

Semiannual Report

14th Fiscal Period

November 1, 2011 – April 30, 2012



Building
the Next Stage

Building the Next Stage

Kenedix Realty Investment Corporation (KENEDIX-REIT) is a Japanese real estate investment trust (J-REIT) listed on the Tokyo Stock Exchange (8972). Founded in May 2005, KENEDIX-REIT has grown to become one of the largest REITs in Japan specializing in mid-sized office buildings. With a portfolio centered on the Tokyo Metropolitan Area, KENEDIX-REIT is targeting a 400 billion yen portfolio over the medium- to long-term.

KENEDIX-REIT is actively “Building the Next Stage,” which will continue to focus on prudent investment primarily in mid-sized Tokyo office buildings. KENEDIX-REIT remains committed to delivering strong returns to investors without sacrificing service to tenants.

The KENEDIX-REIT portfolio

> Exceeds **286.8** billion yen

> Boasts **83** properties

> Achieves **95.4%** occupancy

(as of April 30, 2012)

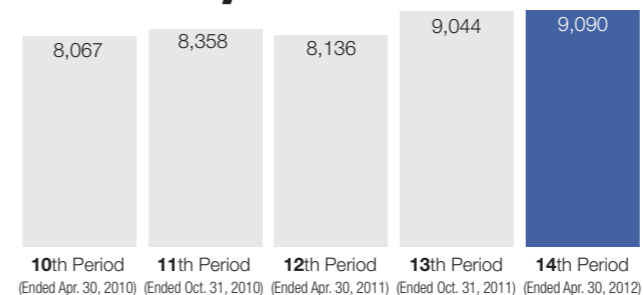
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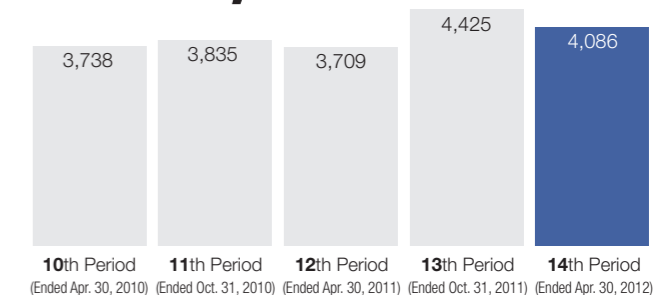
Operating Revenues

9,090 million yen



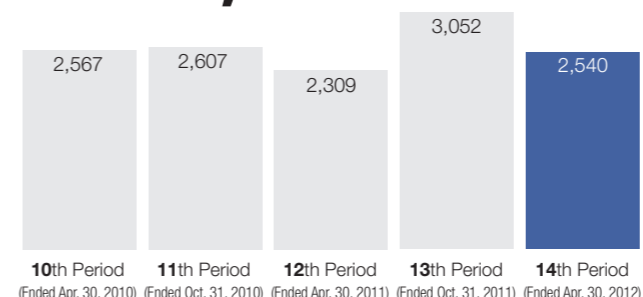
Operating Income

4,086 million yen



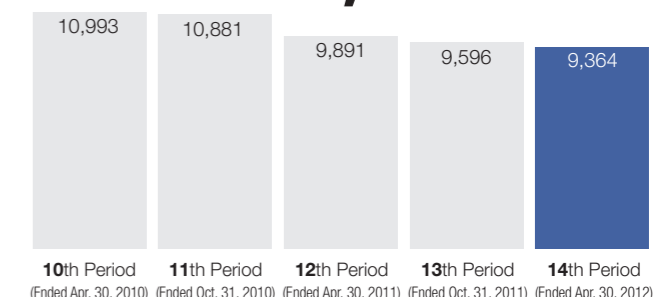
Net Income

2,540 million yen



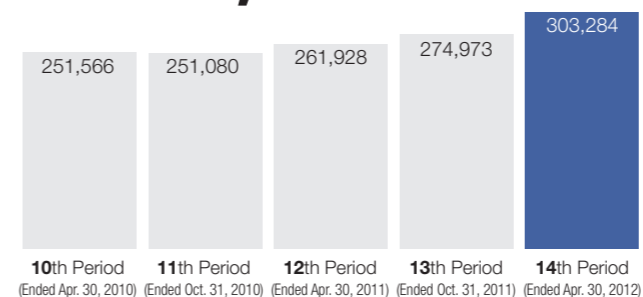
Distribution per Unit

9,364 yen



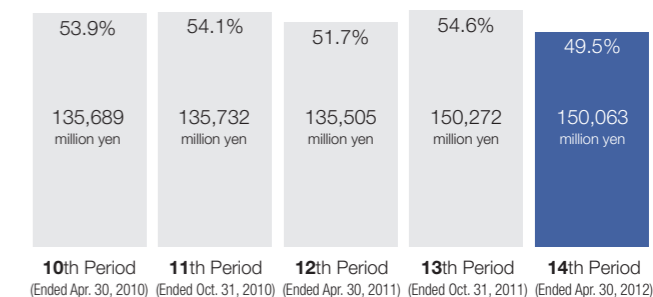
Total Assets

303,284 million yen



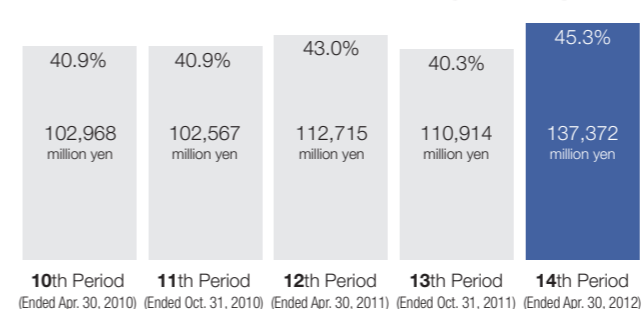
Unitholders' Equity Ratio / Unitholders' Equity

49.5%



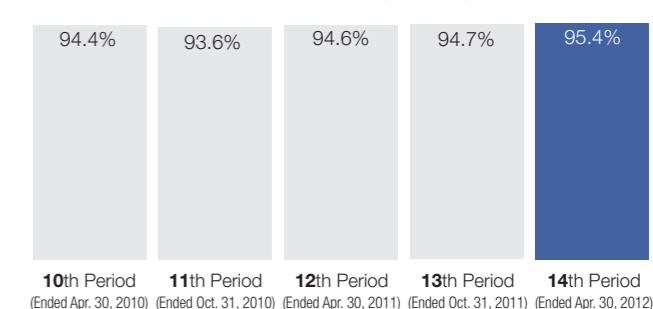
Interest-Bearing Debt Ratio / Interest-Bearing Debt

45.3%



Occupancy Ratio

95.4%



Question 1

Please tell us about your aspirations as the new CEO and President of Kenedix REIT Management, Inc., the asset management company for Kenedix Realty Investment Corporation (KENEDIX-REIT).

Answer 1

I became the CEO and President in February 2012. By April, the J-REIT market had already reached a total acquisition price of 8.5 trillion yen so, looking ahead, we need to focus on building the next stage in step with this changing market.

I will do my utmost to achieve KENEDIX-REIT's key policy of becoming No. 1, both in terms of asset size and quality, in the mid-sized office building market, Japan's most expansive real estate sector. At the same time, I will promote initiatives that will enable KENEDIX-REIT to reach its medium- to long-term goal of obtaining a 100-building portfolio with total acquisition price of 400 billion yen. Beyond these objectives, I will focus on how we can contribute to society as a J-REIT that specializes in mid-sized office buildings. To achieve these aims and build the next stage, we will:

- Utilize our investment capacity to acquire promising properties, as well as enable new forms of external growth such as the acquisition of equity stakes linked to properties. All the while, we will maintain our conservative interest-

bearing debt (LTV) ratio to preserve this investment capacity.

- Steadily enhance the quality of the portfolio through the strategic disposition of properties. The generated proceeds can be utilized for investments in properties that bring even more to the portfolio. This is another way we maintain our conservative LTV ratio.
- Improve leasing terms and conditions by, for example, shortening initial rent-free periods. Active capital investment will ensure our buildings have sought-after features that justify a premium.
- Reduce financial and other costs.

We are aiming for steady results from measures that seek to balance external and internal growth with financial strategies.

Question 2

Having entered the second stage of growth in the wake of the global financial crisis, please share your thoughts on KENEDIX-REIT's external growth during the 14th Fiscal Period (ended April 30, 2012) and the outlook for the 15th Fiscal Period (ending October 31, 2012).

Answer 2

Since November 2009, KENEDIX-REIT's initiatives to enter a second stage of growth have been gathering momentum. As part of these efforts, in July 2011, we raised funds through a public offering. This acquisition capacity was soon put to

good use. KENEDIX-REIT was agilely able to take advantage of timing to make favorable acquisitions. With many real estate private funds due for refinancing, there were simultaneously a number of commercial mortgage-backed securities (CMBS) due for redemption. During the 14th Fiscal Period, we were able to acquire 9 properties at favorable prices, totaling approximately 31.32 billion yen.

Although J-REITs are still able to maintain competitiveness by acquiring properties, the market is evolving. Competition is expected to intensify as new players enter the market. Opportunities for external growth will likely become scarcer, so we want to take a new approach in the 15th Fiscal Period.

There is no disputing that mid-sized office buildings are plentiful and feature a high degree of liquidity. Amid intensifying competition in this market, we will focus to an even greater extent on strategies that take advantage of our unparalleled experience in the area of mid-sized office buildings.

Question 3

Please discuss KENEDIX-REIT's future property acquisition and disposition strategies.

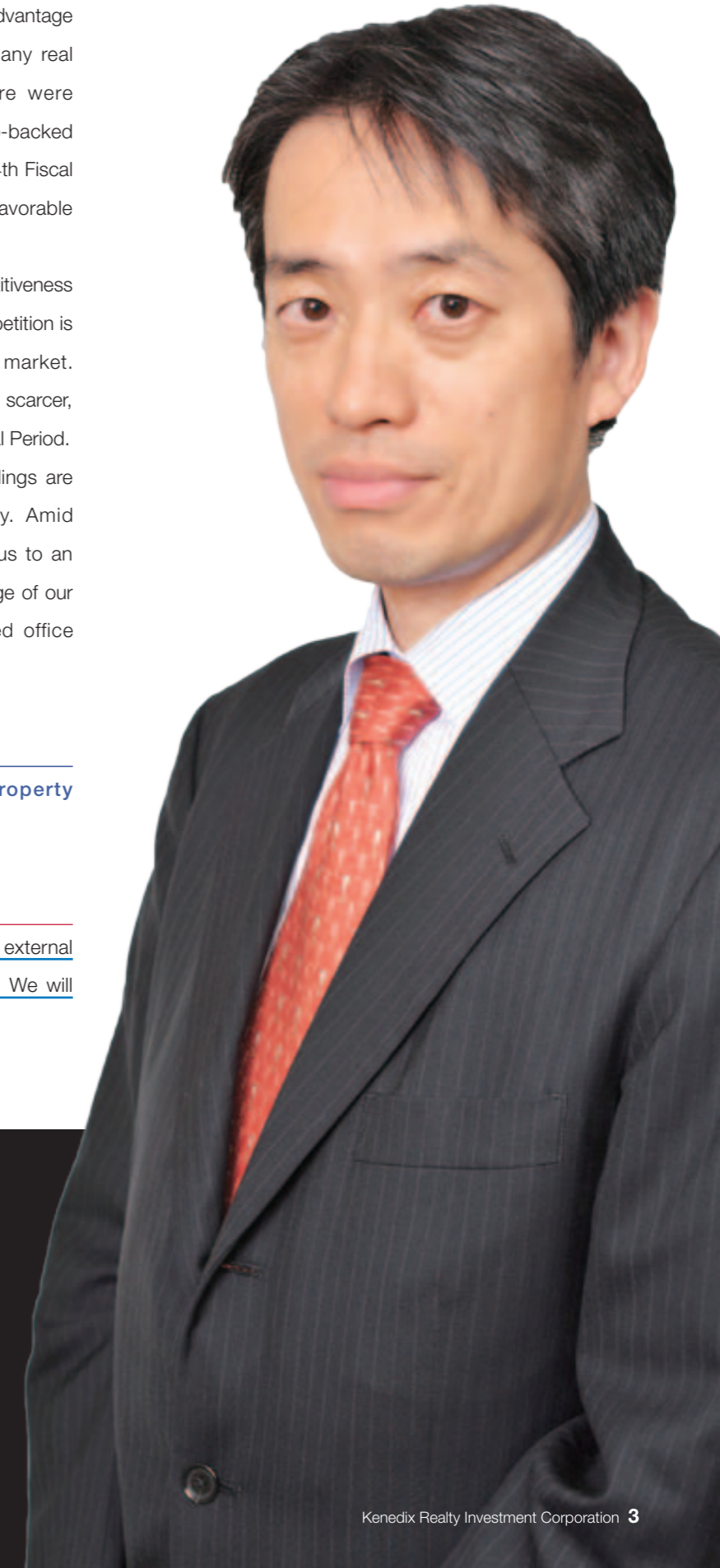
Answer 3

We will focus on ways to enable KENEDIX-REIT's external growth while maintaining a conservative LTV ratio. We will

“ Our goal is to become No.1 among the J-REITs of mid-sized office buildings. While building up the portfolio, for the next stage, we will shift our focus to quality by improving customer satisfaction and brand value through effective communication with tenants and competitive property management operations. ”

Profile: Naokatsu Uchida

2005 Mitsubishi UFJ Trust and Banking Corporation,
Real Estate Project Origination Division
2007 CEO of MAC Investment Management Inc.
2009 CEO of Joint Asset Management Co., Ltd.
2011 Senior Manager of Kenedix REIT Management, Inc.
Financial Planning Division
2012 CEO and President of Kenedix REIT Management, Inc.





effectively utilize our purchasing power, which includes engaging in portfolio reshuffling and investing in *tokumei-kumiai* investment. In May 2012, KENEDIX-REIT sold the KDX Omori Building for 4.2 million yen. Effectively using this money will be the key to further strengthening the quality of the portfolio.

Question 4

In April 2012, KENEDIX-REIT diversified its investment methods with the acquisition of TMK Preferred Equity Securities issued by Senri Property TMK. What was the aim of this new equity investment?

Answer 4

KENEDIX-REIT began searching for optimal investments in response to changes in investment management guidelines,

which went into effect two years ago. The key reasons for acquiring TMK Preferred Equity Securities are (1) to secure preferred dividends derived from rent income which is expected to yield over 10% per year and (2) to take advantage of the future option to acquire the Senri Life Science Center Building should Senri Property TMK decide to sell it.

In addition to TMK Preferred Equity Securities, we are planning to engage in other equity investments with a total value of up to 5.0 billion yen. Through these initiatives, KENEDIX-REIT is taking steps to diversify its investment methods in order to acquire properties. Such activities are vital to building the next stage to continued growth in the years ahead.

Question 5

Can you tell us more about the internal growth KENEDIX-REIT is seeking?

Answer 5

For the first time in three years, KENEDIX-REIT's occupancy ratio exceeded 95% across the entire portfolio at the end of the 14th Fiscal Period (ended April 30, 2012). Boasting an occupancy ratio of 96.2% for office buildings located in the five wards of central Tokyo, our core location, we are 5.4% above the market average of 90.8%.

Under these circumstances, focusing on improvements in earnings through improved rent terms is the first key challenge of KENEDIX-REIT's internal growth initiatives. Moreover, we will systematically undertake upgrades to maximize the value of existing properties. Such actions include maintaining and improving facilities through our property management section in order to counteract the effect of aging while augmenting and updating building specifications to meet social needs. These initiatives are underpinned by construction performed in the 14th Fiscal Period, which exceeded 1.0 billion yen for the first time in three years.

In addition, domestic real estate needs are undergoing major changes. In particular, demand is increasing for

buildings that are highly energy efficient, reflecting increased interest in energy conservation and other environmental issues. Determining the requirements of each property depends in large part on whether or not it meets the new earthquake resistance standards that came into effect with the 1981 Revision of the Building Standard Law. Our portfolio is competitive in terms of this. The current sluggishness in rent levels has encouraged tenants to relocate from the suburbs to central Tokyo and to increase leased space. In light of these trends, I believe that we will enjoy strong demand based on our position as competitive J-REIT specializing on properties in the Tokyo Metropolitan Area.

Furthermore, KENEDIX-REIT received DBJ Green Building Certification for four of its existing properties and is taking proactive steps to improve energy savings throughout its portfolio. In addition, by utilizing scale merits, we are reaping the benefits of our efforts to assemble a portfolio with over 80 properties. Such actions not only differentiate us from our competitors, but also are meaningful to society.

Question 6

Please explain the benefits of recent efforts to strengthen and upgrade KENEDIX-REIT's financial foundation.

Answer 6

Debt procurement through loans is one aspect of our efforts to strengthen and upgrade KENEDIX-REIT financial foundation. We are able to borrow with greater agility thanks to securing two additional lenders, Mizuho Bank and Bank of Fukuoka, and we have reduced the average spread (including upfront fees) for new borrowings from 1.18% to 1.07% in the year ended April 30, 2012. We have also taken steps to reduce finance costs. In September 2011 and March 2012, we issued the Third and Fourth Series Unsecured Investment Corporation Bonds, respectively, thereby realizing the release of pledges on all of our debt. Nearly 90% of our debt is long-term with an average interest rate of 2.02% (including upfront fees) at the end of the 14th Fiscal Period. KENEDIX-REIT has

greatly improved its financial foundation with diversified funding methods, the flexibility of asset replacement following release of collateral pledges, the diversification of debt maturities and improved borrowing terms.

Question 7

What is critical to becoming the No.1 J-REIT in the mid-sized office building market?

Answer 7

Looking ahead, I believe that it is important to deepen communication. Particularly in the area of property management—which is vital to our internal growth—we need to encourage more effective communication with tenants. To that end, we are developing a system to meet tenant needs in the area of property management based on customer satisfaction surveys conducted every two years. We will further enhance the value of the KENEDIX-REIT brand by developing this new communication system and by fostering close relationships with tenants.

Question 8

In conclusion, what message do you have for the investors?

Answer 8

KENEDIX-REIT works to maintain stable property acquisition and financing activities on the back of previous capital increases. In addition, we have developed competitive property management operations while improving investor understanding by means of our ongoing IR activities. Such actions will enable KENEDIX-REIT to achieve continuing progress in the years ahead.

内田直克

Naokatsu Uchida

CEO and President

Kenedix REIT Management, Inc.

Strengthening Fundamentals to Boost Competitiveness

1 Building the Quality of the Portfolio

Office Portfolio **92.0%**

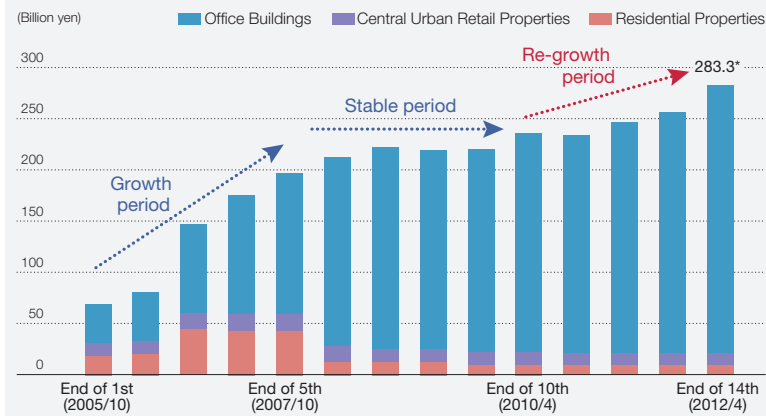
We seek to steadily build the quality of the portfolio. The 2008 financial crisis spread great turmoil throughout the real estate market, but KENEDIX-REIT was one of the earliest J-REITs to resume property acquisition. This not only allowed us to acquire quality properties at a discount, but it also cemented our reputation as a buyer of mid-sized office buildings.

Increasingly, sellers and brokers are contacting us directly, expanding our network and placing us in an enviable position. Access to this vast property network allows KENEDIX-REIT to make selective investments that maximize unitholder value.

Since the 9th Fiscal Period (ended October 31, 2009),

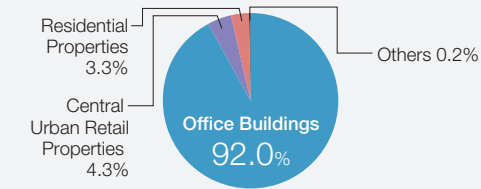
KENEDIX-REIT has invested a total of 73.2 billion yen, propelling the portfolio to 283.3 billion yen (excluding KDX Omori Building) as of the end of the 14th Fiscal Period. The properties additionally acquired after 2009 have greatly contributed to the increase of revenue (NOI yield: from 4.3% to 4.6%) for the entire portfolio. Our focus is now on steadily improving portfolio quality through selective acquisition and property replacement. KENEDIX-REIT acquired the View Flex Umeda Building in March 2012 to replace the KDX Omori Building which was disposed subsequently in May. As a further step, we are seeking to diversify our investment methods: one such initiative is the investment in preferred equity securities from Senri Property TMK.

Portfolio Growth (by acquisition price)

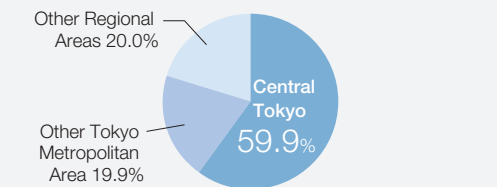


* Acquisition price as of April 30, 2012 includes Others (Hotels) of 0.6 billion yen.

Portfolio Breakdown by Property Type



Portfolio Breakdown by Region (office buildings)



Note: • The above percentages are calculated using the acquisition prices rounded down to the first decimal place.
• Central Tokyo includes Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards.

Figures for the 14th period reflect the sale of the KDX Omori Building, but not the Senri Property TMK transaction.

KENEDIX-REIT invests in assets with a medium- to long-term viewpoint and does not seek to spin properties. We do, however, sell properties when their sale is deemed to benefit the overall development of the investment portfolio.

The sale of the KDX Omori Building helped improve the portfolio. This enabled the acquisition of the View Flex Umeda Building which is 18.7 years newer and generates NOI of 6.8%, a full 1.3 percentage points higher than the disposed property.

Acquired		Difference between property acquired and sold	Sold	
View Flex Umeda Building			KDX Omori Building	
Location	Osaka, Osaka	-18.7 years	Location	Ota-ku, Tokyo
Gross floor area	6,805.76 m ²		Gross floor area	7,334.77 m ²
Age of building (Year built)	2.8 years (Jul. 2009)	+1.3%	Age of building (Year built)	21.5 years (Oct. 1990)
Acquisition price	2,770 million yen		Sales price	4,200 million yen
Appraisal value at acquisition	3,240 million yen	+1.1%	Appraisal value (as of Apr. 30, 2012)	3,790 million yen
Difference between Acquisition price and Appraisal value	-470 million yen (-14.5%)		Difference between Acquisition price and Appraisal value	410 million yen (+10.8%)
Acquisition date	Mar. 28, 2012 (14th Period)		Date of sale	May 11, 2012 (15th Period)
Actual NOI	188 million yen		Actual NOI	229 million yen
Actual NOI/Acquisition price	6.8%		Actual NOI/Sales price	5.5%
Appraisal NOI	172 million yen		Appraisal NOI	216 million yen
Appraisal NOI/Acquisition price	6.2%		Appraisal NOI/Sales price	5.1%

Note: Actual NOI for View Flex Umeda Building based on the Net Operating Income (p.a.) which was calculated by taking into consideration the Operating Income and expenses (after property tax and city planning tax) under the terms and conditions of the contracts with tenants valid as of Feb. 29, 2012. Amounts for KDX Omori Building were annualized based on Actual NOI in the 14th Period. Appraisal NOI for View Flex Umeda Building shows the Net Operating Income (p.a.) calculated with the direct capitalization method at the time of acquisition, and Appraised NOI for KDX Omori Building shows the Net Operating Income (p.a.), stated in the appraisal report as of end of Apr. 2012, which was calculated with the direct capitalization method. Amounts less than 1 million yen are omitted, and percentages are rounded to first decimal place. Average age is calculated as of Apr. 30, 2012, and rounded to the first decimal place. For KDX Omori Bldg., the sales agreement was signed on Feb. 23, 2012 (14th Period) and the building was sold on May 11, 2012 (15th Period).

> Diversifying Our Investment Methods

The Senri Life Science Center Building is a 49,260.78m² complex built in 1992. As a move to strengthen the property pipeline, KENEDIX-REIT made an indirect investment in this property through the acquisition of preferred equity securities from Senri Property TMK. This stake will deliver a high yield and provide KENEDIX-REIT with the future opportunity to acquire the property should it be sold.

Description of Preferred Equity Securities

Senri Property TMK	
Assets	¥8.81 billion
Specified assets: (Note)	¥8.02 billion
Other:	¥0.79 billion
Liabilities	¥6.83 billion
Specified bonds & Specific purpose borrowings:	¥6.83 billion
Preferred Equity	¥1.88 billion
Specified equity:	¥0.1 billion

Acquired preferred equity securities (worth 0.891 billion yen).
Note: Appraisal value of specified assets (as of Feb. 1, 2012) is 12.3 billion yen.

Acquired in December 2011



A75 Kabutocho Nikko Building
Location: Chuo-ku, Tokyo
Acquisition price: 11,270 million yen



A76 Ikebukuro Nikko Building
Location: Toshima-ku, Tokyo
Acquisition price: 1,653 million yen



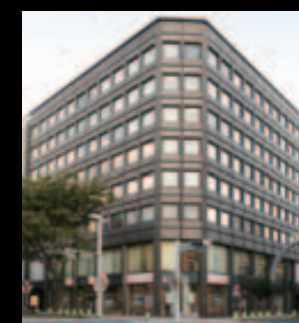
A77 Kabutocho Nikko Building II
Location: Chuo-ku, Tokyo
Acquisition price: 1,280 million yen



A78 Tachikawa Ekimae Building
Location: Tachikawa, Tokyo
Acquisition price: 1,267 million yen



A79 Nagoya Ekimae Sakura-dori Building
Location: Nagoya, Aichi
Acquisition price: 7,327 million yen



A80 Nagoya Nikko Shoken Building
Location: Nagoya, Aichi
Acquisition price: 4,158 million yen



A81 Sendai Nikko Building
Location: Sendai, Miyagi
Acquisition price: 950 million yen

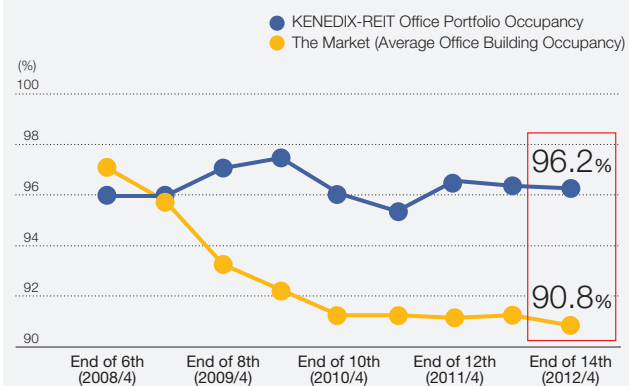


D01 Kanazawa Nikko Building
Location: Kanazawa, Ishikawa
Acquisition price: 645 million yen

2 Improving Occupancy Through Effective Portfolio Management

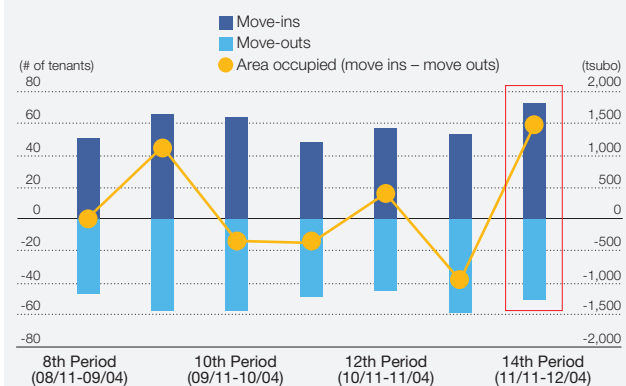
95.4%

Central Tokyo Office Occupancy: KENEDIX-REIT Versus the Market



Note: Based on office buildings in the 5 wards of Central Tokyo. Kenedix REIT Management created the chart using data provided by Miki Shoji, whose figures cover both existing and new buildings. Standard floor plans were used to calculate the KENEDIX-REIT office portfolio.

Trend of Tenant Turnover



Note: Based on number of floors. If one tenant leases more than one floor, each floor is counted as one.

By focusing on mid-sized office buildings in the Tokyo Metropolitan Area, KENEDIX-REIT has acquired unsurpassed know how. The results are shown to the left. Our office portfolio beats the market with higher levels of occupancy. In April 2012, the KENEDIX-REIT office portfolio occupancy ratio in the 5 wards of Central Tokyo stood at 96.2%, over 5 percentage points above the overall market, which stood at 90.8%. The Asset Management Company has consistently maintained an occupancy ratio higher than 95% for its office buildings in the central 5 wards, beating overall market occupancy every period since the 7th period ended October 2008.

How do we do it? The short answer is that we're fanatical about tenant service and have a clear portfolio management strategy. The full answer involves much more. The Asset Management Company has its own internal property management division, ensuring prompt understanding and the accurate reflection of tenant needs. We upgrade buildings in line with tenant expectations. What they value is what we value. Our heightened responsiveness also shows.

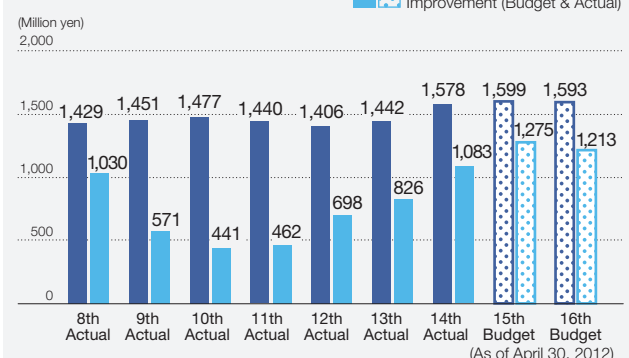
KENEDIX-REIT has teamed up with J.D. Power Asia Pacific to conduct surveys of its tenants. The findings provide useful insight and help determine future improvements. The fourth survey, conducted in the 13th

Fiscal Period, was revealing. Even with buildings built more than 25 years ago, KENEDIX-REIT was able to achieve a high customer satisfaction ranking of 81.7%. By making improvements to raise the competitiveness of our properties, we are able to maintain a high occupancy rate, regardless of building age.

We focus on the most sought after properties by specializing in buildings suitable for mid-sized office buildings. 92.2% of Tokyo offices are occupied by small businesses, thus guaranteeing a large supply of potential tenants. Maintaining excellent relationships with leasing agents means they are out in the market recommending our buildings and spaces. Our leasing agents provide us with helpful market information. They also proactively hold open houses to secure new tenants.

Capital spending on improvements hit a high of 1.1 billion yen in the 14th Fiscal Period and KENEDIX-REIT is budgeting over 1.2 billion yen in each of the two subsequent periods. Work has already begun on the replacement of air conditioning systems, conversion to high-efficiency LED lighting, installation of motion sensors and other energy-saving improvements.

Changes in Depreciation & Improvement Works (Budget/Actual)



> Shortening the Vacancy Period: Rapidly Replacing Tenants to Boost Occupancy

We strive to maintain high levels of customer satisfaction, but some tenants eventually move out for various reasons, including downsizing. When the inevitable strikes, KENEDIX-REIT works to help new tenants move in. That way, we can shorten the vacancy period and generate leasing income as rapidly as possible.

The KDX Harumi Building provides a case in point. Five floors accounting for 46.3% of total floor space were leased by NTT DATA Corporation. When notice was given that the lease would be cancelled on April 27, 2011, we promptly began leasing activities in order to limit the vacancy period. As a result, occupancy rebounded from 42.5% to 70.3% in April 2012. The KDX Kayabacho Building provides another example. Working closely with brokers and the Asset Management Company, we were able to restore occupancy to 100% from a low of 72.2% in just 6

months. We also took the opportunity to renovate some common areas.

To minimize the vacancy period, we approach this issue on several fronts. With older buildings, we may perform improvements, such as seismic reinforcement, to provide more value and make the property more attractive. Our leasing activities focus on these higher specs and leverage the leasing capabilities of the asset management company, working in close collaboration with leasing brokers.

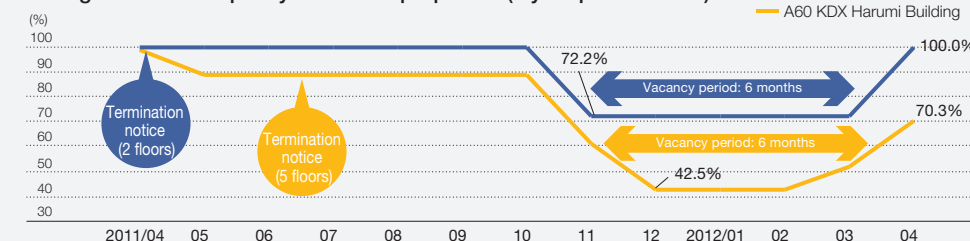


Lease-ups During the 14th Fiscal Period

Leasing policies

- Shorten vacancy periods
- Execute appropriate value-ups
- Leverage the leasing capabilities of the Asset Management Company

Changes in the occupancy ratios of 2 properties (1 year performance)



KENEDIX-REIT's Environmental Initiatives

Kenedix Realty Investment Corporation became the first J-REIT to receive DBJ Green Building Certification on June 9, 2011. The View Flex Umeda Building became our fourth property to acquire certification on March 28, 2012. The Development Bank of Japan Inc. awards green certification at four different levels after evaluating five areas.

DBJ Green Building Criteria

- Disaster-prevention & anticrime measures
- Tenant comfort & convenience
- Harmony with the environment & community
- Collaboration with tenants & investors
- Environmental IR activities

Received DBJ Green Building Certification

Received DBJ Green Building Certification for the 4 properties.



Participation in GRESB Evaluation (Asset Management Company)

GRESB is a benchmark to analyze and evaluate sustainability of real estate companies, REIT and private real estate fund in terms of environmental and social performance.



3 Financial Stability

Conservative LTV Ratio **45.3%**

Since being listed, KENEDIX-REIT has worked to maintain a sound and stable financial foundation. This foundation allows us to make acquisitions when opportunities arise.

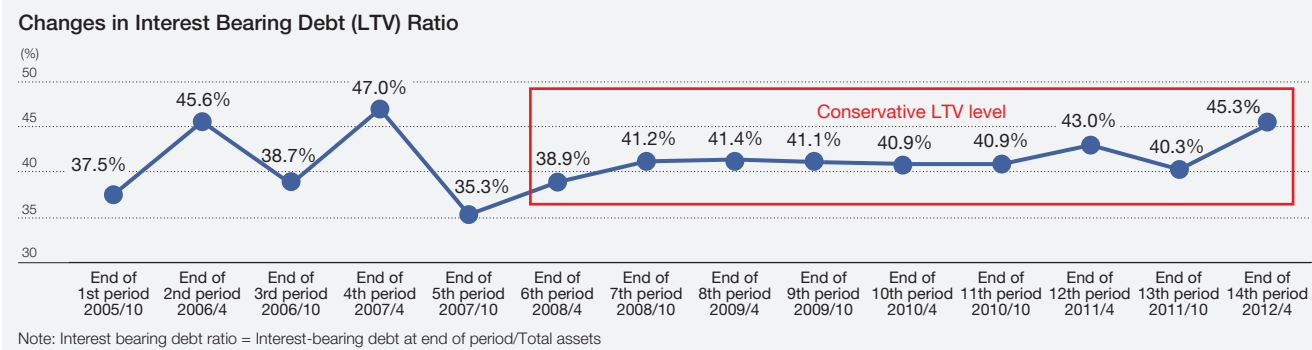
In July 2011, we executed the 4th Public Offering, raising approximately 14 billion yen and resulting in the release of all collateral pledges against our properties. KENEDIX-REIT now possesses available options as financing methods due to the release of collateral for all the properties in July 2011.

With the release of collateral pledges, we were able to diversify our financing options, including the issuance of investment corporation bonds, thereby significantly improving our credit standing. As a result, I believe we were able to reduce finance costs. Simultaneously, KENEDIX-REIT is reducing financial risk with the diversification of debt maturities.

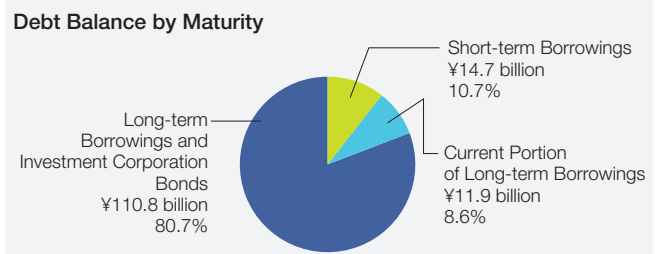
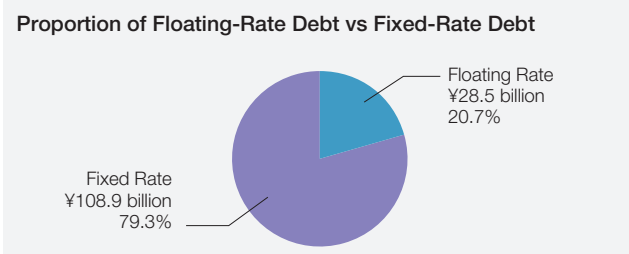
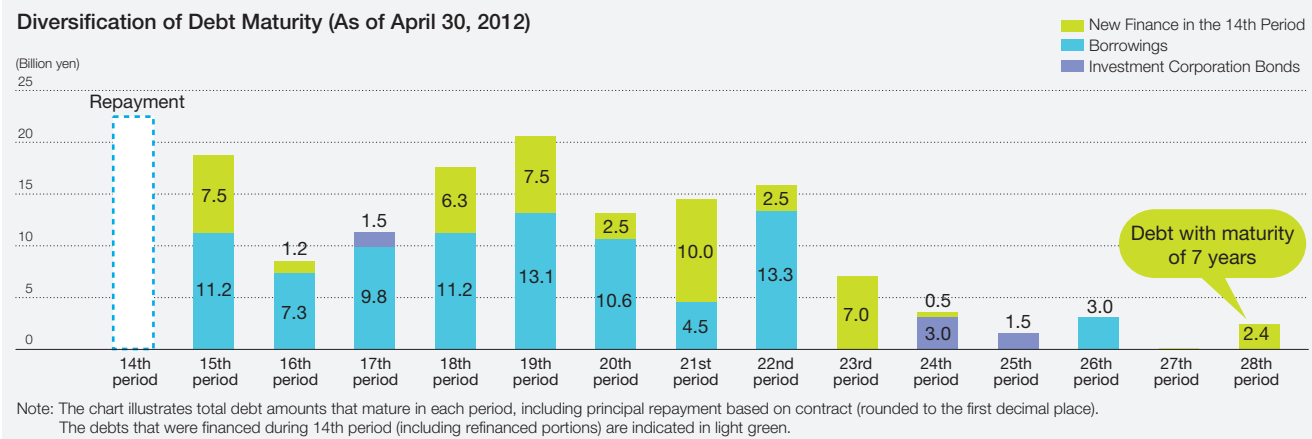
To ensure the ability to smoothly acquire assets, KENEDIX-REIT generally limits its interest-bearing debt (LTV) ratio to approximately 45%, though this may be allowed to rise slightly to take advantage of exceptional opportunities. A conservative LTV ratio maintains financial stability and preserves funding flexibility.

When the opportunity arises to acquire properties, we have various financing options. For example, the funding for the acquisition of eight properties on December 26, 2011 was arranged by Sumitomo Mitsui Banking Corporation with the Development Bank of Japan Inc. as a co-arranger. By continuing to focus on diversified financing methods, we are achieving external growth. We have the agility to respond quickly and swiftly make favorable acquisitions. At the same time, we are committed to generating stable distributions for our investors.

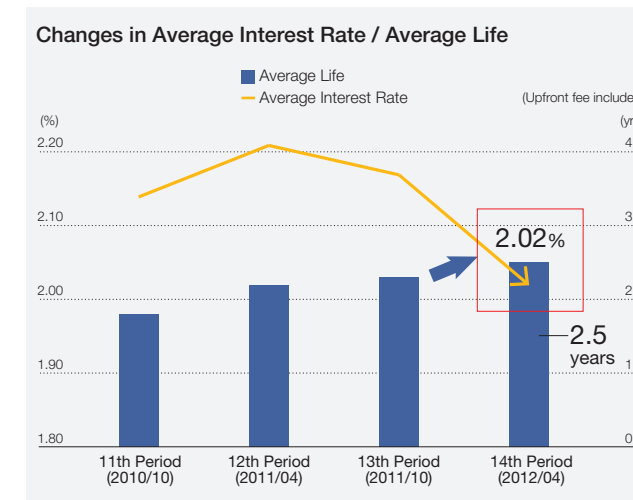
> Maintaining a Conservative Interest-Bearing Debt (LTV) Ratio



> Obtained a 7-year Loan from Sumitomo Mitsui Banking Corporation and the Development Bank of Japan



> Reducing Financing Costs With Long-term Loans



→ Extended the average life of our borrowings to 2.5 years (up from 2.3 years in the previous period) while lowering the average interest rate (including upfront fees) to **2.02%** (down from 2.17%).

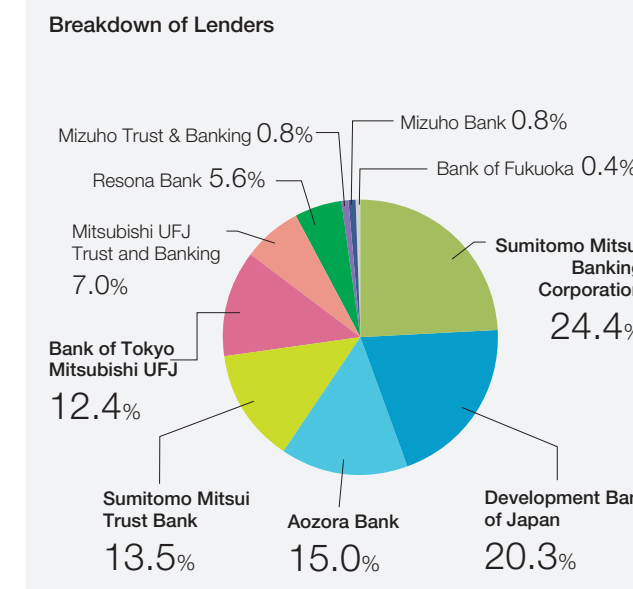
> Diversifying Financing Methods

→ Raised **6.3** billion yen by leveraging the committed term loan facility established in December 2011.

→ Issued the 4th Investment Corporation Bonds worth **1.5** billion yen (maturity of 5.5 years), to redeem the 1st Investment Corporation Bonds due March 15, 2012 (9.0 billion yen).

> Expanding Our Lender Base to 10 Banks

→ Secured loans from two new lenders: **Mizuho Bank (1.0 billion yen) and Bank of Fukuoka (0.5 billion yen).**



Bank	As of Oct. 31, 2011	As of Apr. 30, 2012	Change
1 Sumitomo Mitsui Banking Corporation	22.4	32.0	+9.6
2 Development Bank of Japan	16.4	26.7	+10.3
3 Aozora Bank	14.0	19.7	+5.7
4 Sumitomo Mitsui Trust Bank	15.8	17.7	+1.9
5 Bank of Tokyo Mitsubishi UFJ	11.3	16.3	+5.0
6 Mitsubishi UFJ Trust and Banking	7.2	9.2	+2.0
7 Resona Bank	5.3	7.3	+2.0
8 Mizuho Trust & Banking	1.0	1.0	0
9 Mizuho Bank	-	1.0	+1.0
10 Bank of Fukuoka	-	0.5	+0.5
11 Norinchukin Bank	4.0	-	-4.0
Total	97.4	131.4	+34.0

Note: Figures are rounded to the first decimal place.

Portfolio Table

(As of April 30, 2012)

No.	Property Name	Location	Acquisition price (mn yen)	Year Built (Note 1)	Occupancy Ratio	
A01	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	Apr. 1974	94.6%	
A03	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	Jan. 1987	100.0%	
A04	KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	Jun. 1993	100.0%	
A05	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	Aug. 1992	98.3%	
A06	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	Nov. 1985	100.0%	
A07	FIK Minami Aoyama	Minato-ku, Tokyo	2,270	Nov. 1988	100.0%	
A08	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	May 1993	100.0%	
A13	KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	May 1994	100.0%	
A14	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	100.0%	
A15	KDX Hamacho Building	Chuo-ku, Tokyo	2,300	Sep. 1993	95.0%	
A16	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	100.0%	
A17	KDX Ebisu Building	Shibuya-ku, Tokyo	4,640	Jan. 1992	100.0%	
A18	KDX Omori Building (Note 2)	Ota-ku, Tokyo	3,500	Oct. 1990	100.0%	
A19	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	Sep. 1999	100.0%	
A20	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	Oct. 1987	100.0%	
A21	KDX Shinbashi Building	Minato-ku, Tokyo	2,690	Feb. 1992	99.5%	
A22	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	97.9%	
A23	KDX Yotsuya Building	Shinjuku-ku, Tokyo	1,950	Oct. 1989	100.0%	
A26	KDX Kiba Building	Koto-ku, Tokyo	1,580	Oct. 1992	100.0%	
A27	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	Mar. 1990	100.0%	
A28	KDX Nogizaka Building	Minato-ku, Tokyo	1,065	May 1991	100.0%	
A29	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	Jan. 1990	99.7%	
A30	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	Nov. 1992	100.0%	
A31	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	Sep. 1986	100.0%	
A32	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	Jul. 1986	100.0%	
A33	KDX Okachimachi Building	Taito-ku, Tokyo	2,000	Jun. 1988	100.0%	
A34	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May 1995	100.0%	
A35	KDX Hachioji Building	Hachioji, Tokyo	1,155	Dec. 1985	100.0%	
A37	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	Aug. 1982	100.0%	
A38	KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	Oct. 1992	88.6%	
A39	KDX Toranomon Building	Minato-ku, Tokyo	4,400	Apr. 1988	100.0%	
A40	Toranomon Toyo Building	Minato-ku, Tokyo	9,850	Aug. 1962	95.1%	
A41	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	Aug. 1989	100.0%	
A45	KDX Roppongi 228 Building	Minato-ku, Tokyo	3,300	Apr. 1989	65.1%	
A46	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	Mar. 1988	91.4%	
A47	KDX Shin-Yokohama 381 Building (Note 3)	Yokohama, Kanagawa	5,800	Mar. 1988	91.5%	
A48	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	Feb. 1985	100.0%	
A49	Nissou Dai-17 Building	Yokohama, Kanagawa	2,710	Jul. 1991	86.4%	
A50	Ikejiri-Oohashi Building	Meguro-ku, Tokyo	2,400	Sep. 1988	100.0%	
A51	KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	Sep. 1988	100.0%	
A52	KDX Kanda Misaki-cho Building	Chiyoda-ku, Tokyo	1,380	Oct. 1992	100.0%	
A55	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	Jul. 1990	100.0%	
A56	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	May 1994	100.0%	
A57	KDX Gobancho Building	Chiyoda-ku, Tokyo	1,951	Aug. 2000	100.0%	
A59	KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	Mar. 2008	100.0%	
A60	KDX Harumi Building	Chuo-ku, Tokyo	10,250	Feb. 2008	70.3%	
A61	KDX Hamamatsucho Dai-2 Building	Minato-ku, Tokyo	2,200	Apr. 1992	87.6%	
A62	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	Nov. 1989	100.0%	
A63	Gotanda TG Building	Shinagawa-ku, Tokyo	2,620	Apr. 1988	100.0%	
A64	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	Oct. 2006	100.0%	
A66	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	May 1993	97.7%	
A67	KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	Nov. 1991	100.0%	
A68	KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	Jan. 1984	100.0%	
A71	KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	Mar. 1990	100.0%	
A72	KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	Jan. 1993	89.2%	
A73	KDX Hakozaki Building	Chuo-ku, Tokyo	2,710	Nov. 1993	100.0%	
A74	KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	Nov. 2002	100.0%	
A75	Kabutocho Nikko Building	Chuo-ku, Tokyo	11,270	Nov. 1998	100.0%	
A76	Ikebukuro Nikko Building	Toshima-ku, Tokyo	1,653	Mar. 1986	100.0%	
A77	Kabutocho Nikko Building II	Chuo-ku, Tokyo	1,280	Oct. 2001	100.0%	
A78	Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	Feb. 1990	100.0%	
A12	Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	89.5%	
A24	KDX Minami Sembai Dai-1 Building	Osaka, Osaka	1,610	Mar. 1993	86.0%	
A25	KDX Minami Sembai Dai-2 Building	Osaka, Osaka	1,560	Sep. 1993	90.4%	
A36	KDX Niigata Building	Niigata, Niigata	1,305	Jul. 1983	64.1%	
A42	Karasuma Building	Kyoto, Kyoto	5,400	Oct. 1982	100.0%	
A44	KDX Sendai Building	Sendai, Miyagi	2,100	Feb. 1984	96.7%	
A53	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun. 1973	86.0%	
A54	KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	89.2%	
A58	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Apr. 2009	100.0%	
A69	KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	Jul. 2009	95.6%	
A70	Kitanajo SIA Building	Sapporo, Hokkaido	2,005	Oct. 1989	100.0%	
A79	Nagoya Ekimae Sakura-dori Building	Nagoya, Aichi	7,327	Apr. 1986	92.8%	
A80	Nagoya Nikko Shoken Building	Nagoya, Aichi	4,158	Aug. 1974	92.7%	
A81	Sendai Nikko Building	Sendai, Miyagi	950	Mar. 1989	75.4%	
A82	View Flex Umeda Building	Osaka, Osaka	2,770	Jul. 2009	95.5%	
Office Subtotal (76 properties)			264,401	Avg. 21.9 years	95.1%	
Residential	B03	Court Mejiro	Shinjuku-ku, Tokyo	1,250	Mar. 1997	95.2%
	B19	Residence Charmante Tsukishima	Chuo-ku, Tokyo	5,353	Jan. 2004	100.0%
	B34	Gradito Kawaguchi (Note 2)	Kawaguchi, Saitama	1,038	Feb. 2006	100.0%
	B18	Venus Hibarigaoka	Sapporo, Hokkaido	1,800	Mar. 1989	95.0%
Residential Subtotal (4 properties)			9,441	Avg. 11.8 years	96.9%	
Central Urban Retail	C01	Frame Jinnan-zaka	Shibuya-ku, Tokyo	9,900	Mar. 2005	100.0%
	C02	KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	Aug. 1991	100.0%
Central Urban Retail Subtotal (2 properties)			12,379	Avg. 9.8 years	100.0%	
Others	D01	Kanazawa Nikko Building	Kanazawa, Ishikawa	645	Mar. 1989	100.0%
	Others Subtotal (1 property)			645	Avg. 23.1 years	100.0%
Total (83 properties)			286,866	Avg. 21.0 years	95.4%	
Investment Security	Senri Property TMK Preferred Securities	Toyonaka, Osaka	891	Jun. 1992		

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 April 30, 2012, and are rounded down to the first decimal place.
 2. KDX Omori Building was sold on May 11, 2012, and Gradito Kawaguchi was sold on June 26, 2012.
 3. KDX Shin-Yokohama 381 Building and KDX Shin-Yokohama 381 Building Annex Tower are indicated collectively as one property. Year of construction of existing tower is shown. Upon calculating the weighted-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.

Portfolio Map (As of April 30, 2012)

This page only presents properties in Central Tokyo.



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 indispensable for promoting sound management practices. In order to comply with each legal regulation and realize asset management operations that are fair and highly transparent, Kenedix REIT Management, the asset management company of KENEDIX-REIT, is 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 implementation.

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 officer. Through the functions of the Board of Directors, KENEDIX-REIT grasps and oversees the status of Kenedix REIT Management’s business operations.

Corporate Governance System of Kenedix REIT Management

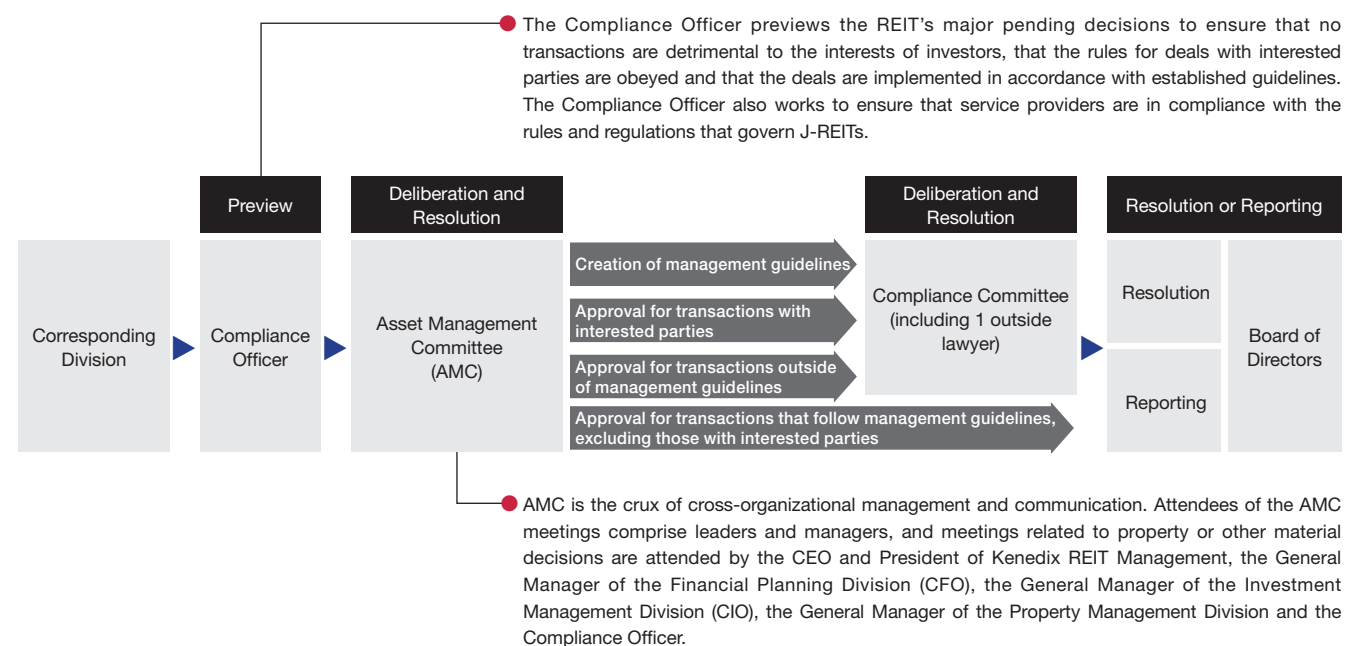
Kenedix REIT Management endeavors to control the various risks related to investment management by preparing management guidelines and adhering to fundamental investment management concepts, including investment policies, transaction rules with interested parties, and policies of distribution and disclosure.

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 (whose members include 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 acquisitions 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



Meetings of Committees in Each Fiscal Period

(Period)	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th	14th
Compliance Committee	7	7	7	8	6	8	9	8	8	10	7	7	8	6
Asset Management Committee	21	35	39	39	38	38	52	44	36	39	32	37	44	40
Kenedix REIT Management Board of Directors	9	7	9	8	9	7	10	8	10	12	11	9	11	9
KENEDIX-REIT Board of Directors	11	7	7	9	7	7	7	8	8	8	8	7	9	10

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
Other reference						
Number of properties	properties	70	67	71	74	83
Total leasable floor area	m ²	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.

Eun-ji & 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
ASSETS		
Current assets:		
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
Property and equipment, at cost: (Notes 3, 11 and 13)		
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
Other assets:		
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
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
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
Net Assets		
Unitholders' equity		
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		
Surplus		
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
Total liabilities and net assets	¥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
Operating revenues:		
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
Operating expenses:		
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
Operating income	4,086,346	4,425,323
Non-operating expenses:		
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
Ordinary income	2,551,809	3,040,407
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
Retained earnings at the end of period	¥2,540,387	¥3,052,838

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' capital	Unitholders' Equity			Total unitholders' equity	Total
		Voluntary retained earnings	Surplus	Total surplus		
	Reserve for reduction entry	Retained earnings				
Balance as of April 30, 2011	¥133,129,755	¥ 65,796	¥2,310,063	¥2,375,859	¥135,505,614	¥135,505,614
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
Balance as of October 31, 2011	147,153,820	65,796	3,052,838	3,118,634	150,272,454	150,272,454
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)
Balance as of April 30, 2012	¥147,153,820	¥368,796	¥2,540,387	¥2,909,183	¥150,063,003	¥150,063,003

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 340,589.96m². 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-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
Rental and other operating revenues:		
Rental revenues	¥6,581,677	¥6,121,318
Common area charges	1,490,246	1,353,952
Subtotal	8,071,923	7,475,270
Others:		
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
Total rental and other operating revenues	¥9,090,653	¥8,498,949
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
Total property-related expenses	¥4,284,757	¥3,961,611
Gain on sale of real estate property:		
Revenue from sale of investment property	¥ —	¥5,800,000
Cost of investment property	—	5,122,100
Other sales expenses	—	132,618
Gain on sale of real estate property	¥ —	¥ 545,282

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)

	(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.

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 OOIKOUGYOU 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
CASH FLOWS FROM OPERATING ACTIVITIES:		
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)
Net cash provided by operating activities	4,144,051	9,434,021
CASH FLOWS FROM INVESTING ACTIVITIES:		
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)	—
Net cash used in investing activities	(32,217,695)	(14,138,812)
CASH FLOWS FROM FINANCING ACTIVITIES:		
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)
Net cash (used in) provided by financing activities	23,664,652	9,812,767
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
Cash and cash equivalents at the end of period	¥13,519,011	¥17,928,003

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

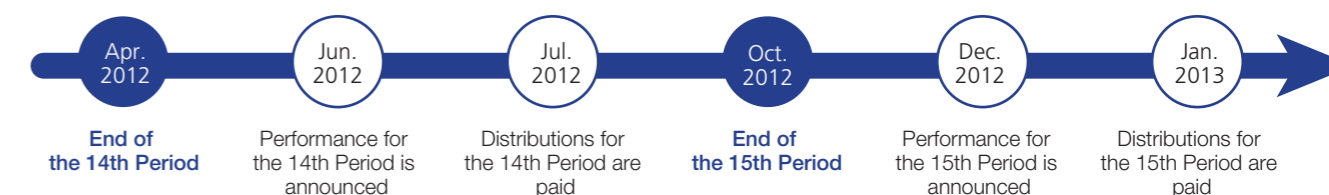
Note: Restricted bank deposits are retained for repayment of tenant leasehold and security deposits.

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: Sumitomo Mitsui Trust Bank, Limited
 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Japan
Auditor: Ernst & Young ShinNihon LLC

IR Schedule (14th and 15th Fiscal Periods)



General Breakdown of Unitholders

	Foreign corporations and individuals	Other domestic corporations	Financial institutions (including securities companies)	Individuals and others
End of the 14th Period	43.4%	1.6%	43.1%	11.8%
	124,469 units	4,639 units	123,531 units	33,911 units
End of the 13th Period	38.5%	1.8%	47.8%	12.0%
	110,189 units	5,186 units	136,919 units	34,256 units

Top Ten Unitholders (As of April 30, 2012)

Name	Units Held	Share of Outstanding Units
Japan Trustee Services Bank, Ltd. (Trust Account)	51,691	18.03%
The Nomura Trust and Banking Co., Ltd. (Trust Account)	22,545	7.86%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	20,971	7.31%
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,574	4.73%
The Bank of New York, Treaty JASDEC Account	11,255	3.92%
Nomura Bank (Luxembourg) S.A.	9,283	3.23%
JP Morgan Chase Bank 385174	6,820	2.38%
Goldman Sachs and Company Regular Account	4,239	1.47%
State Street Bank and Trust Company	3,191	1.11%
Trust & Custody Services Bank, Ltd. (Money Trust Tax Account)	3,130	1.09%
Total	146,699	51.19%

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

Unit Price Performance





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

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