 Law.

11. 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 ¥305 million to Kenedix REIT Management, Inc.

12. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES AND PROPERTY-RELATED EXPENSES

Rental and other operating revenues and property-related expenses for the periods from May 1, 2010 to October 31, 2010 and from November 1, 2009 to April 30, 2010 consist of the following:

	In thousands of yen	
	From May 1, 2010 to October 31, 2010	From November 1, 2009 to April 30, 2010
Rental and other operating revenues:		
Rental revenues	¥5,861,094	¥5,882,594
Common area charges	1,298,267	1,267,521
Subtotal	7,159,361	7,150,115
Others:		
Parking space rental revenues	242,537	243,319
Utility charge reimbursement	742,082	560,259
Miscellaneous	98,220	113,755
Subtotal	1,082,839	917,333
Total rental and other operating revenues	¥8,242,200	¥8,067,448
Property management fees and facility management fees	¥ 804,755	¥ 801,877
Depreciation	1,440,312	1,477,410
Utilities	634,221	508,338
Taxes	648,653	648,231
Insurance	16,135	16,759
Repairs and maintenance	149,673	110,725
Trust fees	41,817	41,579
Loss on retirement of fixed assets	1,144	12,537
Others	81,042	96,962
Total property-related expenses	¥3,817,752	¥3,714,418
Profit on sale of real estate:		
Revenue from sale of investment properties	¥1,710,000	¥ —
Cost of investment properties	1,569,751	—
Other sales expenses	23,852	—
Profit on sale of real estate	¥ 116,397	¥ —
Loss on sale of real estate:		
Revenue from sale of investment properties	¥ 790,000	¥ —
Cost of investment properties	836,434	—
Other sales expenses	17,915	—
Loss on sale of real estate	¥ 64,349	¥ —

13. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease terms of generally two years for office buildings and residential properties and with lease terms ranging from two to ten years for retail properties. The future minimum rental revenues under existing non-cancelable operating leases as of October 31, 2010 and April 30, 2010 are as follows:

	In thousands of yen	
	As of October 31, 2010	As of April 30, 2010
Due within 1 year	¥1,178,139	¥1,285,413
Due after 1 year	7,068,298	7,940,847
Total	¥8,246,437	¥9,226,260

14. PROPERTY INFORMATION

Details of the property portfolio as of October, 2010 were as follows:

Type	Office Buildings		Residential Properties		Central Urban Retail Properties
Location	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area
Number of properties	52	9	3	1	2

Property information

	(In millions of yen)				
Acquisition price	¥179,246	¥32,215	¥7,641	¥1,800	¥12,380
Percentage of total acquisition costs	76.84%	13.81%	3.28%	0.77%	5.30%
Net book value	180,587	31,491	7,329	1,875	12,443
Appraisal value at year end	¥165,730	24,408	6,389	1,420	11,650
Percentage of total appraisal value	79.07%	11.64%	3.05%	0.68%	5.56%

Financial results for the period from May 1, 2010 to October 31, 2010

	(In thousands of yen)				
Rental and other operating revenues	¥6,378,493	¥1,154,145	¥266,225	¥89,429	¥353,908
Rental revenues	5,568,259	950,658	242,298	80,484	317,662
Other revenues	810,234	203,487	23,927	8,945	36,246
Property-related expenses	1,758,085	441,411	57,523	47,299	73,122
Property management fees	576,950	171,280	24,380	8,422	23,723
Taxes	488,736	113,968	17,324	8,360	20,265
Utilities	488,046	116,486	2,828	1,921	24,940
Repairs and maintenance	106,974	14,166	7,294	20,806	433
Insurance	10,051	4,674	651	459	300
Trust fees and other expenses	87,328	20,837	5,046	7,331	3,461
NOI (Net Operating Income)	4,620,408	712,734	208,702	42,130	280,786
Depreciation expenses	946,885	328,082	76,291	22,887	66,167
Operating income from property leasing activities	3,673,523	384,652	132,411	19,243	214,619
Capital expenditures	253,688	33,312	331	22,022	3,165
NCF (Net Cash Flow)	4,366,720	679,422	208,371	20,108	277,621

A breakdown of property-type as of October, 2010 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	¥180,586	71.9%
		Other Regional Areas	31,491	12.6%
	Subtotal		212,077	84.5%
	Residential Properties	Tokyo Metropolitan Area	7,329	2.9%
		Other Regional Areas	1,876	0.8%
	Subtotal		9,205	3.7%
	Central Urban Retail Properties	Tokyo Metropolitan Area	12,443	4.9%
	Total		¥233,725	93.1%
Bank deposits and other assets			¥ 17,355	6.9%
Total assets			251,080	100.0%
Total liabilities			115,348	45.9%
Net assets			¥135,732	54.1%

15. FINANCIAL INSTRUMENTS

11th Fiscal Period (May 1, 2010 to October 31, 2010)

(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

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 six 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 Note 2, (I) "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.

(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 sheets as of October 31, 2010 and estimated fair value are shown in the following table.

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
① Cash and bank deposits	¥ 16,245,674	¥ 16,245,674	¥ —
Total assets	¥ 16,245,674	¥ 16,245,674	¥ —
① Short-term debt	6,300,000	6,300,000	—
② Corporate bonds	12,000,000	11,700,300	(299,700)
③ Long-term debt (including current portion of long-term debt)	84,267,000	83,766,880	(500,120)
Total liabilities	¥102,567,000	¥101,767,180	¥(799,820)
Derivative Transactions (*)			
Items that are not applied to hedge accounting	¥ —	¥ —	¥ —
Items that are applied to hedge accounting	(7,421)	(7,421)	—
Total derivative transactions	¥ (7,421)	¥ (7,421)	¥ —

(*) The value of assets and liabilities arising from derivatives in 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 a 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 transaction	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Accounting method, in principle	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	¥ 1,500,000	—	¥(7,421)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	14,000,000	¥4,500,000	*	
Total			¥15,500,000	¥4,500,000	¥(7,421)	

* 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: Redemption schedule for receivables

	Due in 1 year or less (In thousands of yen)
Cash and bank deposits	¥16,245,674
Total	¥16,245,674

Note 3: Redemption schedule for debt and corporate bonds

	In thousands of yen					
	Due in 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	¥ 6,300,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	9,000,000	—	—	—	3,000,000
Long-term debt	35,250,000	15,410,000	12,880,000	7,400,000	8,327,000	5,000,000

16. INVESTMENT AND RENTAL PROPERTIES

11th Fiscal Period (May 1, 2010 to October 31, 2010)

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 sheet and corresponding fair value of those properties are as follows:

Carrying value (In thousands of yen)			Fair value as of October 31, 2010 (In thousands of yen)
As of April 30, 2010	Net change	As of October 31, 2010	
¥237,204,250	¥(3,479,142)	¥233,725,108	¥209,597,000

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.
3. Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increases were the sales of two properties totaling ¥2,406,185 thousand, and depreciation amounting to ¥1,440,312 thousand.

Income and loss in the fiscal period ended October 31, 2010 for real estate for rental purposes is listed in Note 12, "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES AND PROPERTY-RELATED EXPENSES."

Statements of Cash Flows (Unaudited)

Kenedix Realty Investment Corporation

For the period from November 1, 2009 to April 30, 2010 and the period from May 1, 2010 to October 31, 2010

	In thousands of yen	
	From May 1, 2010 to October 31, 2010	From November 1, 2009 to April 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 2,608,056	¥ 2,568,371
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	1,645,691	1,672,685
Interest expense	993,950	932,081
Loss on retirement of fixed assets	1,144	12,537
Changes in assets and liabilities:		
Rental receivables	(57,116)	32,705
Consumption tax refundable	48,308	87,756
Accrued consumption tax	264,791	(30,679)
Trade and other payables	73,500	(4,781)
Rents received in advance	(78,507)	111,665
Property and equipment due to sale	2,406,185	—
Others, net	(254,016)	(331,498)
Subtotal	7,651,986	5,050,842
Cash payments of interest expense	(987,326)	(905,953)
Cash payments of income taxes	(640)	(752)
Net cash provided by operating activities	¥ 6,664,020	¥ 4,144,137
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(366,918)	(16,241,402)
Proceeds from leasehold and security deposits received	337,128	1,436,443
Payments of leasehold and security deposits received	(719,407)	(664,470)
Proceeds from withdrawal of time deposits	—	1,000,000
Payments of restricted bank deposits	(13,667)	(165,814)
Proceeds from restricted bank deposits	146,978	66,354
Others, net	—	330
Net cash used in investing activities	¥ (615,886)	¥(14,568,559)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term debt	2,500,000	3,800,000
Payment of short-term debt	(5,000,000)	(5,000,000)
Proceeds from long-term debt	12,400,000	11,700,000
Payment of long-term debt	(10,301,500)	(4,751,500)
Proceeds from issuance of investment units	—	8,105,733
Payment of dividends	(2,565,441)	(2,101,910)
Net cash (used in) provided by financing activities	(2,966,941)	¥ 11,752,323
Net change in cash and cash equivalents	3,081,193	1,327,901
Cash and cash equivalents at the beginning of period	12,285,857	10,957,956
Cash and cash equivalents at the end of period	¥15,367,050	¥ 12,285,857

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 October 31, 2010 and April 30, 2010:

	In thousands of yen	
	As of October 31, 2010	As of April 30, 2010
Cash and bank deposits	¥16,245,674	¥13,297,791
Restricted bank deposits held in trust (Note 1).	(488,624)	(621,934)
More than 3-month fixed deposits (Note 2) .	(390,000)	(390,000)
Cash and cash equivalents	¥15,367,050	¥12,285,857

Notes: 1. Restricted bank deposits held in trust are retained for repayment of tenant leasehold and security deposits.
2. More than 3-month fixed deposits are fixed deposits which have deposit terms of more than 3 months.

Unitholders' Information

Kenedix Realty Investment Corporation

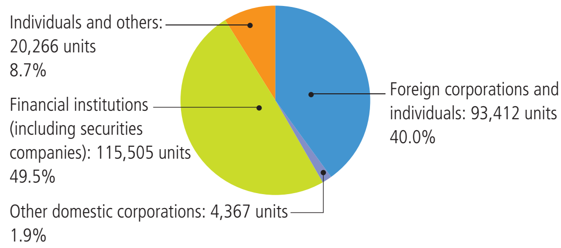
Fiscal Periods: Six months ending April 30 and October 31

Stock Listing: Real Estate Investment Trust Market of the Tokyo Stock Exchange (Security Code: 8972)

Transfer Agent: The Chuo Mitsui Trust and Banking Company, Limited
2-8-4 Izumi, Suginami-ku, Tokyo 168-0063, Japan

Auditor: Ernst & Young ShinNihon LLC

General Breakdown of Unitholders



Note: Figures are rounded to the first decimal place.

IR Schedule (11th and 12th periods)

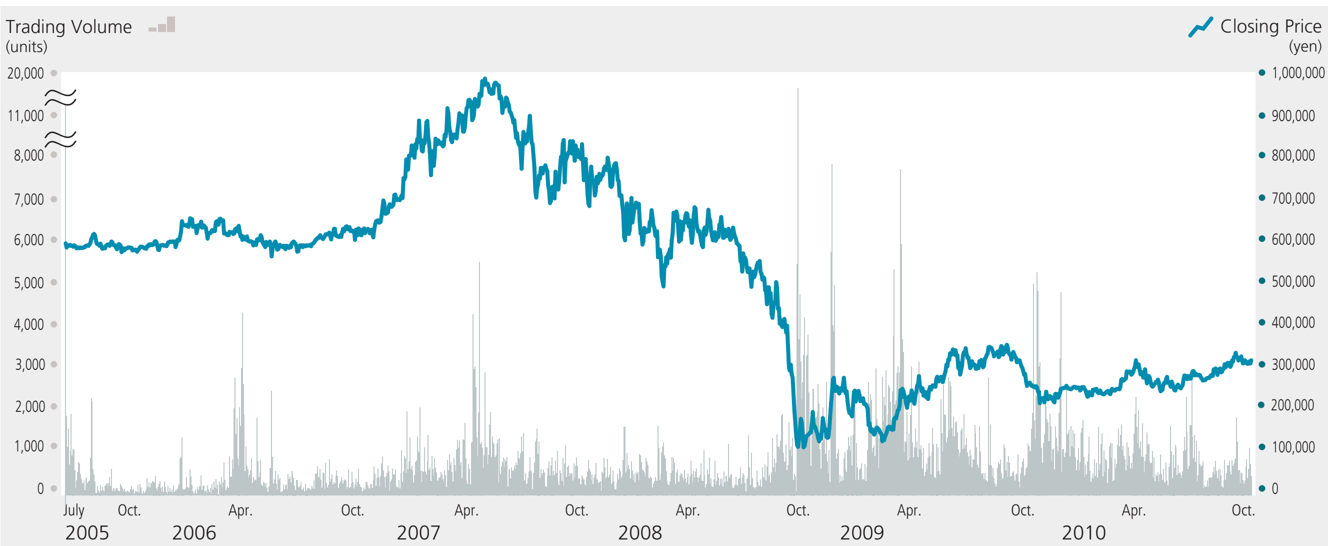
October 2010	December	January 2011	April	June	July
End of 11th Period	Performance for 11th Period is announced	Distributions for the 11th Period are paid	End of 12th Period	Performance for 12th Period is announced	Distributions for the 12th Period are paid

Top Ten Unitholders (As of October 31, 2010)

Name	Units Held	Share of Outstanding Units
Japan Trustee Services Bank, Ltd. (Trust Account)	35,464	15.18%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	27,132	11.61%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	26,951	11.53%
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,679	5.00%
The Bank of New York, Treaty JASDEC Account	7,934	3.39%
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/HENDERSON HHF SICAV	6,700	2.86%
State Street Bank and Trust Company 505025	4,305	1.84%
Deutsche Securities Inc.	3,598	1.54%
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	3,439	1.47%
State Street Bank and Trust Company 505223	3,115	1.33%
Total	130,317	55.79%

Note: The respective shares are rounded down to the second decimal place.

Unit Price Performance



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