

# Kenedix Realty Investment Corporation (8972)

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11th Period Results (ended October 2010)

p7: updated and revised “Changes in ratio of seller type”

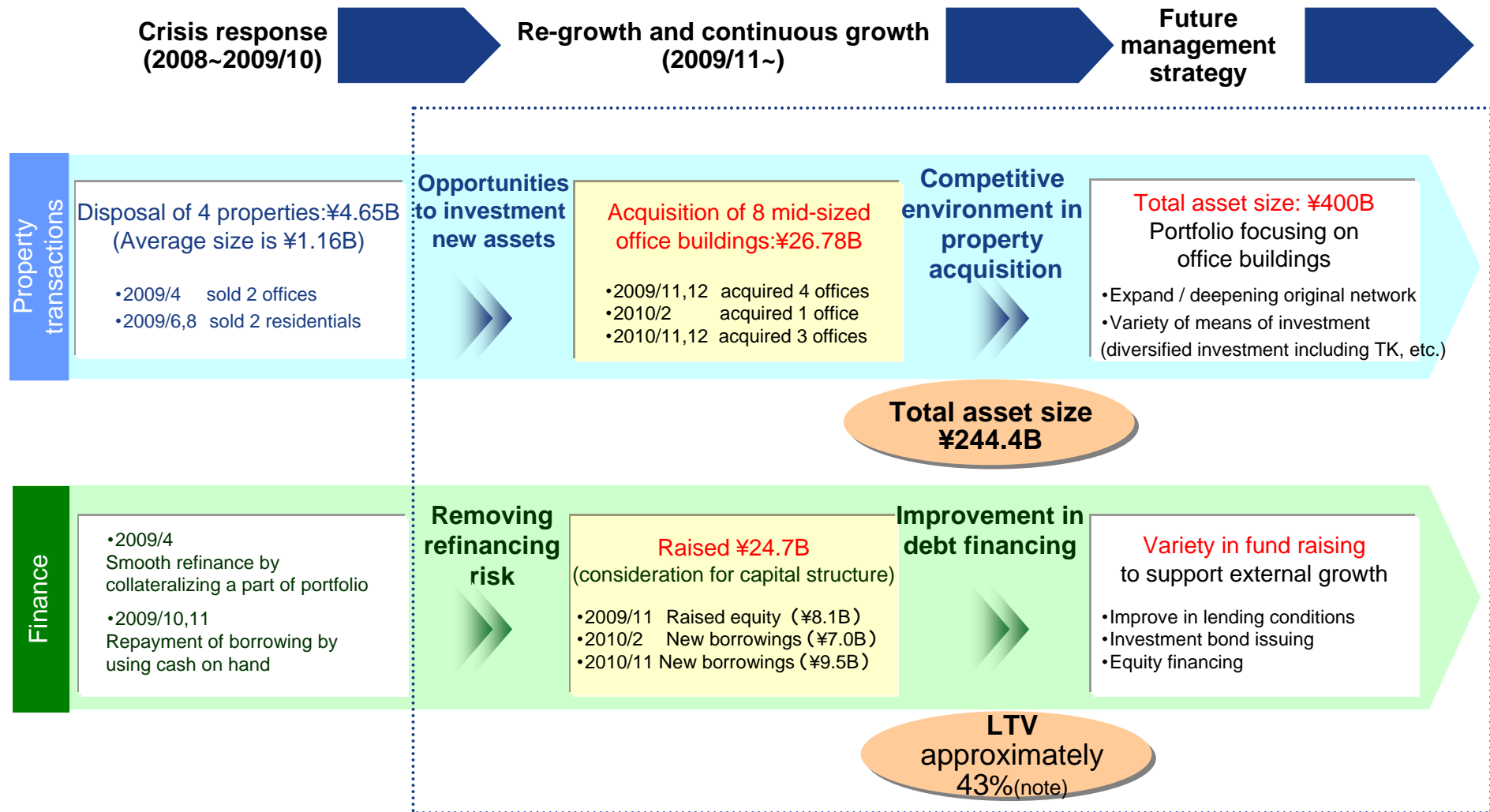
p21: updated “Breakdown of borrowing providers”

**May 2011**

**Kenedix REIT Management, Inc.**

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

# Flexible management taking market environment into consideration: Stable growth of portfolio



Note: As of 2010/12/13, based on the data as of the end of 11<sup>th</sup> fiscal period (October 31, 2010)

SECTION 1

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11th Period Results (ended October 2010)

12th Period Forecasts (ending to April 2011)

# 11th period (2010/10) financial results: Performance highlights

Performance				(¥M)
	10th period results (2010/4)	11th period results (2010/10)	Difference from 10th to 11th period	Notes
<b>Operating revenues</b>	8,067	8,358	291	Utilities charge reimbursements (due to seasonal variability) (+181), Revenue from KDX Shinjuku Building is contributed fully (+138), Decrease in rental revenues from existing properties (-129)
Gain on sales of real estate property	-	116	116	Gain on sales of KDX Shinjuku-Gyoen Building
<b>Operating expenses</b>	4,329	4,522	193	-
Rental business expenses (excluding depreciation)	2,237	2,377	140	Utilities (due to seasonal variability)
Depreciation	1,477	1,440	-37	-
Loss on sales of real estate property	-	64	64	Loss on sales of Court Shin-Okachimachi
<b>Operating Income</b>	3,738	3,835	97	-
<b>Non-operating expenses</b>	1,185	1,231	46	-
Interest expenses	1,142	1,205	63	Full period contribution of interest from debt finance in 10th period
<b>Net Income</b>	2,567	2,607	40	-
<b>Reserve for reduction entry</b>	-	65	65	80% of gain of sales of 2 properties of land is recorded to internal reserve
<b>Distribution per unit</b>	¥10,993	¥10,881	-¥112	(No. of investment units: 233,550 units)
<b>NOI (Net Operating Income)</b>	5,830	5,864	34	-
<b>FFO (Funds From Operation)</b>	4,044	3,995	-49	-

## Internal reserves of profit from sales of land

Gain on sales of KDX Shinjuku-Gyoen Building and Court Shin-Okachimachi

⇒ Application of exceptional handling of taxation in the event of in-advance acquisition of land, etc. in 2009 and 2010 for future use. (Article 66.2 of the Special Taxation Measure Law)

80% of the gain of sales of land (¥65M) is recorded to internal reserve as reserve for reduction entry

## Comparison between forecasts and 11th period results

	Forecast (2010/6/14)	Results	Difference from forecast	Main factors
<b>Operating revenues</b>	8,199	8,358	160	Profit from sale of Shinjuku-Gyoen Building (+116)
<b>Operating expenses</b>	4,519	4,522	3	Loss on sale of Court Shin-Okachimachi (+64), Decrease in property-related expense (-18), Decrease in other expenses (-40)
<b>Operating results</b>	3,679	3,835	156	-
<b>Non-operating expenses</b>	1,253	1,231	-22	-
Interest expenses	1,219	1,205	-14	Refinance cost is lower than our estimate
<b>Net Income</b>	2,430	2,607	176	-
<b>Reserve for reduction entry</b>	-	65	65	80% of gain of sales of 2 properties of land is recorded to internal reserve
<b>Distribution per unit</b>	¥10,400	¥10,881	+¥481	-

# 12th period(2011/4) earnings forecasts

## Forecasts for 12th period (2011/4)

(¥M)

	11th period results (2010/10)	12th period forecasts (2011/4)	Net change	Main factors
<b>Operating revenues</b>	8,358	8,075	-283	3 new properties +294, 2 properties disposed in 11th period -80, existing properties -204, utilities -151
Gain on sales of real estate property	116	0	-116	-
<b>Operating expenses</b>	4,522	4,429	-93	Loss on sales of 2 properties in 11th period
Rental business expenses (excl. depreciation)	2,377	2,357	-20	3 new properties +86, 2 properties sold in 11th period -20, utilities -61
Depreciation	1,440	1,406	-34	3 new properties +68, completion of existing properties' depreciation -88
Loss on sales of real estate property	64	0	-64	-
<b>Operating income</b>	3,835	3,646	-189	-
<b>Non-operating expenses</b>	1,231	1,378	147	-
Interest expense etc.	1,205	1,359	154	※Interest expense of new borrowings (¥9.5B), etc in 11th period (including financing related expense)
<b>Net Income</b>	2,607	2,271	-336	-
<b>Reserve for reduction entry</b>	65	※(65)	-	※Distribution of internal reserve recorded in 11th period
<b>Distribution per unit (¥)</b>	¥10,881	¥10,000	-¥881	(No. of investment units: 233,550 units)
<b>NOI*</b>	5,864	5,717	-147	Decrease in existing properties
<b>FFO*</b>	3,995	3,677	-318	Increase in interest expense of new borrowings in 11th period
(Reference) Profit/Loss from properties (Net)	52	0	-52	-
(Reference) Changes in the no. of properties	70→67 properties	67→70 properties	+3 properties	-
(Reference) Sold/acquisition of properties	<b>【Sold】</b> - KDX Shinjuku-Gyoen Building - Court Shin-Okachimachi <b>【Integration】</b> KDX Shin-Yokohama 381 Building	<b>【Acquisition】</b> - Kyodo Building: 2 properties (Ginza No.8, Honcho 1chome) - KDX Kobayashi-Doshomachi Building	-	-

Note: NOI = Rental revenues – Property-related expenses + Depreciation  
 FFO (Funds From Operation) = (Net Income + Depreciation) – Profit/loss from property sale

(Reference) Forecast for property tax  
 12th period (2011/4) ¥649M  
 13th period (2011/10) ¥708M

### ※Increase in interest expense in 12th period

➤ Acquisition of 3 properties in 12th period is funded by new long-term debt (¥9.5B). Interest expense also includes financing related expense will be booked in 12th period

### ※Distribution of internal reserve recorded in 11th period

➤ Internal reserve recorded as reserve for reduction entry (80% of gain on sales of 2 properties of land) in 11th period is planned to distribute to unit holders in 12th period

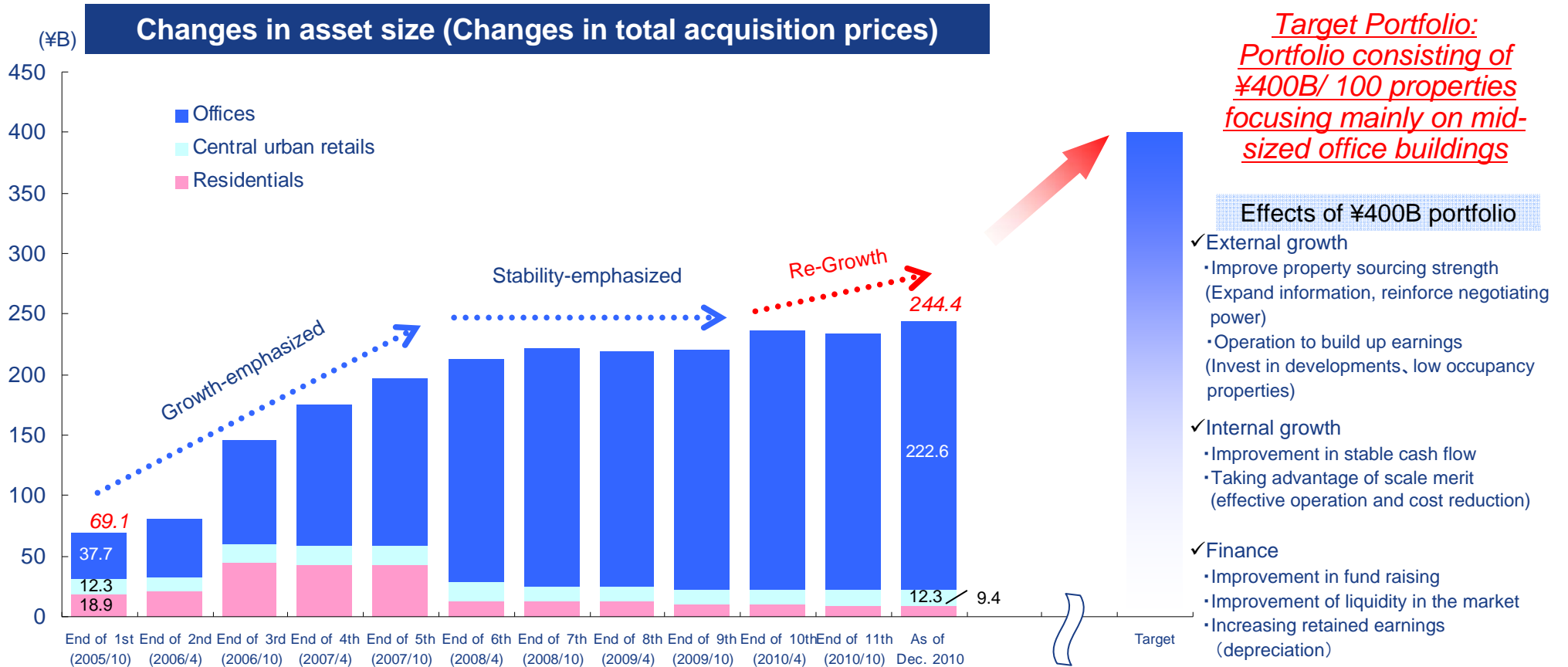
Note: Forecast figures are calculated based on certain assumptions. Readers are advised that actual net income and distributions may vary due to variety of reasons. Accordingly, the Investment Corporation does not guarantee payment of the forecast distribution.

SECTION 2

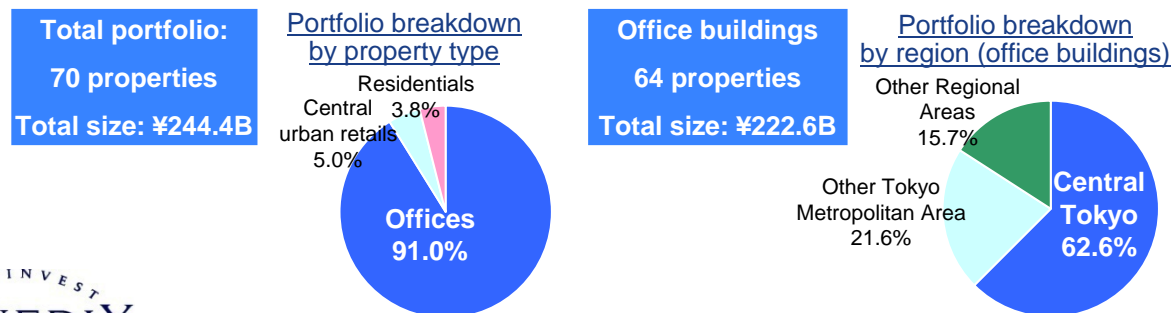
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## **Portfolio that Focuses on Office Buildings**

# Portfolio that focuses on office buildings



### Portfolio as of December 13, 2010



Notes:

- Amounts are rounded to the nearest ¥100M.
- Pie charts show the ratio of relevant property types to total and are rounded down to the first decimal place.
- Central Tokyo: Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards

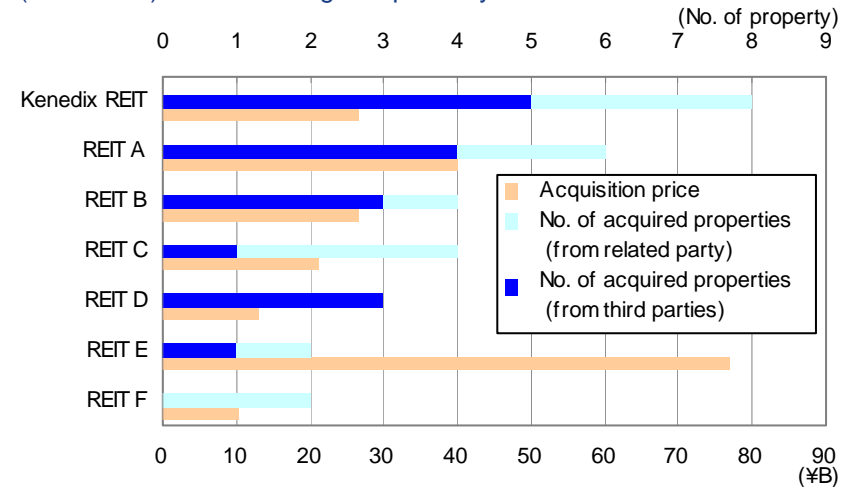
# Future property acquisition strategies: Awareness of environmental and acquisition track record

## Changes in number & quality of property sales information

Both the number & quality of property sales information have been improving backed by solid acquisition track record

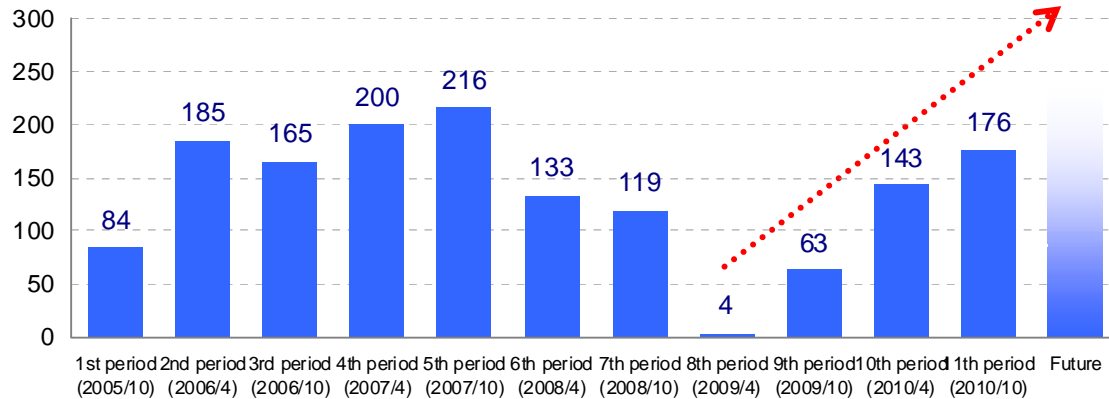
- The number of properties offered has been on the rise since restart of property acquisition (expected to exceed 216, the highest number ever achieved in 5th period ended Oct. 2007)
- The number of properties under consideration to acquire is also on the rise (in the 11th period, the number was 48 (27.3% of all property sales information) and increased 12.6% from the previous period)
- The number of packaged properties (portfolios) information has been increasing since the beginning of 2010 (A total of 9 portfolios comprising 75 buildings, including 5 portfolios comprising 51 buildings offered by a private fund)
- In some cases, the properties offered in the past are reoffered with lower prices

(Reference) Office buildings acquired by J-REIT since Nov. 2009

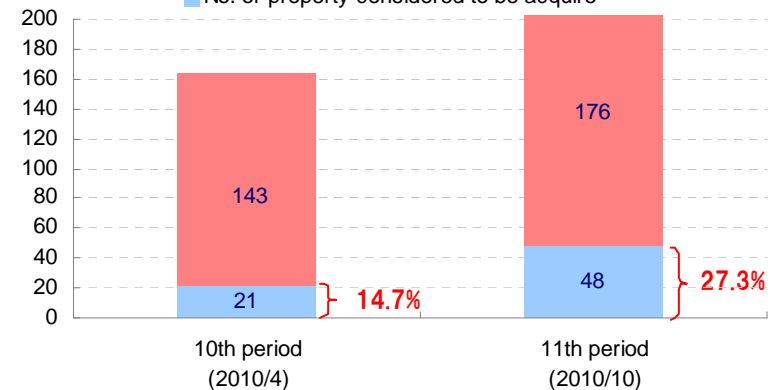


Note: The above reflects only the acquisitions of office buildings by J-REIT that have acquired more than 2 office buildings since Nov. 2009 (as of Dec. 1, 2010). Its is classified as whether or not the seller is a related party or not.

Number of garnered property sales information (office)



No. of garnered property sales information  
No. of property considered to be acquire





# Future acquisition strategy: Original network and diversification of the means of investment

- Expanding/deepening the original network by using our track record of property acquisition
- Jointly investment in equity to secure quality asset
- Valuation of properties based on our expertise and experience of property management

## Expanding/deepening the original network

### ➤ Financial institutions

Collecting information of properties which lenders need to accelerate collection of their loans and exit strategies of funds by communicating with lenders and securities companies



### ➤ Asset managers of private funds

Collecting information of loan repayment of funds and fund redemption date by communicating with AM companies



### ➤ Other REITs

Finding potential opportunities and acquiring properties through negotiated transactions with other REITs by communicating with other REITs proactively

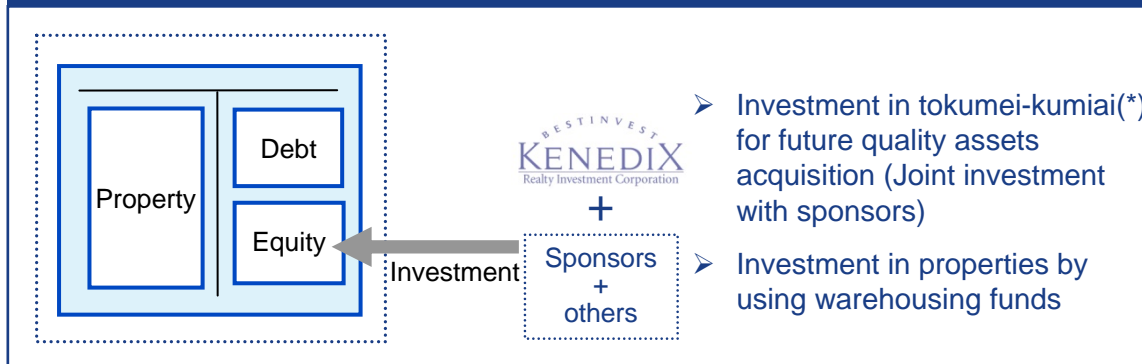


### ➤ Corporations

Collecting information of companies which is in course of financial restructuring and off-balancing of their assets on B/S by communicating with Corporations



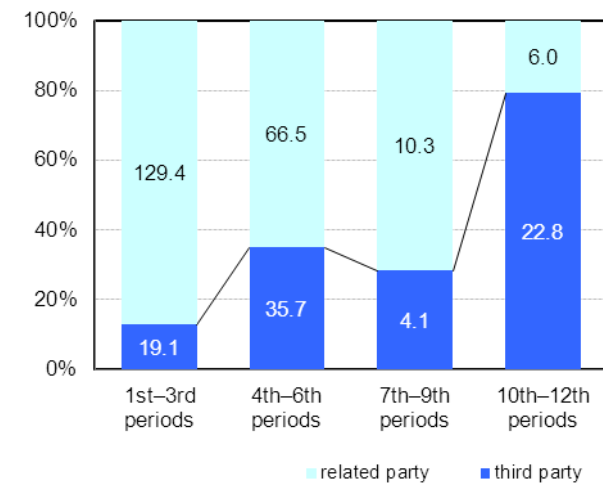
## Diversify the means and targets of investment



\*Japanese silent partnership

## Changes in ratio of seller type

(Number shows total amount of acquisition price (¥B))



## Replacing portfolio properties

Sale of existing properties in view of new acquisition of office buildings

**Improvement in quality of the portfolio**

# Properties acquired in 12th period (ending April 2011)

## Kyodo Building (Ginza No.8)



Location: Chuo-ku, Tokyo  
 GFA: 4,724.62 m<sup>2</sup>  
 Year built: Nov. 1991  
 Acquisition price: ¥4,300 M  
 Acquisition date: Nov.12, 2010

- ◆ 3-minute walk from “Ginza itchome” station on Tokyo Metro Yurakucho Line and “Higashi-ginza” station on Hibiya Line and Toei Subway Asakusa Line
- ◆ Completed large-scale renovation in 2008 - 2009
- ◆ Typical floor area of c. 411m<sup>2</sup> (c.125 tsubo)

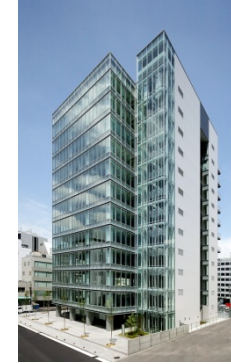
## Kyodo Building (Honcho 1chome)



Location: Chuo-ku, Tokyo  
 GFA: 5,110.45 m<sup>2</sup>  
 Year built: Jan. 1984  
 Acquisition price: ¥4,000M  
 Acquisition date: Nov.12, 2010

- ◆ 3-minute walk from “Mitsukoshimae” station on Tokyo Metro Ginza Line and Hanzomon Line and “Shin-Nihonbashi” station on JR Line
- ◆ Completed large-scale renovation in 2008
- ◆ Typical floor area of c. 467m<sup>2</sup> (c.141 tsubo)

## KDX Kobayashi-Doshomachi Building



Location: Chuo-ku, Osaka  
 GFA: 10,723.83m<sup>2</sup>  
 Year built: July 2009  
 Acquisition price: ¥2,870M  
 Acquisition date: Dec. 1, 2010  
 Main tenant:  
 Kobayashi Pharmaceutical  
 Land owner:  
 Kobayashi Pharmaceutical

- ◆ Located in Yodoyabashi district, at the center area of the Osaka metropolitan area (one of the major office district in Osaka)
- ◆ A 12-story building built in July 2009 with a typical floor area of c.617m<sup>2</sup> (c.186 tsubo)
- ◆ 4 floors occupied by Kobayashi Pharmaceutical (land owner)



# Track record of property acquisition: growth of our portfolio



Property Name	Koishikawa TG Building	Gotanda TG Building	KDX Shin-Yokohama 381 Building Annex Tower (Note1)	KDX Nihonbashi 216 Building	KDX Shinjuku Building (Note2)	Kyodo Building (Ginza No.8)	Kyodo Building (Honcho 1chome)	KDX Kobayashi-Doshomachi Building	(Reference) 8properties
Location	Bunkyo-ku, Tokyo	Shinagawa-ku, Tokyo	Yokohama, Kanagawa	Chuo-ku, Tokyo	Shinjuku-ku, Tokyo	Chuo-ku, Tokyo	Chuo-ku, Tokyo	Chuo-ku, Osaka	-
Acquisition date	Nov. 2009			Dec. 2009	Feb. 2010	Nov. 2010		Dec. 2010	-
Acquisition price (A)	¥3.08B	¥2.62B	¥1.1B	¥2.01B	¥6.8B	¥4.3B	¥4.0B	¥2.87B	<b>¥26.78B</b>
Appraisal value (B)	¥3.26B	¥2.83B	¥1.21B	¥2.11B	¥7.42B	¥4.52B	¥4.33B	¥2.97B	<b>¥28.65B</b>
Difference (A)-(B)	-5.5%	-7.4%	-9.1%	-4.7%	-8.4%	-4.9%	-7.6%	-3.4%	<b>-6.5%</b>
Seller	Third party	Third party	Related party	Related party	Third party	Third party	Third party	Related party	-
Actual NOI (Note3)	¥188M	¥184M	¥77M	¥107M	¥388M	¥214M	¥245M	¥190M	<b>¥1,593M</b>
Actual NOI / Acquisition Value	6.1%	7.0%	7.0%	5.3%	5.7%	5.0%	6.1%	6.6%	<b>5.9%</b>
Mid-term NOI (Note3)	¥166M	¥162M	¥70M	¥104M	¥349M	¥208M	¥189M	¥187M	<b>¥1,435M</b>
Mid-term NOI / Acquisition Price	5.4%	6.2%	6.4%	5.2%	5.1%	4.8%	4.7%	6.5%	<b>5.4%</b>

Note 1:KDX Shin-Yokohama 381 Building Annex Tower  
Starting from 2010/11/1, KDX Shin-Yokohama 381 Building and the Annex Tower is operated as one property in our portfolio. In addition, starting from disclosures pertaining October 31, 2010, the two properties is indicated

Note2: KDX Shinjuku Building

As of August 1, 2010, the Investment Corporation has changed the name of Pacific Marks Nishi-Shinjuku Building.

Note3: Actual NOI (Annual) is based on property operating revenue and expenses (including property tax) those numbers are based on contracts with existing tenants at the acquisition date. Mid-term NOI is based on property operating revenue and expenses those numbers are based on our mid-term estimate and adjusted by occupancy ratio

# Improvement in property market

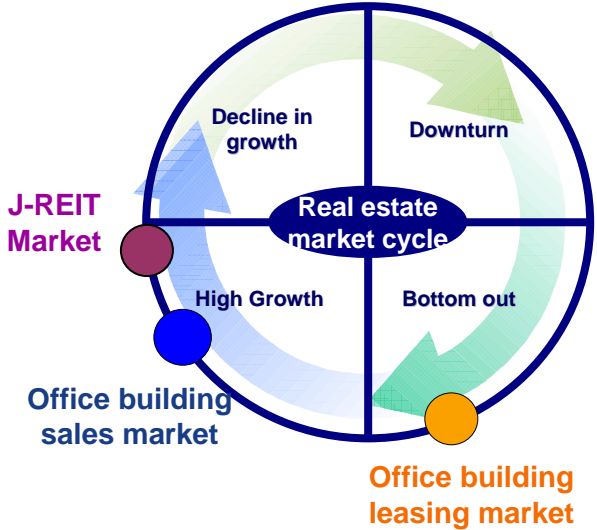
## Market Cycle ※

※ Market cycle is based on KDRM's perspectives

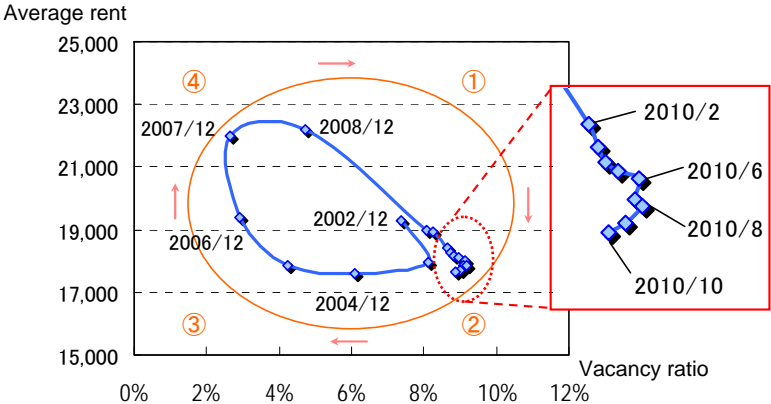
## Change of TSE REIT Index



Source: Tokyo Stock Exchange  
(Feb. 1, 2009–Nov. 30, 2010)



## Change of Vacancy ratio and office rent



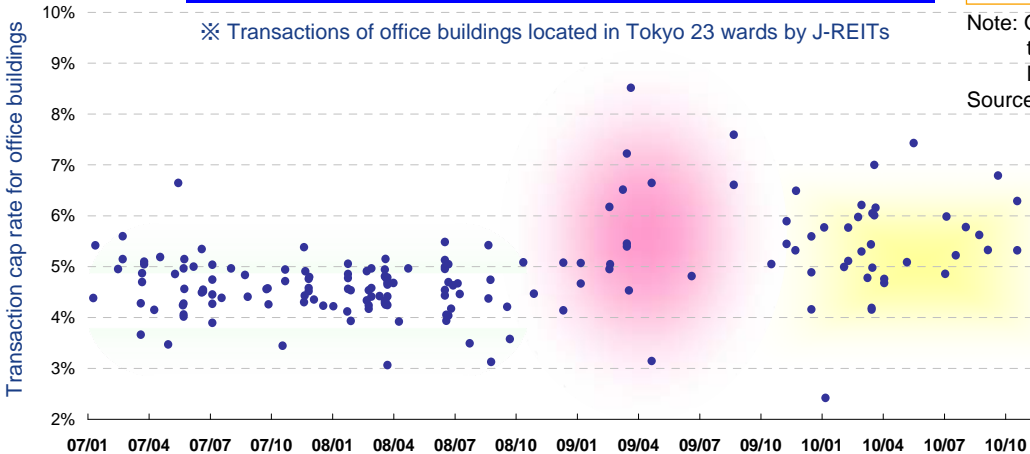
- ① Increase vacancy ratio ⇒ Decrease office rent
- ② Decrease office rent ⇒ Decrease vacancy ratio
- ③ Decrease vacancy ratio ⇒ Increase office rent
- ④ Increase office rent ⇒ Increase vacancy ratio

Note: Office buildings with the standard floor larger than 100 tsubo in central 5 wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku, Shibuya)

Source: Created by KDRM based on the data compiled by Miki Shoji Co., Ltd (as of October 2010)

## Transactions of office buildings by J-REITs

※ Transactions of office buildings located in Tokyo 23 wards by J-REITs



Note: Cap Rate of sales = Latest actual NOI/Sales value, Cap Rate of purchase = Appraisal NCF/Appraisal value  
Source: Prepared by KDRAM based on company filings from J-REITs

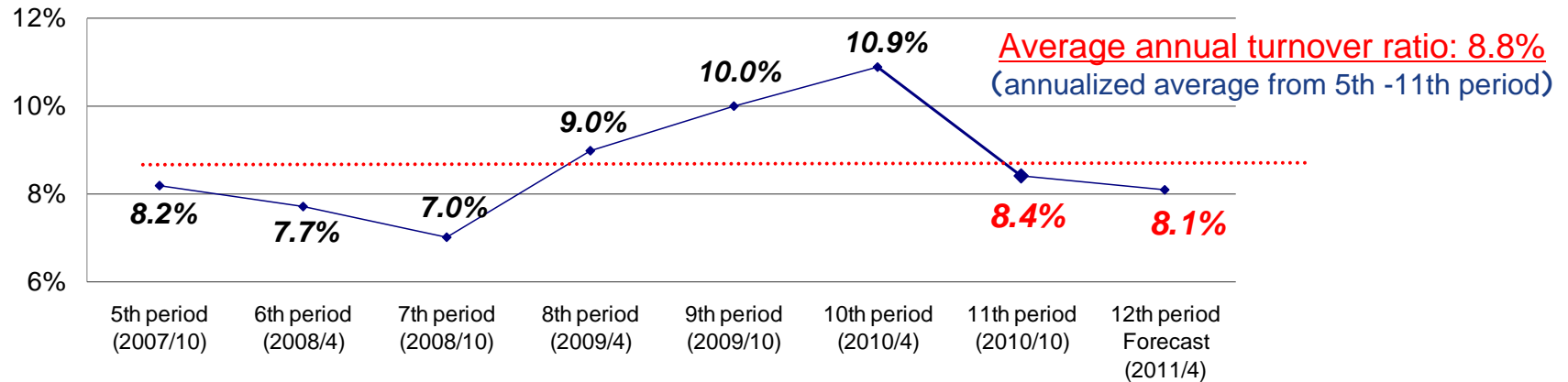
SECTION 3

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## **Management of Existing Properties**

# Management of existing properties: Trend of turnover and occupancy ratios for office buildings

## Annualized turnover ratios for office buildings (actual and forecasted)



Note: 12<sup>th</sup> period's (2011/4) forecast is based on prior cancellation notice received as of 2010/10 and included the contributions from 3 properties acquired in 12<sup>th</sup> period

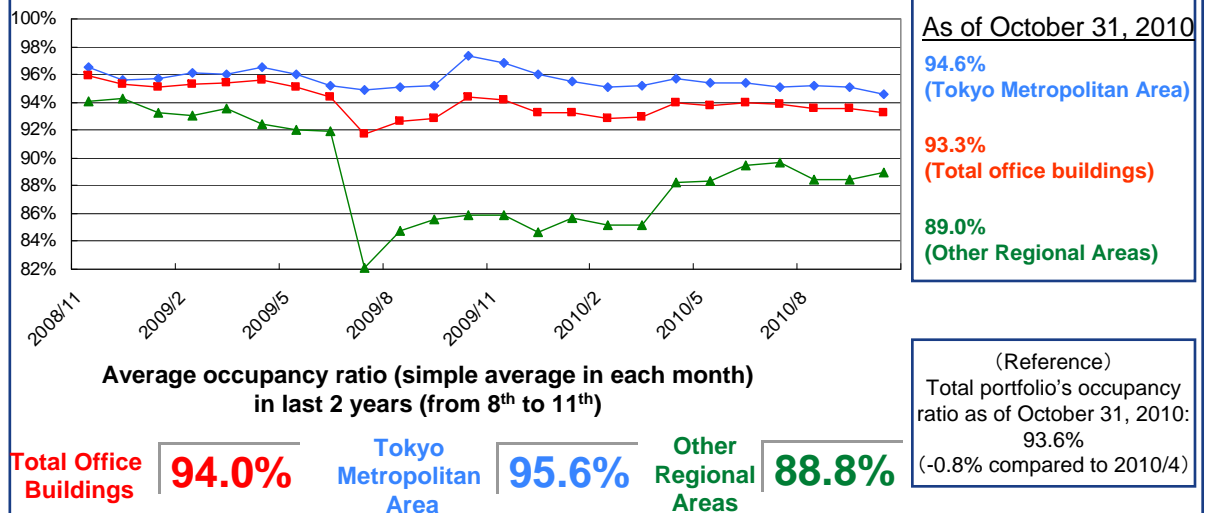
## Average vacancy period for office buildings

(in months)	8th Period (2009/4)	9th Period (2009/10)	10th Period (2010/4)	11th Period (2010/10)
Tokyo Metropolitan Area	4.9 months	6.3 Months	6.5 Months	7.3 months
(central 5 wards)	(4.5months)	(6.6months)	(6.7months)	(6.7months)
Other Regional Areas	10.6 months	11.1 months	12.7 months	14.1 months

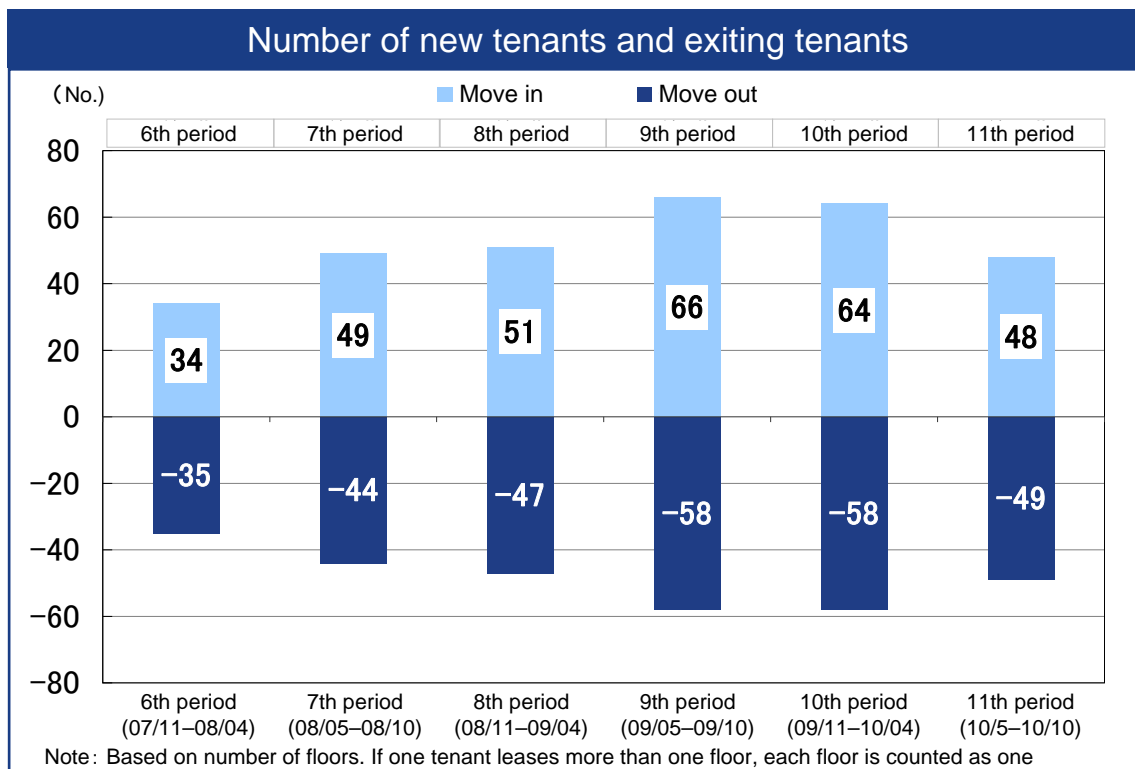
### Notes:

- Average (of each floor) based on number of contracts
- Floors (offices on 2F or above) covered by the survey are:
  - Vacant at start of period, but acquired new tenants during the relevant period
  - Continuously vacant from start to the end of period
  - Cancelled but managed to acquire new tenants during the relevant period

## Changes in occupancy ratio for office buildings (by region)



# Management of existing properties: Status of new tenants and existing tenants



(Reference)  
Main reasons for new tenants moving in to office buildings

	6th period (2008/04)	7th period (2008/10)	8th period (2009/4)	9th period (2009/10)	10th period (2010/4)	11th period (2010/10)
Expand office space	16	15	19	26	40	36
Reduce office space	2	3	12	17	14	6
Others/ Unknown	8	7	2	12	3	4

Note: Survey targeting mainly tenants leasing floors above 2nd floor

(Reference)  
Main reasons for tenants to moving out of office buildings

	6th period (2008/04)	7th period (2008/10)	8th period (2009/4)	9th period (2009/10)	10th period (2010/4)	11th period (2010/10)	12th period Forecast (2010/10)
Expand office space	2	3	4	2	4	9	3
Reduce office space	17	23	33	44	47	31	27
Others/ Unknown	11	7	6	6	4	5	10

Note: Excluding floors for residential use

## Deposit

Average deposit amount is equivalent to 11.2 months rent

Result of the past year (10th and 11th period)  
6 tenants with unpaid rent of more than 2 months

Industries	No. of tenants	(%)
Service	14	30.4
Food/retail	9	19.6
Financial/insurance	8	17.4
Industrial	5	10.9
Transportation/Telecom	3	6.5
Construction	3	6.5
Individual	2	4.3
Real estate	2	4.3
<b>Total</b>	<b>46</b>	<b>100.0%</b>

# Management of existing properties: Rent level of office buildings

## New rents

No. of increase/decrease in rent and average change in rent

		6th period (2008/04)	7th period (2008/10)	8th period (2009/4)	9th period (2009/10)	10th period (2010/4)	11th period (2010/10)
Central Tokyo (5 wards)	Changes	35.3%	13.5%	0.0%	-19.3%	-22.8%	<b>-19.0%</b>
	Increase in rent	7	8	8	0	0	<b>0</b>
	Decrease in rent	0	0	9	17	16	<b>18</b>
Other Tokyo Metropolitan Area	Changes	15.0%	5.8%	-1.8%	-8.4%	-15.5%	<b>-20.0%</b>
	Increase in rent	4	5	4	3	1	<b>0</b>
	Decrease in rent	1	2	6	15	11	<b>6</b>
Other Regional Areas	Changes	7.1%	-5.1%	-7.7%	-16.4%	-15.0%	<b>-16.6%</b>
	Increase in rent	8	3	4	2	6	<b>1</b>
	Decrease in rent	4	7	7	11	18	<b>13</b>
Total of Office Buildings	Changes	17.0%	3.9%	-2.7%	-14.4%	-17.5%	<b>-18.3%</b>
	Increase in rent	19	16	16	5	7	<b>1</b>
	Decrease in rent	5	9	22	43	45	<b>37</b>

Notes:

Ratio represent the simple average changes between the average monthly rents for existing tenants and the average rents for new contracts for respective periods. Based on floors used for offices (above 2nd floor), excluding newly acquired building during the period

## Renewed rents

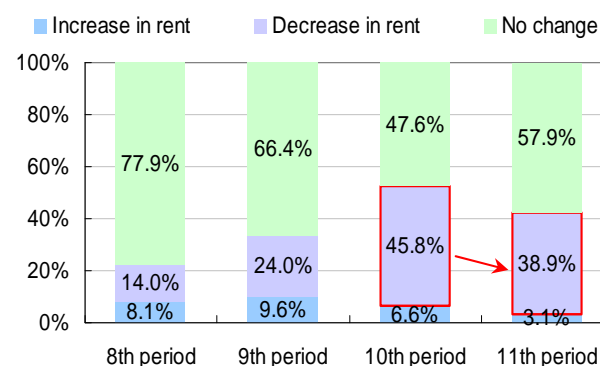
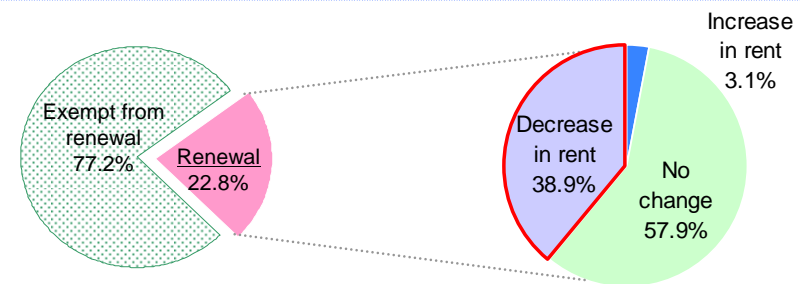
Status of renewed rent (No. of rents changed, % change)

	7th period (2008/10)	8th period (2009/4)	9th period (2009/10)	10th period (2010/4)	11th period (2010/10)
Change(%)	10.3%	-2.7%	-5.7%	-9.0%	<b>-10.8%</b>
Increase in rent	42	12	6	4	<b>6</b>
Decrease in rent	—	14	30	63	<b>55</b>

Note:

Changes in rent for tenants that renewed their contracts with rents increased/decreased. Changes are the difference between the rent 1 month prior to the renewal and the renewed rent. Tenants without rent increase/decrease are not included

Status of renewed rents during 11th period (2010/10)



**Decreasing ratio of "Decrease in rent" and increasing ratio of "No change"**

Note:

Any renewed contracts, including contracts extended before the expiration date. Ratio calculation based on leased floor area



# Management of existing properties: Rent and tenants of office buildings

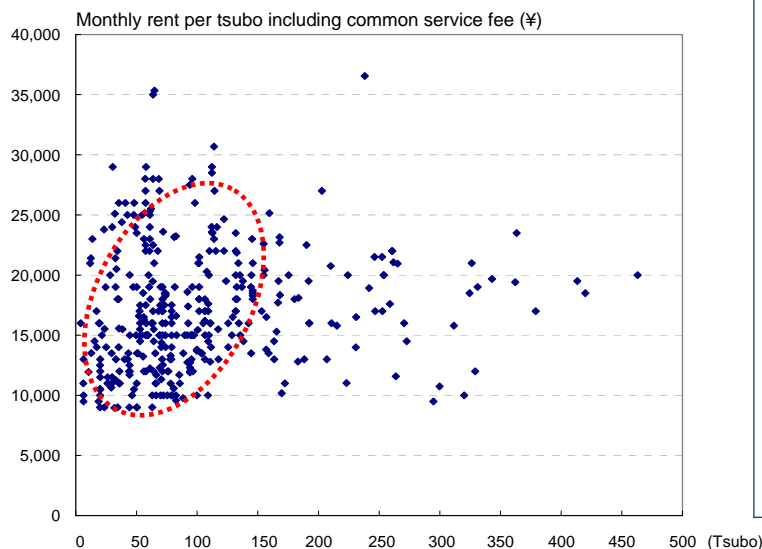
## Average rent

### Average rent for office buildings

(Monthly rent per tsubo)	End of 7th period (2008/10)	End of 8th period (2009/4)	End of 9th period (2009/10)	End of 10th period (2010/4)	End of 11th period (2010/10)	Changes compared with 2009/10
Central Tokyo (5 wards)	¥20,600	¥20,500	¥20,200	¥19,600	¥19,000	-5.9%
Other Tokyo Metropolitan Area	¥14,400	¥14,300	¥14,100	¥13,800	¥13,700	-3.1%
Other Regional Areas	¥11,100	¥11,000	¥10,700	¥10,400	¥10,300	-4.2%
Total office buildings	¥17,600	¥17,500	¥17,200	¥16,700	¥16,300	-5.1%

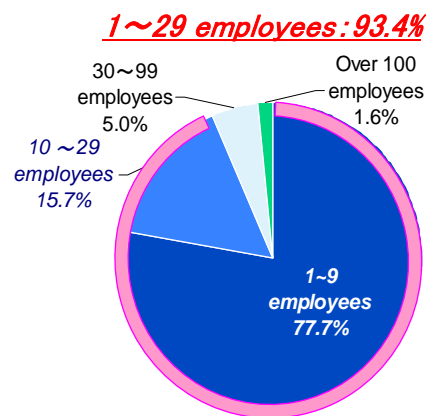
Note: Average rent level covers offices mainly above 2nd floor of the 56 properties which the Investment Corporation has owned at the end of 9th period excluding KDX Nagoya Sakae Building and KDX Shinjuku-Gyoen Building which was sold. Starting from the 11th period, A-47KDX Shin-Yokohama 381 Building is calculated collectively with the KDX Shin-Yokohama 381 Building Annex Tower (A-65) as 1 property. The average rent level of each property is the value obtained by dividing the sum of the monthly rent (including common area charges) per each property by the total leased area of each property, and is rounded down to 100 yen.

### Distribution of tenants in Tokyo Metropolitan Area (As of end of 11th period)



Note: No. of tenants for offices (excluding shops and warehouses, etc.) in Tokyo Metropolitan Area: 379  
Above chart excludes 12 tenants with leased area more than 500 tsubo

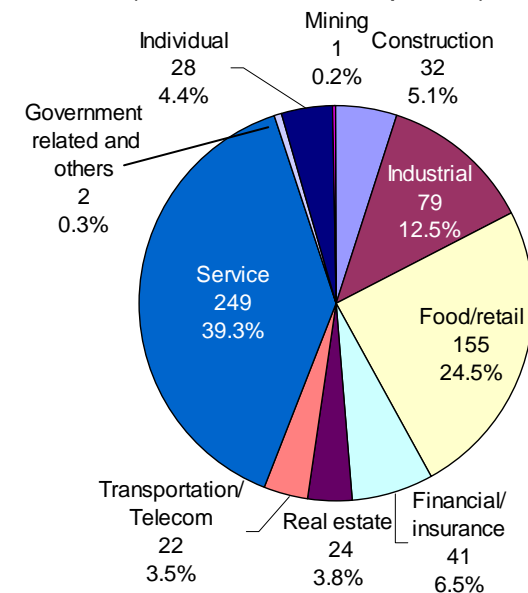
### (Reference) Breakdown of offices based on the number of employees (Tokyo)



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

### End tenants of office buildings

#### Variety of tenants (As of end of 11th period)



No. of end tenants (No. of properties) **633 tenants (61 properties)**

Ratio of largest end tenant **2.1%**

Ratio of top 3 end tenants **5.5%**

Note: The ratio of top-end tenants within the entire portfolio (based on leased area) KDX Shin-Yokohama 381 Building and KDX Shin-Yokohama 381 Building Annex Tower are considered together as 1 property

# Management of existing properties: Environment friendly management and leveraging scale merit

## Actions for energy-saving

We plan to upgrade air conditioning systems and lightings, which account for 80% of total energy consumption

### Upgrade air-conditioning systems

Upgrade air-conditioners, install ventilation fans with heat exchangers and upgrade ventilation systems

### Upgrade lighting equipment

Install higher-efficiency lightings with inverters and high-intensity evacuation signs, install LED lightings for common areas, etc.

### Install motion sensors etc.

Install motion sensors to save energies while people are away from office, higher-efficiency transformers, and use inverters for controlling fans

**Energy saving by 1% every year and more than 5% in 5 years expected ※**

※ We are categorized as specified business entity under the revised Energy Saving Act (because of use crude oil equivalent more than 1,500kl/year). The act sets a goal to reduce the amount of energy use by 1% every year. Emission reduction commitments under the Tokyo environment code covers only the large size building that use oil more than 1,500kl/year, however none of our buildings is this large, and is not required to reduce emission at this point.

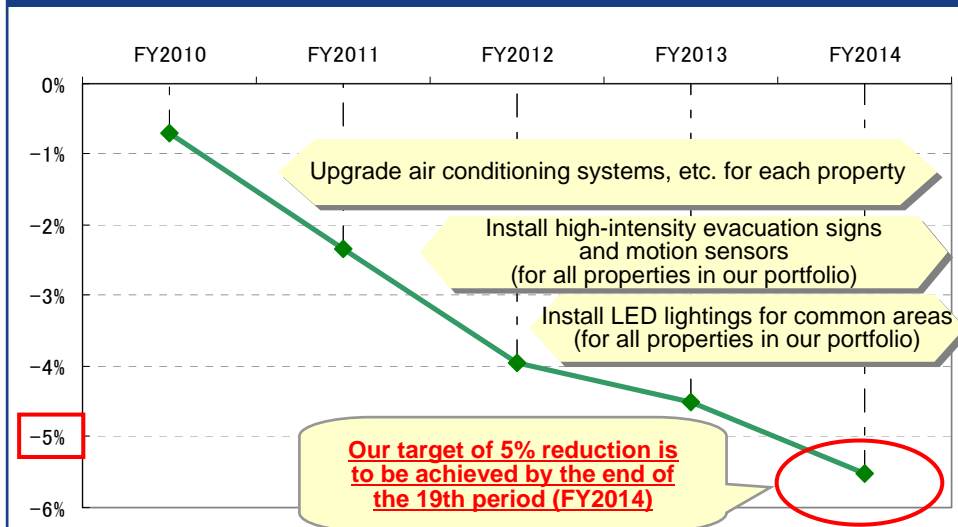
## Reduction of construction costs through package bid

Period of construction	# of properties	Amount of reduction	Rate of reduction
9th period	2	¥16 M	11.3%
10th period	3	¥6 M	7.6%
11th period	2	¥10 M	23.8%
12th period	5	¥63 M	16.1%

**Bargaining power backed the advantage of scale**

Significant and continued reductions of construction costs

## 5-year energy saving action plan



## Evaluation of our actions: Adoption by "Construction Saving Energy Program 2010"



A-22 KDX Shin-Yokohama Building

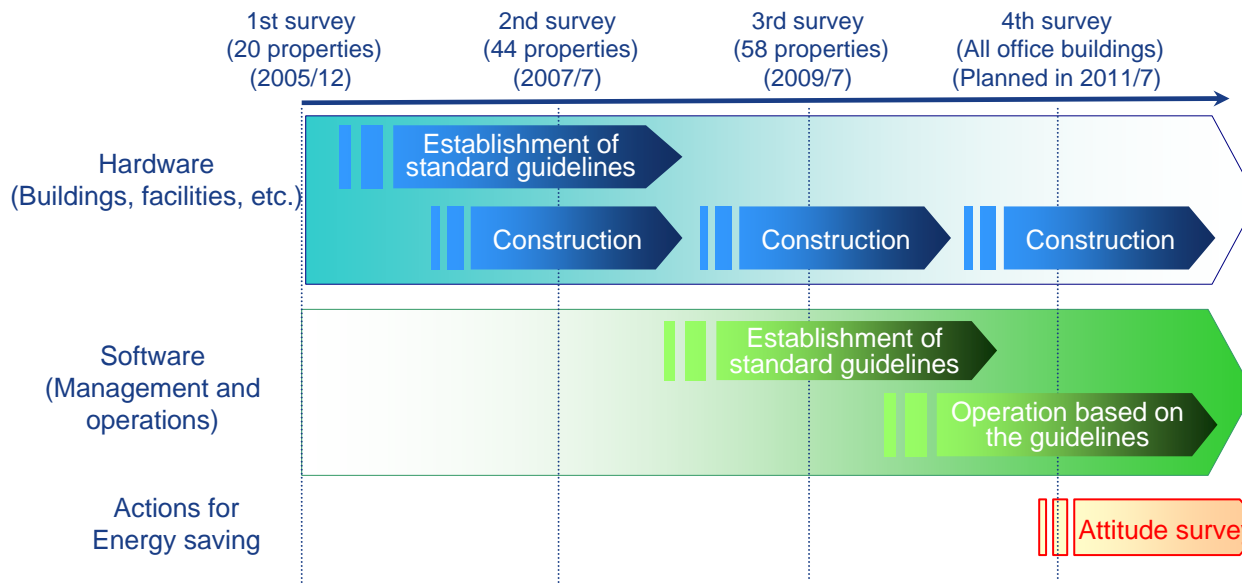
- The upgrade of air-conditioning system planned during the 12th period (ending April 2011) is expected to reduce the energy consumption of the property by 13.8%
- This repair of KDX Shin-Yokohama Building is under "Construction Saving Energy Program 2010", which is Ministry of Land, Infrastructure, Transport and Tourism (eligible to receive subsidies)
- The fund is expected to receive a subsidy of ¥26.2M which is nearly one-third of the total construction costs of ¥80M (in March 2011)

Location	2-3-8 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa	Land area (m <sup>2</sup> )	705.00
Structure	Steel reinforced	GFA (m <sup>2</sup> )	6,180.51
# of stories	B1 F9	Year built	September 1990
		Acquisition date	May 1, 2006

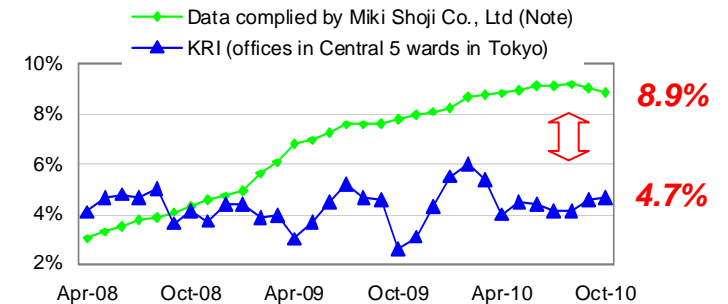
# Management of existing properties: Management based on customer satisfaction strategy

## Actions based on customer satisfaction survey (CS survey)

※ Breakdown of types of question in 3rd CS survey: hardware(58%) and software(42%)



- Maintain and increase the competitiveness of properties
- Maintain and increase the tenant inclination to stay in the same building
- Suitable repair work



Note: Average vacancy ratio of Tokyo Business Area (Central 5 wards)  
Source: Created by KDRM based on the data compiled by Miki Shoji Co., Ltd

### Improvement in hardware based on the 3rd CS survey

Principal Constructions	Detail	No. of properties	Expense (¥M)
Toilet	Installation of hand dryer and others	21	44
Security, disaster prevention	Automatic security, installation of security camera, etc.	8	38
Other common space	Repairing stairs, upgrading bulletin board, etc.	15	23
External facade/Entrance	Installation of automatic door Upgrade of entrance, etc.	7	12
Elevator	Renewing inner packaging, installation of switches, etc.	4	4
Office facility (air-conditioning, lighting, etc.)	Upgrading lightings, etc.	5	3
<b>Total</b>		<b>60</b>	<b>126</b>

Note: Includes constructions planned in 12th period (2011/4)

### Establishment of standard guidelines of software and Improvement by operation of the guidelines (12th period onwards)

- Improve the level of property management and minimize variations of management quality by properties based on our guidelines

Items	Opinions/claims received
Cleaning	Appearance, time period for cleaning, politeness including greetings, quality, etc.
Building maintenance	System/frequency of communications, response time, etc.
Security, disaster prevention	Prevention to entry into the building by non-tenants, security & disaster prevention measures, etc.
Construction	Schedule, notification of details, safety and other measures for tenants during the construction, etc.
Others	Smoking areas, the ways to post messages on a bulletin board, etc.

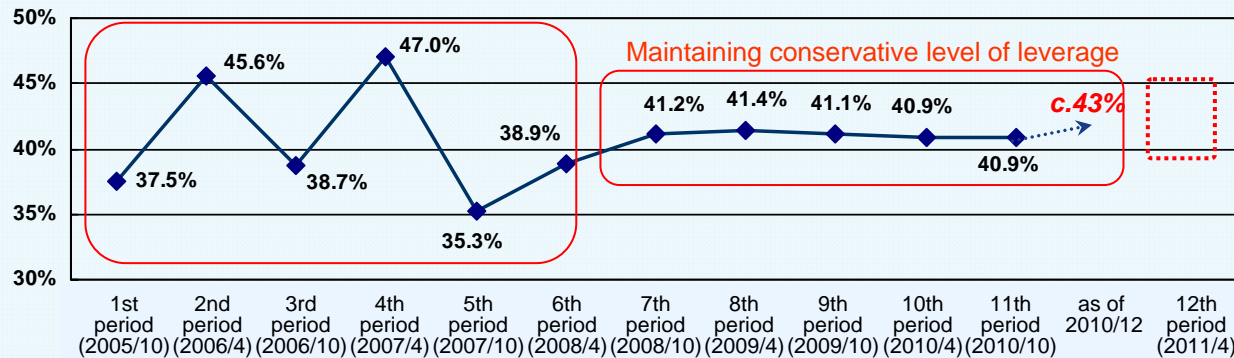
SECTION 4

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## **Financial Strategy**

# Stable financial management: Conservative LTV and diversified maturities

## Changes in LTV



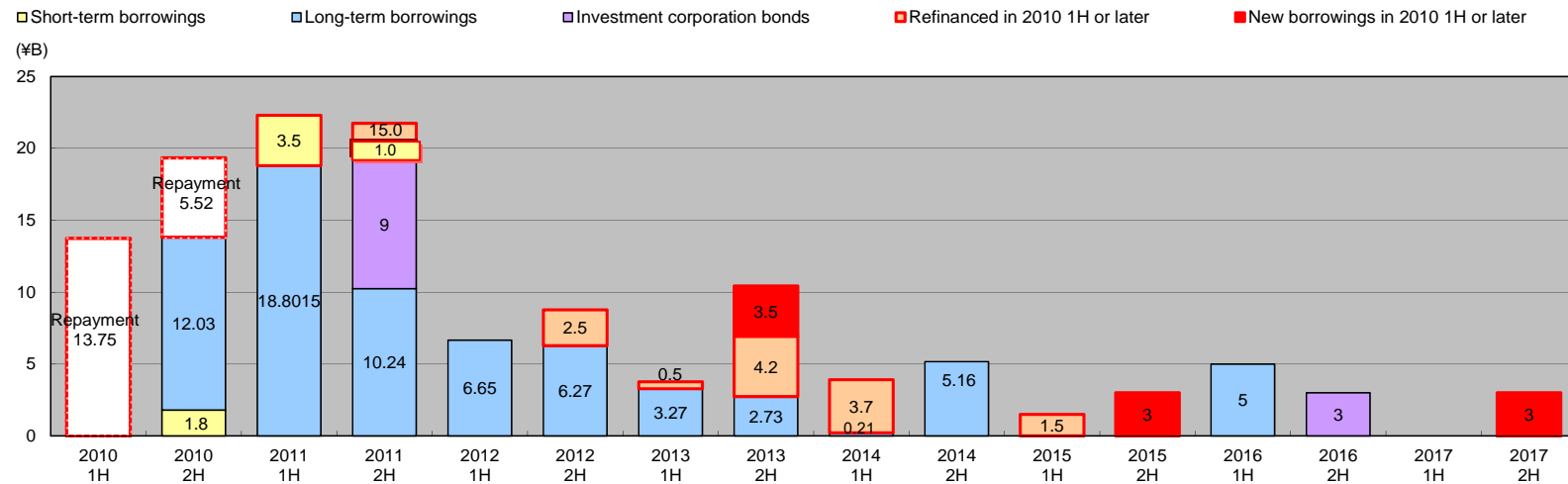
Below 45%  
as a principal

We aim to increase our revenue through property acquisition by diversifying our financing methods

- Investment corporation bond
- Public offering
- Asset backed loan

Note: LTV = total debt / Total assets

## Diversification of debt maturities (as of December 13, 2010)



Note1: Shows debt amounts that mature in each period (rounded to the second decimal place)

Note2: 1H is from April 1 to September 30, 2H is from October 1 to March 31 of the following year and are not identical with the fiscal period of the Investment Corporation (e.g. 2010, 1H is from April 1, 2010 to September 30, 2010)

Note3: The borrowings of refinanced in 2010 1H or later (red and shaded boxes, refinance by short-term borrowings are red and yellow-shaded boxes) are total repayment (excluding dividend repayment amount based on the agreement)

# Stable financial management : Improvement in lending condition and diversification of fund sources

## New borrowings in 2010

	No. of lenders	Amount of borrowing	Period	Payment method	Use of
Feb. 2010	4 lenders	¥7.0B	Up to 5years (3years, 5years)	Amortization (5% per year)*	Acquisition of KDX Shinjuku Building
Nov. & Dec. 2010	6 lenders	¥9.5B	Up to 7years (3years, 5years, 7years)	Full on maturity	Acquisition of 3 properties

\*3year borrowings: principal repayment in full on maturity

## Credit ratings and investment corporation bonds

(As of December 13, 2010)

Rating agency	Rating
Japan Credit Rating Agency (JCR)	A (Stable)

Bonds	Size	Interest rate	Maturity	Maturity date
1st Bond	¥9.0B	1.74%	5yrs	2012/3/15
2nd Bond	¥3.0B	2.37%	10yrs	2017/3/15

## Shelf registration for fund raising

Summary of shelf registration	Investment corporation bond	Investment unit certificate	
		Primary	Secondary
Planned issue amount	¥ 100B	¥ 100B	¥ 15B
Planned issuance period	2 yrs from Feb 2009	2 yrs from May 2009	2 yrs from May 2009

Access to Equity

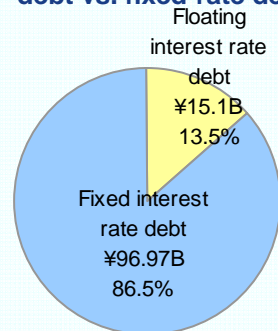
Restart of new borrowings

Prolonged borrowing periods

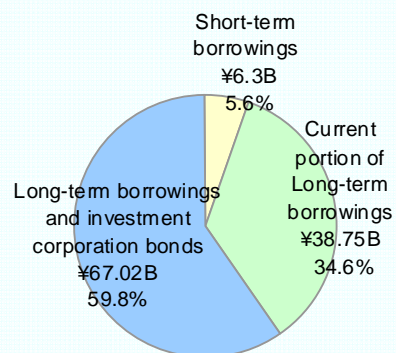
Diversification of fund sources

## Fixed-rate debt / Debt balance by maturity period (as of December 13, 2010)

### Proportion of floating-rate debt vs. fixed-rate debt



### Debt balance by maturity period



Average interest rate *	1.84%
Average life	2.0 yrs
Proportion of long-term debt	94.4%

Note: The average interest rate above does not include upfront fees. The average interest rate including upfront fees is 2.16%. "Fixed interest rate debt" includes borrowings that were converted to fixed from floating through interest rate swap

## Breakdown of borrowing providers (As of May 27, 2011)

	End of 10th period (2010/4)	As of 2011/5	Difference	(¥B)
Sumitomo Mitsui Banking Corporation	21.6	23.1	+1.5	
Development Bank of Japan	13.6	16.5	+2.9	
Chuo Mitsui Trust and Banking	15.5	16.3	+0.8	
Aozora Bank	14.0	14.5	+0.5	
Bank of Tokyo Mitsubishi UFJ	9.8	11.8	+2.0	
Mitsubishi UFJ Trust and Banking	7.2	9.2	+2.0	
Resona Bank	4.3	5.3	+1.0	
Norinchukin Bank	4.0	4.0	0.0	
Mitsui Sumitomo Insurance Co.	1.0	0.0	-1.0	
Total	91.0	100.7	+9.7	

Note: The amount of borrowings is rounded to the second decimal place

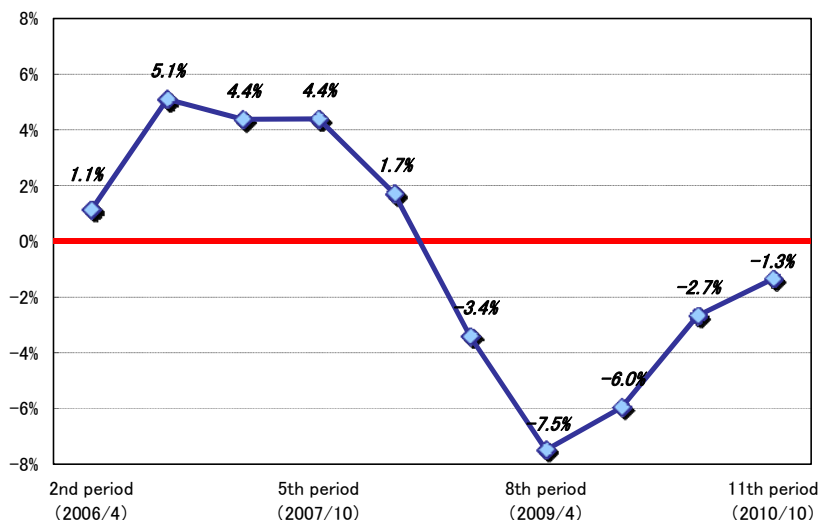
Note: The amount of borrowings is rounded to the second decimal place.

# Appendix

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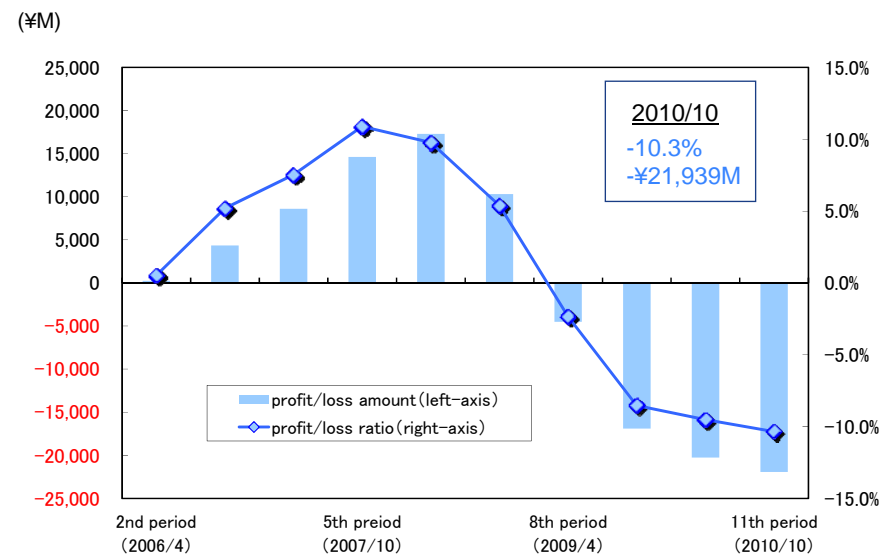
# Historical appraisal value and unrealized gain/loss of office building

## Historical variation for appraisal value of office



Note: Changes in appraisal value as of end of each period compared with the previous period. The appraisal value for the previous period which was acquired during the each period will be calculated based on the appraisal value at the time of acquisition.

## Historical appraisal profit/loss ratio and amount of office



Note: Appraisal profit/loss amount subtracts the book value from appraisal value as of the end of each period. Appraisal profit/loss ratio divides the appraisal profit/loss amount by the book value as of the end of each period.

Items of appraisal valuation	⇒End of 8th period (2009/4)	⇒End of 9th period (2009/10)	⇒End of 10th period (2010/4)	⇒End of 11th period (2010/10)
Change in rent (based on mid/long-term appraisal value)	-4.3%	-4.4%	-2.6%	-1.5%
Change in cap rates (average)	0.2% (5.0%→5.2%)	0.1% (5.2%→5.3%)	0.0% (5.3%→5.3%)	0.0% (5.3%→5.3%)

Note: Change in mid/long-term rent and cap rate (difference with value at the end of the previous period) of office buildings end of each period. Based on acquisition price.

The mid/long-term rent and cap rate of buildings acquired in the each period are considered the value at the end of the previous period and calculated.

	⇒End of 8th period (2009/4)	⇒End of 9th period (2009/10)	⇒End of 10th period (2010/4)	⇒End of 11th period (2010/10)
Appraisal profit/loss amount (¥M)	-4,499	-16,907	-20,280	-21,939
Appraisal profit/loss ratio	-2.4%	-8.5%	-9.5%	-10.3%

※ "Change in appraisal value as of end of each period compared with the previous period", "appraisal profit/loss amount", "appraisal profit/loss ratio" are based on office buildings 11th period excepted buildings sold.



# Appraisal values and cap rates as of the end of 11th period

No	Property name	Appraiser	Acquisition price	11th period					Cap Rate	
				Appraisal value	Book value	vs acquisition	vs 10th period	vs book value	End of 11th Period	vs 10th period
A 1	KDX Nihonbashi 313 Building	Daiwa	5,940	7,170	6,175	20.7%	-2.6%	16.1%	4.9%	0.0%
A 2	KDX Hirakawacho Building	Daiwa	5,180	4,910	5,153	-5.2%	-2.8%	-4.7%	4.8%	0.0%
A 3	Higashi-Kayabacho Yuraku Building	JREI	4,450	5,190	4,426	16.6%	-4.9%	17.3%	5.1%	0.0%
A 4	KDX Hatchobori Building	Daiwa	3,680	3,380	3,385	-8.2%	0.6%	-0.1%	5.1%	0.0%
A 5	KDX Nakano-Sakaue Building	Daiwa	2,533	2,350	2,460	-7.2%	0.0%	-4.5%	5.5%	0.0%
A 6	Harajuku F.F Building	JREI	2,450	2,860	2,456	16.7%	-2.1%	16.4%	5.8%	0.1%
A 7	FIK Minami Aoyama	JREI	2,270	2,210	2,264	-2.6%	-7.5%	-2.4%	5.0%	0.0%
A 8	Kanda Kihira Building	Daiwa	1,950	1,870	1,871	-4.1%	0.0%	-0.1%	5.1%	0.0%
A 12	Portus Center Building	Daiwa	5,570	4,590	4,741	-17.6%	-1.3%	-3.2%	6.4%	0.0%
A 13	KDX Kojimachi Building	JREI	5,950	4,250	5,697	-28.6%	7.3%	-25.4%	4.6%	-0.4%
A 14	KDX Funabashi Building	JREI	2,252	1,990	2,444	-11.6%	4.7%	-18.6%	6.1%	-0.1%
A 15	KDX Hamacho Building	JREI	2,300	2,320	2,230	0.9%	5.0%	4.0%	5.5%	0.0%
A 16	Toshin 24 Building	JREI	5,300	4,320	5,170	-18.5%	-5.7%	-16.4%	5.7%	0.0%
A 17	Ebisu East 438 Building	JREI	4,640	4,210	4,512	-9.3%	0.2%	-6.7%	5.2%	0.0%
A 18	KDX Omori Building	JREI	3,500	3,640	3,411	4.0%	-3.7%	6.7%	5.5%	0.1%
A 19	KDX Hamamatsucho Building	Daiwa	3,460	3,180	3,308	-8.1%	-6.2%	-3.9%	4.8%	0.0%
A 20	KDX Kayabacho Building	JREI	2,780	3,070	2,854	10.4%	6.6%	7.6%	5.5%	0.1%
A 21	KDX Shinbashi Building	JREI	2,690	2,790	2,663	3.7%	0.0%	4.8%	4.7%	0.0%
A 22	KDX Shin-Yokohama Building	JREI	2,520	2,430	2,433	-3.6%	-2.0%	-0.1%	6.0%	0.1%
A 23	KDX Yotsuya Building	JREI	1,950	2,280	1,956	16.9%	-4.2%	16.6%	5.6%	0.0%
A 24	KDX Minami Semba Dai-1 Building	JREI	1,610	1,090	1,488	-32.3%	0.9%	-26.7%	5.8%	0.2%
A 25	KDX Minami Semba Dai-2 Building	JREI	1,560	1,150	1,384	-26.3%	2.7%	-16.9%	5.8%	0.2%
A 26	KDX Kiba Building	JREI	1,580	1,470	1,591	-7.0%	0.7%	-7.6%	6.0%	0.3%
A 27	KDX Kajicho Building	Daiwa	2,350	2,230	2,415	-5.1%	0.0%	-7.7%	5.2%	0.0%
A 28	KDX Nogizaka Building	JREI	1,065	829	1,129	-22.2%	-1.5%	-26.6%	5.5%	0.3%
A 29	KDX Higashi-Shinjuku Building	Daiwa	2,950	3,240	3,195	9.8%	0.0%	1.4%	5.3%	0.0%
A 30	KDX Nishi-Gotanda Building	JREI	4,200	3,640	4,119	-13.3%	-1.1%	-11.6%	5.2%	-0.2%
A 31	KDX Monzen-Nakacho Building	Daiwa	1,400	1,270	1,429	-9.3%	0.0%	-11.1%	5.6%	0.0%
A 32	KDX Shiba-Daimon Building	JREI	6,090	4,840	6,263	-20.5%	4.5%	-22.7%	5.2%	-0.2%
A 33	KDX Okachimachi Building	Daiwa	2,000	1,790	2,142	-10.5%	0.0%	-16.4%	5.2%	0.0%
A 34	KDX Hon-Atsugi Building	Daiwa	1,305	1,070	1,225	-18.0%	0.0%	-12.7%	6.3%	0.0%
A 35	KDX Hachioji Building	Daiwa	1,155	821	1,304	-28.9%	0.0%	-37.0%	5.9%	0.0%
A 36	KDX Niigata Building	JREI	1,305	868	1,465	-33.5%	5.3%	-40.8%	7.3%	0.0%
A 37	KDX Ochanomizu Building	JREI	6,400	6,530	6,717	2.0%	-3.4%	-2.8%	4.9%	0.0%
A 38	KDX Nishi-Shinjuku Building	JREI	1,500	1,210	1,536	-19.3%	-2.4%	-21.2%	5.4%	0.1%
A 39	KDX Toranomon Building	JREI	4,400	3,420	4,829	-22.3%	-2.3%	-29.2%	4.6%	0.0%

No	Property name	Appraiser	Acquisition price	11th period					Cap Rate	
				Appraisal value	Book value	vs acquisition	vs 10th period	vs book value	End of 11th Period	vs 10th period
A 40	Toranomon Toyo Building	JREI	9,850	9,770	9,873	-0.8%	-0.4%	-1.0%	4.7%	0.0%
A 41	KDX Shinjuku 286 Building	JREI	2,300	2,050	2,344	-10.9%	0.0%	-12.6%	5.3%	0.0%
A 42	Karasuma Building	Daiwa	5,400	5,020	5,451	-7.0%	-2.3%	-7.9%	5.6%	0.0%
A 44	KDX Sendai Building	Daiwa	2,100	1,470	2,182	-30.0%	0.0%	-32.7%	6.1%	0.0%
A 45	KDX Roppongi 228 Building	JREI	3,300	2,160	3,445	-34.5%	-1.8%	-37.3%	5.0%	0.0%
A 46	Hiei Kudan-Kita Building	Daiwa	7,600	7,640	7,607	0.5%	-2.2%	0.4%	4.8%	0.0%
A 47	KDX Shin-Yokohama 381 Building	JREI	5,800	4,250	5,927	-26.7%	0.2%	-28.3%	5.9%	0.0%
A 48	KDX Kawasaki-Ekimae Hon-cho Building	JREI	3,760	3,410	3,854	-9.3%	2.7%	-11.5%	6.3%	0.0%
A 49	Nissou Dai-17 Building	JREI	2,710	1,640	2,659	-39.5%	-0.6%	-38.3%	5.8%	0.0%
A 50	Ikejiri-Oohashi Building	JREI	2,400	1,600	2,475	-33.3%	-1.2%	-35.4%	6.2%	0.0%
A 51	KDX Hamacho Nakanohashi Building	JREI	2,310	1,690	2,377	-26.8%	-6.6%	-28.9%	5.6%	0.0%
A 52	KDX Kanda Misaki-cho Building	JREI	1,380	980	1,385	-29.0%	-0.8%	-29.3%	5.5%	0.0%
A 53	KDX Hakata-Minami Building	JREI	4,900	3,840	4,837	-21.6%	-2.8%	-20.6%	6.5%	0.0%
A 54	KDX Kitahama Building	JREI	2,220	1,670	2,239	-24.8%	-0.6%	-25.4%	6.0%	0.0%
A 55	Shin-toshin Maruzen Building	JREI	2,110	1,560	2,161	-26.1%	-4.9%	-27.8%	5.6%	0.1%
A 56	KDX Jinbocho Building	JREI	2,760	2,080	2,926	-24.6%	-9.6%	-28.9%	5.6%	0.2%
A 57	KDX Gobancho Building	JREI	1,951	1,480	2,000	-24.1%	-2.0%	-26.0%	5.2%	0.0%
A 58	KDX Nagoya Sakae Building	Daiwa	7,550	4,710	7,702	-37.6%	0.0%	-38.8%	5.2%	0.0%
A 59	KDX Iwamoto-cho Building	JREI	1,864	1,310	1,834	-29.8%	-5.1%	-28.6%	5.7%	0.0%
A 60	KDX Harumi Building	JREI	10,250	10,600	9,922	3.4%	1.0%	6.8%	4.8%	0.0%
A 61	KDX Hamamatsucho Dai-2 Building	Daiwa	2,200	1,920	2,265	-12.7%	-1.0%	-15.2%	4.7%	0.0%
A 62	Koishikawa TG Building	JREI	3,080	3,240	3,165	5.2%	-0.6%	2.3%	5.2%	0.0%
A 63	Gotanda TG Building	JREI	2,620	2,570	2,714	-1.9%	-9.2%	-5.3%	5.5%	0.0%
A 64	KDX Nihonbashi 216 Building	JREI	2,010	1,990	2,003	-1.0%	-5.7%	-0.7%	5.0%	0.0%
A 66	KDX Shinjuku Building	JREI	6,800	7,010	6,880	3.1%	-5.5%	1.9%	4.6%	0.0%
<b>A</b>	<b>Office Building Subtotal</b>		<b>211,461</b>	<b>190,138</b>	<b>212,077</b>	<b>-10.1%</b>	<b>-1.3%</b>	<b>-10.3%</b>	<b>5.3%</b>	<b>0.0%</b>
B 3	Court Mejiro	JREI	1,250	950	1,194	-24.0%	-1.8%	-20.4%	5.6%	0.0%
B 18	Venus Hibiyaoka	JREI	1,800	1,420	1,875	-21.1%	3.6%	-24.3%	7.1%	0.4%
B 19	Residence Charmante Tsukushima	JREI	5,353	4,480	5,110	-16.3%	1.8%	-12.3%	6.1%	0.6%
B 34	Gradito Kawaguchi	JREI	1,038	959	1,024	-7.6%	0.6%	-6.4%	5.8%	0.0%
<b>B</b>	<b>Residential Subtotal</b>		<b>9,441</b>	<b>7,809</b>	<b>9,204</b>	<b>-17.3%</b>	<b>1.5%</b>	<b>-15.2%</b>	<b>6.2%</b>	<b>0.4%</b>
C 1	Frame Jinnan-zaka	JREI	9,900	9,750	9,910	-1.5%	0.5%	-1.6%	4.7%	0.0%
C 2	KDX Yoyogi Building	JREI	2,479	1,900	2,533	-23.4%	-3.6%	-25.0%	5.3%	0.2%
<b>C</b>	<b>Central Urban Retail Subtotal</b>		<b>12,379</b>	<b>11,650</b>	<b>12,443</b>	<b>-5.9%</b>	<b>-0.2%</b>	<b>-6.4%</b>	<b>4.8%</b>	<b>0.0%</b>
<b>Total</b>			<b>233,281</b>	<b>209,597</b>	<b>233,725</b>	<b>-10.2%</b>	<b>-1.2%</b>	<b>-10.3%</b>	<b>5.3%</b>	<b>0.0%</b>

- Notes: 1. Acquisition prices, appraisal values and book values are rounded down to nearest ¥M. Ratios are rounded to the first decimal place  
2. Total cap rates for each property type is the weighted-average based on acquisition price  
3. The amount of KDX Shin-Yokohama 381 Building (existing tower) and KDX Shin-Yokohama 381 Building Annex Tower are indicated as one property

# Portfolio overview (office buildings)

As of December 13, 2010

## Office Buildings (64 properties)

Type	Area	No.	Name	Location	Acquisition Price(M) <sup>1</sup>	Year built <sup>2</sup>	Occupancy at end of 11th period (%) <sup>3</sup>				
Office Building	Tokyo Metropolitan Area	A-60	KDX Harumi Building	Chuo-ward, Tokyo	10,250	Feb-08	98.2%				
		A-40	Toranomon Toyo Building	Minato-ward, Tokyo	9,850	Aug-62	95.4%				
		A-46	Hiei Kudan-Kita Building	Chiyoda-ward, Tokyo	7,600	Mar-88	85.3%				
		A-66	KDX Shinjuku Building	Shinjuku-ward, Tokyo	6,800	May-93	93.7%				
		A-37	KDX Ochanomizu Building	Chiyoda-ward, Tokyo	6,400	Aug-82	100.0%				
		A-32	KDX Shiba-Daimon Building	Minato-ward, Tokyo	6,090	Jul-86	100.0%				
		A-13	KDX Kojimachi Building	Chiyoda-ward, Tokyo	5,950	May-94	91.9%				
		A-1	KDX Nihonbashi 313 Building	Chuo-ward, Tokyo	5,940	Apr-74	100.0%				
		A-47	KDX Shin-Yokohama 381 Building	Yokohama, Kanagawa	5,800	Mar-88	100.0%				
		A-16	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep-84	72.7%				
		A-2	KDX Hirakawacho Building	Chiyoda-ward, Tokyo	5,180	Mar-88	100.0%				
		A-17	Ebisu East 438 Building	Shibuya-ward, Tokyo	4,640	Jan-92	83.4%				
		A-3	Higashi-Kayabacho Yuraku Building	Chuo-ward, Tokyo	4,450	Jan-87	100.0%				
		A-39	KDX Toranomon Building	Minato-ward, Tokyo	4,400	Apr-88	100.0%				
		A-30	KDX Nishi-Gotanda Building	Shinagawa-ward, Tokyo	4,200	Nov-92	100.0%				
		A-48	KDX Kawasaki-Ekimae Hon-Cho Building	Kawasaki, Kanagawa	3,760	Feb-85	100.0%				
		A-4	KDX Hatchobori Building	Chuo-ward, Tokyo	3,680	Jun-93	100.0%				
		A-18	KDX Omori Building	Ota-ward, Tokyo	3,500	Oct-90	100.0%				
		A-19	KDX Hamamatsucho Building	Minato-ward, Tokyo	3,460	Sep-99	100.0%				
		A-45	KDX Roppongi 228 Building	Minato-ward, Tokyo	3,300	Apr-89	65.1%				
		A-62	Koishikawa TG Building	Bunkyo-ward, Tokyo	3,080	Nov-89	100.0%				
		A-29	KDX Higashi-Shinjuku Building	Shinjuku-ward, Tokyo	2,950	Jan-90	100.0%				
		A-20	KDX Kayabacho Building	Chuo-ward, Tokyo	2,780	Oct-87	100.0%				
		A-56	KDX Jimbocho Building	Chiyoda-ward, Tokyo	2,760	May-94	94.4%				
		A-49	Nissou Dai-17 Building	Yokohama, Kanagawa	2,710	Jul-91	94.9%				
		A-21	KDX Shinbashi Building	Minato-ward, Tokyo	2,690	Feb-92	100.0%				
		A-63	Gotanda TG Building	Shinagawa-ward, Tokyo	2,620	Apr-88	77.1%				
		A-5	KDX Nakano-Sakaue Building	Nakano-ward, Tokyo	2,533	Aug-92	96.5%				
		A-22	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep-90	74.0%				
		A-6	Harajuku F.F. Building	Shibuya-ward, Tokyo	2,450	Nov-85	100.0%				
		A-50	Ikejiri-Ohashi Building	Meguro-ward, Tokyo	2,400	Sep-88	91.3%				
		A-27	KDX Kajicho Building	Chiyoda-ward, Tokyo	2,350	Mar-90	84.2%				
		A-51	KDX Hamacho Nakanohashi Building	Chuo-ward, Tokyo	2,310	Sep-88	93.0%				
		A-15	KDX Hamacho Buuiling	Chuo-ward, Tokyo	2,300	Sep-93	93.9%				
		A-41	KDX Shinjuku 286 Building	Shinjuku-ward, Tokyo	2,300	Aug-89	100.0%				
		A-7	FIK Minami Aoyama Building	Minato-ward, Tokyo	2,270	Nov-88	100.0%				
		A-14	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr-89	98.5%				
		Office Building	Tokyo Metropolitan Area	A-61	KDX Hamamatsu Dai-2 Building	Minato-ward, Tokyo	2,200	Apr-92	100.0%		
				A-55	Shin-toshin Maruzen Building	Shinjuku-ward, Tokyo	2,110	Jul-90	100.0%		
				A-64	KDX Nihonbashi 216 Building	Cyuo-ward, Tokyo	2,010	Oct-06	75.0%		
				A-33	KDX Okachimachi Building	Taito-ward, Tokyo	2,000	Jun-88	100.0%		
				A-57	KDX Gobancho Building	Chiyoda-ward, Tokyo	1,951	Aug-00	85.7%		
				A-8	Kabnda Kihara Building	Chiyoda-ward, Tokyo	1,950	May-93	100.0%		
				A-23	KDX Yotsuya Building	Shinjuku-ward, Tokyo	1,950	Oct-89	100.0%		
				A-59	KDX Iwamoto-cho Building	Chiyoda-ward, Tokyo	1,864	Mar-08	100.0%		
				A-26	KDX Kiba Building	Koto-ward, Tokyo	1,580	Oct-92	100.0%		
				A-38	KDX Nishi-Shinjuku Building	Shinjuku-ward, Tokyo	1,500	Oct-92	87.6%		
				A-31	KDX Monzen-Nakacho Building	Koto-ward, Tokyo	1,400	Sep-86	100.0%		
				A-52	KDX Kanda Misaki-cho Building	Chiyoda-ward, Tokyo	1,380	Oct-92	86.9%		
				A-34	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May-95	100.0%		
				A-35	KDX Hachioji Building	Hachioji, Tokyo	1,155	Dec-85	96.4%		
				A-28	KDX Nogizaka Building	Minato-ward, Tokyo	1,065	May-91	78.1%		
				Office Building	Other Regional Areas	A-58	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Mar-09	90.3%
						A-12	Portus Center Building	Sakai, Osaka	5,570	Sep-93	93.9%
						A-42	Karasuma Building	Kyoto, Kyoto	5,400	Oct-82	93.2%
		A-53	KDX Hakata-Minami Building			Fukuoka, Fukuoka	4,900	Jun-73	80.6%		
		A-54	KDX Kitahama Building			Osaka, Osaka	2,220	Jul-94	96.4%		
		A-44	KDX Sendai Building			Sendai, Miyagi	2,100	Feb-84	98.7%		
		A-24	KDX Minami Semba Dai-1 Building			Osaka, Osaka	1,610	Mar-93	83.1%		
		A-25	KDX Minami Semba Dai-2 Building			Osaka, Osaka	1,560	Sep-93	100.0%		
		A-36	KDX Niigata Building			Niigata, Niigata	1,305	Jul-83	65.4%		
		Office Building (61 properties) Subtotal					211,461		93.3%		

## Acquisition of properties in the 12<sup>th</sup> period(2011/4)

Type	Area	No.	Name	Location	Acquisition Price(M) <sup>1</sup>	Year built <sup>2</sup>	Occupancy at end of 11th period
Office Buildings	Tokyo Metropolitan Area	A-67	Kyodo Building (Ginza No.8)	Chuo-ward, Tokyo	4,300	Nov-91	—
		A-68	Kyodo Building (Honcho 1chome)	Chuo-ward, Tokyo	4,000	Jan-84	—
	Other Regional Areas	A-69	KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	Jul-09	—
Office Buildings (64 properties) Subtotal					222,631	Avg 21.0 yrs	—

Notes: 1 Acquisition price is the purchase price for trust beneficiary interests etc. acquired by the Investment Corporation  
 2 Year built is the date of construction completion recorded in the land register. Average age subtotal is shown as the weighted-average portfolio age based upon acquisition prices with a base date of Dec.13, 2010, and is rounded down to the nearest first decimal place. The weighted-average age of the 70 properties held as of Dec.13, 2010 is 20.0 years(based on Dec 13, 2010).  
 3 Occupancy ratio is calculated by dividing leased area by leasable area and rounded to the first decimal place. Average occupancy ratio of 67 properties held as of Oct.31,2010 is 93.6%

# Portfolio overview(central urban retail/residential properties)

As of December 13, 2010

## Central Urban Retail Properties (2 properties)

Type	Area	No.	Name	Location	Acquisition Price (¥M) <sup>1</sup>	Year built <sup>2</sup>	at end of 11th period (%) <sup>3</sup>
Central Urban Retail	Tokyo Metropolitan Area	C-1	Frame Jinnan-zaka	Shibuya-ward, Tokyo	9,900	Mar-05	100.0%
		C-2	KDX Yoyogi Building	Shibuya-ward, Tokyo	2,479	Aug-91	94.8%
Central Urban Retail (2 properties) Subtotal					12,379	Avg 8.4 yrs	98.9%

## Residential Properties (4 properties)

Type	Area	No.	Name	Location	Acquisition Price (¥M) <sup>1</sup>	Year built <sup>2</sup>	Occupancy at end of 11th period
Residential	Tokyo Metropolitan Area	B-19	Residence Charmante Tsukishima	Chuo-ward, Tokyo	5,353	Jan-04	100.0%
		B-3	Court Mejiro	Shinjuku-ward, Tokyo	1,250	Mar-97	95.2%
		B-34	Gradito Kawaguchi	Kwaguchi, Saitama	1,038	Feb-06	100.0%
	Other Regional Areas	B-18	Venus Hibarigaoka	Sapporo, Hokkaido	1,800	Mar-89	92.4%
Residential (4 properties) Subtotal					9,441	Avg.10.4 yrs	95.6%

Notes: 1 Acquisition price is the purchase price for trust beneficiary interests etc. acquired by the Investment Corporation  
 2 Year built is the date of construction completion recorded in the land register. Average age subtotal is shown as the weighted-average portfolio age based upon acquisition prices with a base date of Dec.13, 2010, and is rounded down to the nearest first decimal place.  
 3 Occupancy ratio is calculated by dividing leased area by leasable area and rounded to the first decimal place.

## Reference: Historical cap rate (by asset•annualized base)

	7th period	8th period	9th period	10th period	11th period
Office Building	5.3%	5.5%	5.2%	5.1%	4.9%
Central Urban Retail	4.8%	4.7%	4.6%	4.5%	4.5%
Residential	5.3%	5.2%	5.0%	5.2%	4.8%
<b>Total</b>	<b>5.3%</b>	<b>5.4%</b>	<b>5.2%</b>	<b>5.1%</b>	<b>4.9%</b>

Notes: 1. Each ratio are after deduction of fixed property tax in each period  
 2. Each ratio are rounded to the first decimal place

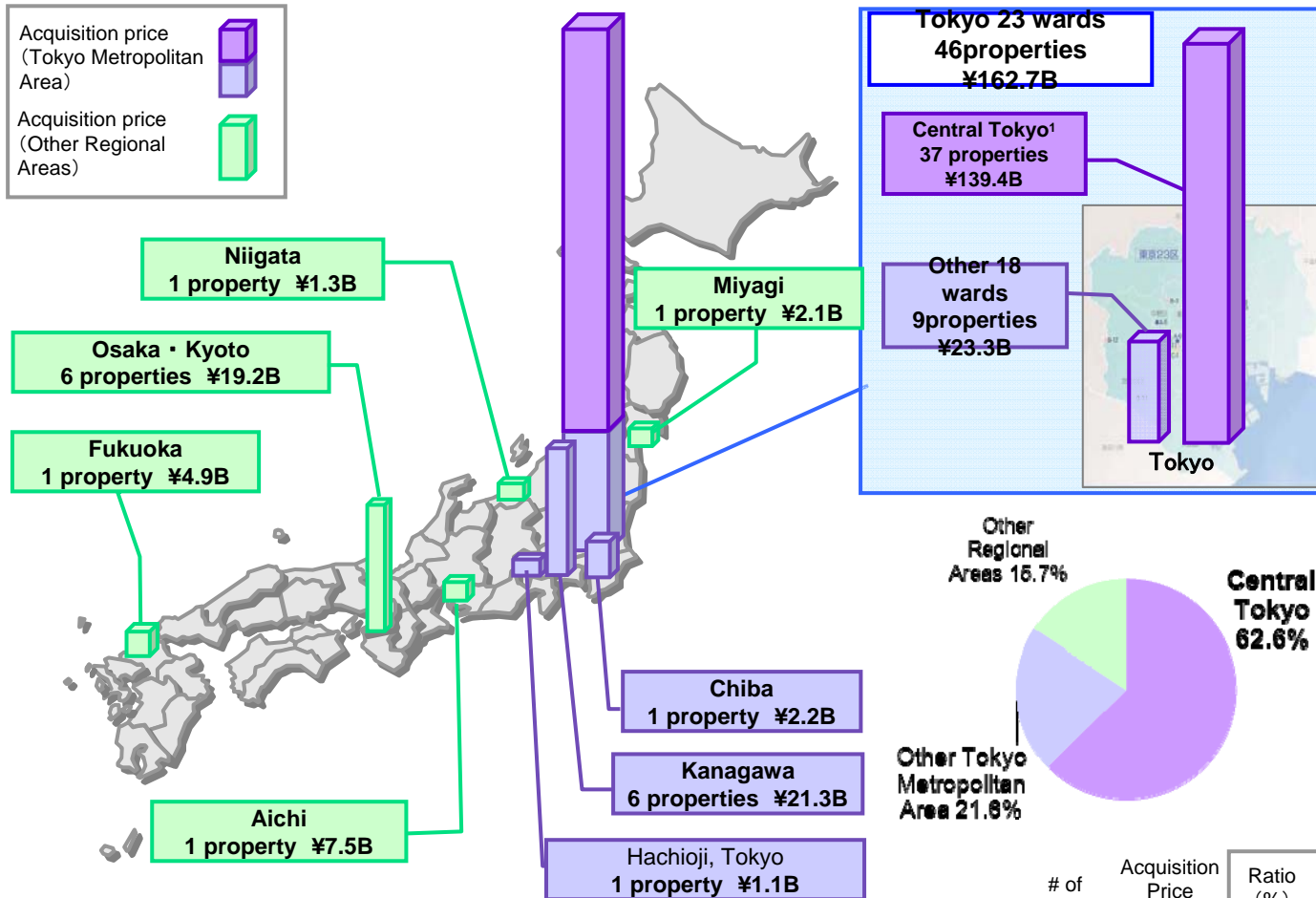
## Disposition of properties ( 1 office building and 1 residential property ) in the 11<sup>th</sup> period (2010/10)

Type	Area	No.	Name	Location	Acquisition Price (¥M) <sup>1</sup>	Disposition Price (¥M)	Disposition Date
Office Building	Tokyo metropolitan Area	A-9	KDX Shinjuku-Gyoen Building	Shinjuku-ward, Tokyo	1,610	1,710	Sep-10
Residential		B-25	Court Shin-Okachimachi	Taito-ward, Tokyo	878	790	Oct-10

# Emphasis on mid-sized office buildings in Tokyo Metropolitan Area

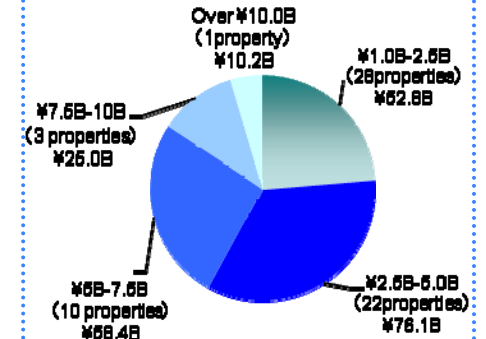
As of December 13, 2010

Office portfolio: 64 properties, with a total acquisition price of ¥222.6B



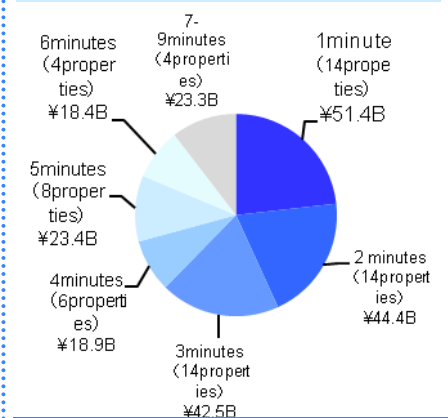
Composition of office portfolio

By acquisition price



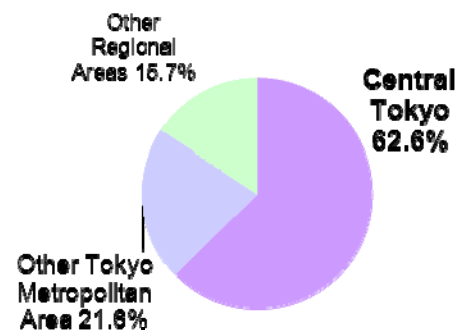
¥2.5~7.5B accounts for 60.4%

Distance from the nearest station (by walk, in minutes)



Within 3 minutes walk: 61.2%  
Within 6 minutes walk: 89.5%

Note: Amount is rounded down to the nearest million yen. Percentages are rounded down to the first decimal place.



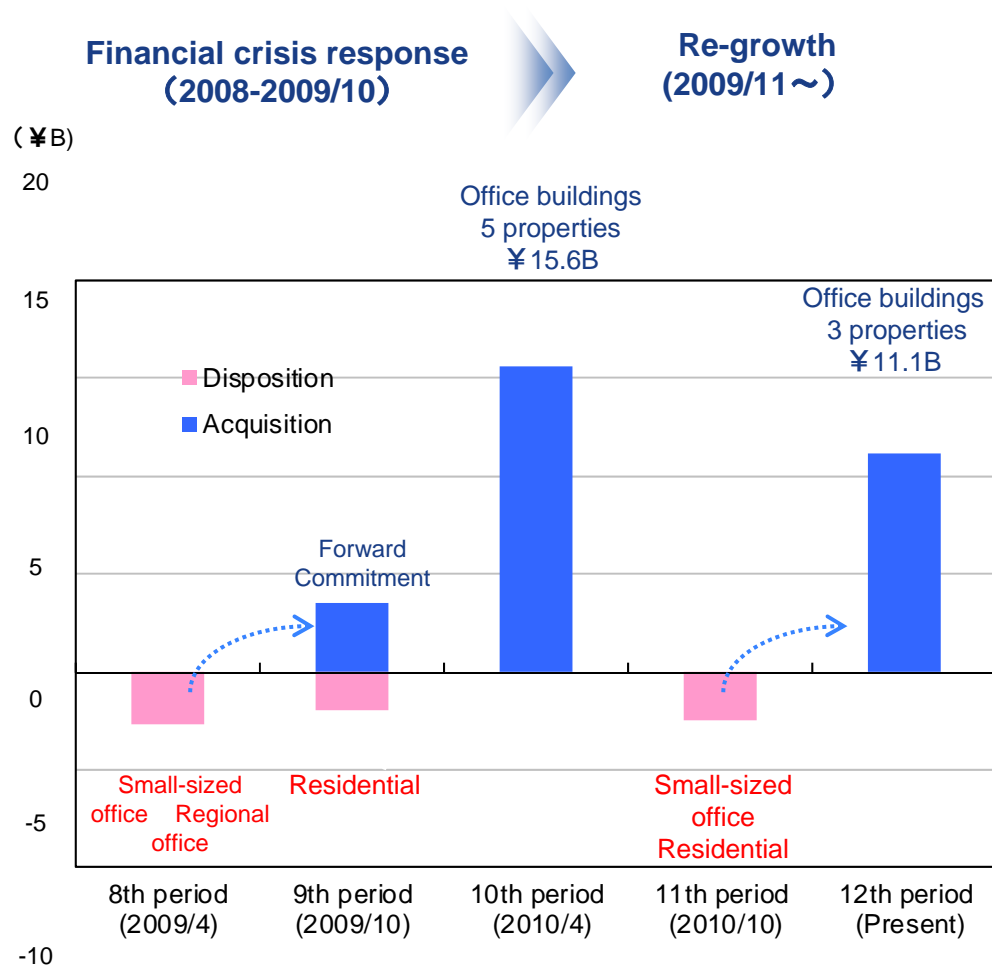
	# of properties	Acquisition Price (¥B)	Ratio (%)
Tokyo Metropolitan Area	54	187.5	84.2
Other Regional Areas	10	35.0	15.7
<b>Total</b>	<b>64</b>	<b>2,226</b>	<b>100.0</b>

Notes:

- 1 Central Tokyo : Chiyoda, Chuo, Minato, Shibuya and Shinjuku
- 2 Acquisition price are rounded to the nearest ¥100M. Ratios indicate the total acquisition price of properties in each area in proportion to the total acquisition price for all properties combined and are rounded down to the first decimal place

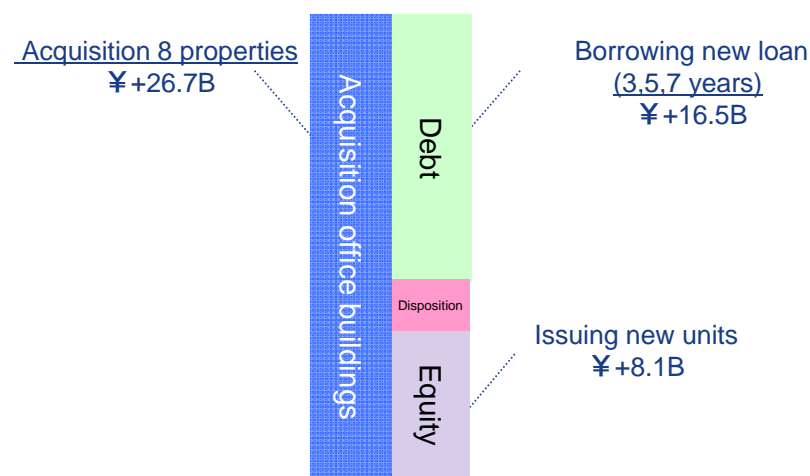
# Results of asset replacement: focus on mid-sized office buildings

## Disposition of properties / acquisition of mid-sized office buildings



## Acquisition properties and Finance

### Consideration balance of equity and debt



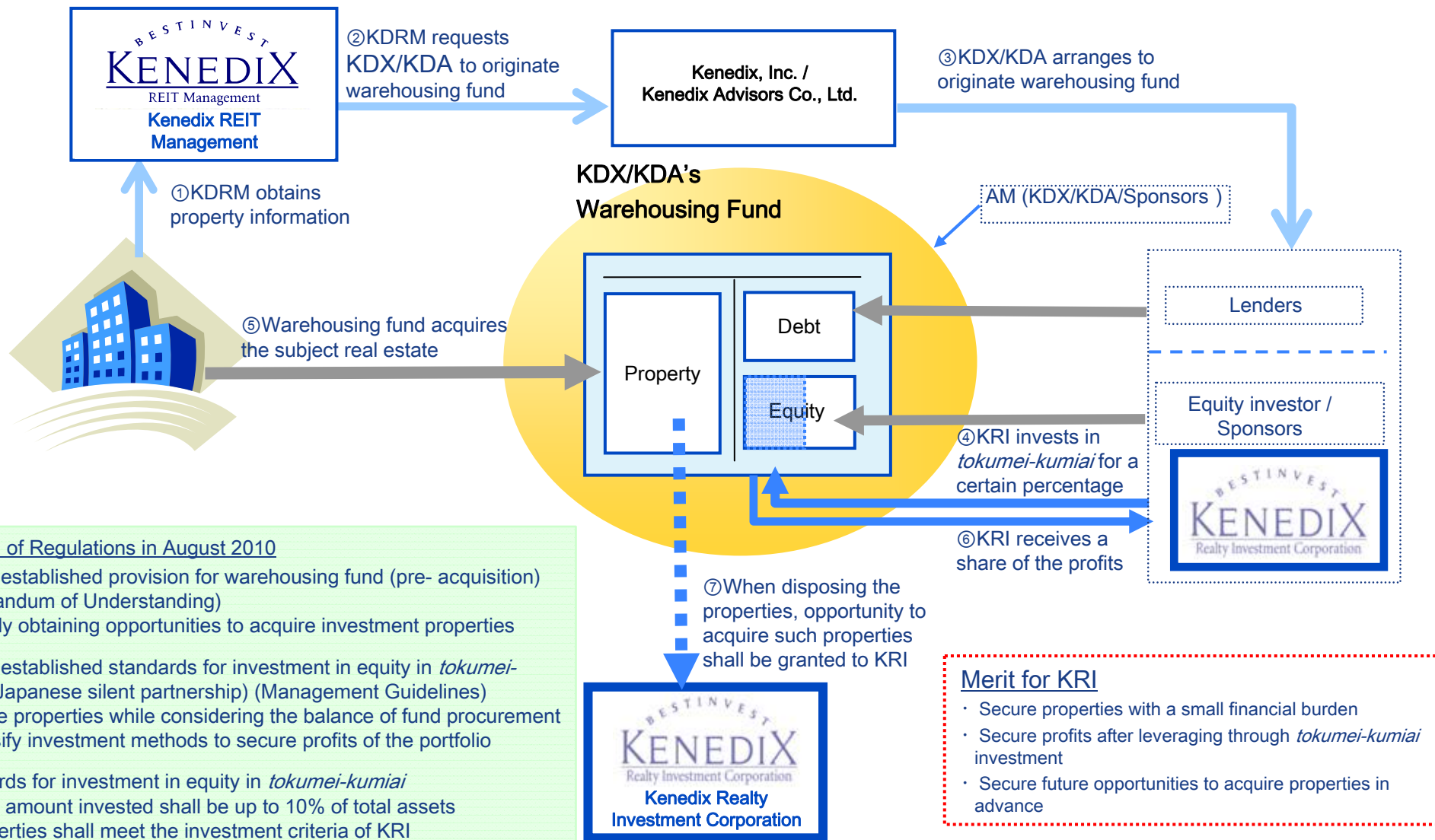
Note: overview of acquisition properties and finance since 10<sup>th</sup> period (Rounded down less than ¥1B)

### Reference: 11<sup>th</sup> period (2010/10) disposition overview

	KDX Shinjuku-Gyoen Building (Office building)	Court Shin-Okachimachi (Residential)
Disposition date	2010/9/30	2010/10/27
Acquisition price	¥1.61B	¥0.87B
Disposition price	¥1.71B	¥0.79B
Profit/ Loss	¥+0.11B	¥-0.06B

Note: The amounts are rounded down to the first decimal place

# Future acquisition strategy: Secure properties at an early stage in the future by *tokumei-kumiai* investment



**Revision of Regulations in August 2010**

- Newly established provision for warehousing fund (pre-acquisition) (Memorandum of Understanding)
  - Flexibly obtaining opportunities to acquire investment properties
- Newly established standards for investment in equity in *tokumei-kumiai* (Japanese silent partnership) (Management Guidelines)
  - Secure properties while considering the balance of fund procurement
  - Diversify investment methods to secure profits of the portfolio

Standards for investment in equity in *tokumei-kumiai*

- ① Total amount invested shall be up to 10% of total assets
- ② Properties shall meet the investment criteria of KRI
- ③ Opportunity to acquire such property shall be granted to KRI when disposing the properties

**Merit for KRI**

- Secure properties with a small financial burden
- Secure profits after leveraging through *tokumei-kumiai* investment
- Secure future opportunities to acquire properties in advance

# Stable financial management : Borrowing list

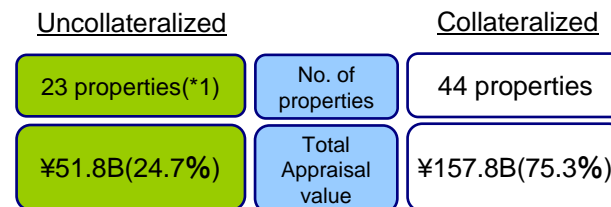
As of December 13,2010

	Lender	Balance (¥M)	Drawdown date	Last repayment date
Short-term borrowings	Mitsubishi UFJ Trust and Banking Corporation	1,300	2010/01/29	2011/01/29
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	500	2010/02/26	2011/02/28
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.(1,000), Mitsubishi UFJ Trust and Banking Corporation (1,000)	2,000	2010/04/30	2011/04/28
	Mitsubishi UFJ Trust and Banking Corporation	1,500	2010/07/30	2011/07/31
	Mitsubishi UFJ Trust and Banking Corporation	1,000	2010/10/29	2011/10/31
	<b>Short-term borrowings subtotal</b>	<b>6,300</b>		
Current portion of long-term borrowings	Sumitomo Mitsui Banking Corporation ( 1,300 ) , Mitsubishi UFJ Trust and Banking Corporation (1,400) , The Bank of Tokyo-Mitsubishi UFJ, Ltd.(800)	3,500	2008/07/31	2011/01/31
	Aozora Bank, Ltd	2,000	2008/02/29	2011/02/28
	Aozora Bank, Ltd	1,000	2008/06/30	2011/02/28
	The Chuo Mitsui Trust and Banking Co., Ltd.	1,250	2008/09/22	2011/03/22
	Aozora Bank, Ltd	2,000	2008/07/15	2011/03/31
	The Bank of Tokyo-Mitsubishi UFJ, Ltd	2,000	2008/09/30	2011/03/31
	The Norinchukin Bank	1,500	2007/04/17	2011/04/16
	Aozora Bank, Ltd. (1,500) , Mitsui Sumitomo Insurance Co., Ltd. (1,000)	2,500	2006/05/01	2011/04/30
	The Chuo Mitsui Trust and Banking Co., Ltd.(1,500) , Resona Bank., Ltd.	2,500	2009/04/30	2011/04/28
	Mitsubishi UFJ Trust and Banking Corporation	1,000	2006/07/14	2011/07/13
	Sumitomo Mitsui Banking Corporation (2,200) , The Chuo Mitsui Trust and Banking Co., Ltd. (1,000) , Resona Bank., Ltd. (300)	3,500	2008/07/31	2011/07/31
	The Bank of Tokyo-Mitsubishi UFJ, Ltd	1,500	2008/02/29	2011/08/31
	The Chuo Mitsui Trust and Banking Co., Ltd	1,000	2008/09/01	2011/09/01
	Sumitomo Mitsui Banking Corporation (3,000) , The Chuo Mitsui Trust and Banking Co., Ltd. (2,000)	5,000	2008/03/31	2011/09/30
	Aozora Bank.,Ltd	3,500	2009/04/30	2011/10/31
	The Bank of Tokyo-Mitsubishi UFJ, Ltd	1,500	2010/10/26	2011/10/31
	The Chuo Mitsui Trust and Banking Co., Ltd	1,000	2008/05/01	2011/11/01
	The Norinchukin Bank	2,500	2006/12/01	2011/11/30
	<b>Current portion of long-term borrowings subtotal</b>	<b>38,750</b>		
Long-term borrowings	Sumitomo Mitsui Banking Corporation	2,500	2008/01/10	2012/01/10
	Sumitomo Mitsui Banking Corporation	470	2009/02/27	2012/02/29 (*1)
	The Chuo Mitsui Trust and Banking Co., Ltd.	2,000	2007/04/02	2012/04/02
	Aozora Bank., Ltd	2,000	2009/04/30	2012/04/27
	Resona Bank., Ltd.	1,500	2008/06/30	2012/06/30
	Development Bank of Japan Inc.	940	2009/02/27	2012/08/31(*1)
	The Bank of Tokyo-Mitsubishi UFJ, Ltd	2,500	2010/10/29	2012/10/31
	Resona Bank., Ltd.	500	2009/12/08	2012/12/08
	Development Bank of Japan Inc.	3,000	2008/06/30	2012/12/28
	The Chuo Mitsui Trust and Banking Co.,Ltd.	1,000	2010/01/13	2013/01/15
	Aozora Bank., Ltd.	1,500	2010/02/18	2013/02/18
	Resona Bank., Ltd.	500	2010/07/30	2013/07/31
	Development Bank of Japan Inc.	3,000	2006/09/01	2013/08/31
	Sumitomo Mitsui Banking Corporation	960	2009/10/26	2013/10/26(*1)
	Sumitomo Mitsui Banking Corporation	1,920	2009/10/30	2013/10/30(*1)
	Resona Bank., Ltd.	500	2010/10/29	2013/10/31
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.(1,500) , The Chuo Mitsui Trust and Banking Co.,Ltd.(800), Aozora Bank., Ltd.(400)	2,700	2010/11/12	2013/11/12
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.(500) , The Chuo Mitsui Trust and Banking Co.,Ltd.(200), Aozora Bank., Ltd.(100)	800	2010/12/01	2013/11/12
	The Chuo Mitsui Trust and Banking Co., Ltd.	3,700	2010/07/30	2014/01/31
	Sumitomo Mitsui Banking Corporation	3,700	2010/07/30	2014/07/31
	Sumitomo Mitsui Banking Corporation	1,152	2010/01/29	2015/01/30(*1)
	Sumitomo Mitsui Banking Corporation (2,185) , Development Bank of Japan Inc.(1,615), The Chuo Mitsui Trust and Banking Co.,Ltd.(950) , Aozora Bank., Ltd.(475)	5,225	2010/02/18	2015/02/18(*1)
	Sumitomo Mitsui Banking Corporation	1,950	2010/04/02	2015/04/02(*1)
	Sumitomo Mitsui Banking Corporation(1,200), Resona Bank., Ltd.(800)	2,000	2010/11/12	2015/11/12
	Sumitomo Mitsui Banking Corporation(800), Resona Bank., Ltd(200)	1,000	2010/12/01	2015/11/12
	Development Bank of Japan Inc.	5,000	2006/05/01	2016/04/30
Development Bank of Japan Inc.	2,300	2010/11/12	2017/11/12	
Development Bank of Japan Inc.	700	2010/12/01	2017/11/12	
	<b>Long-term borrowings subtotal</b>	<b>55,017</b>		
	<b>Total</b>	<b>100,067</b>		

3Y  
3Y  
5Y  
5Y  
7Y  
7Y

## Reference: Summary of collateralized properties

As of 11<sup>th</sup> period(2010/10)



Note1: The amount of KDX Shin-Yokohama 381 Building and KDX Shin-Yokohama 381 Building Annex Tower are indicated as one property  
Note2: Ratio are rounded to the first decimal place

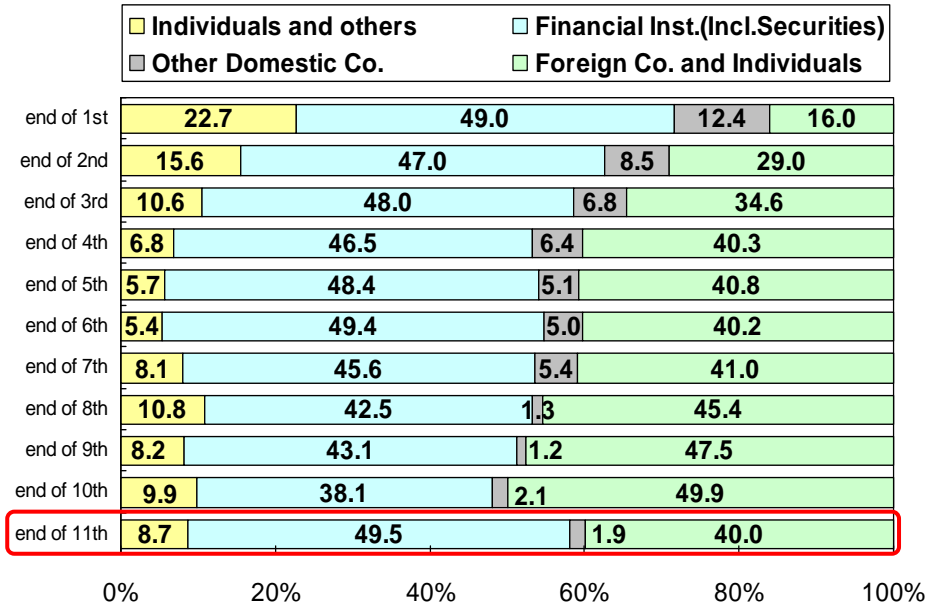
In addition to the above collateralized 44 properties, 3 properties (KDX Shin-Yokohama 381 Building, Kyodo Building(Ginza No.8) and Kyodo Building(Honcho 1 chome) were collateralized in Nov, 2010, when borrowed as new loan (¥9.5B).

### Notes:

- 1 Repayment Method: repayment of every 6 months (Amortization)
- 2 The amount are rounded to the first decimal place

# KRI Unitholders

## Change in investment units by unitholders



Note: Rounded to the first decimal place

## Type of unitholders End of 11<sup>th</sup> (as of 2010/10/31)

	# of Unitholders	Ratio(%)	# of Units held(unit)	Ratio(%)
Individual and Others	6,707	95.2%	20,266	8.7%
Financial Inst.(Incl.Security co.)	50	0.7%	115,505	49.5%
Other Domestic Co.	105	1.5%	4,367	1.9%
Foreign Co. and Individuals	181	2.6%	93,412	40.0%
<b>Total</b>	<b>7,043</b>	<b>100.0%</b>	<b>233,550</b>	<b>100.0%</b>

Note: Rounded to the first decimal place

## Top 10 unitholders at end of 11<sup>th</sup> period (as of 2010/10/31)

Name	# of units held (unit)	(%)
Japan Trustee Services Bank, Ltd. (Trust Acct.)	35,464	15.18%
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	27,132	11.61%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Acct.)	26,951	11.53%
The Master Trust Bank of Japan, Ltd. (Trust Acct.)	11,679	5.00%
The Bank of NY 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 SL omnibus account	3,439	1.47%
State Street Bank and Trust Company 505223	3,115	1.33%
<b>Total</b>	<b>130,317</b>	<b>55.79%</b>

Note: Rounded down to the second decimal place

## (Reference) Reporting of major unitholders

Name	Submitted on	# of units held(unit)
Nomura Securities Co., Ltd.	2010/9/21	<b>15,410</b>
<b>Nomura Asset Management Co., Ltd.</b>		14,715
<b>Nomura Securities Co., Ltd.</b>		695
Mizuho Asset Management Co., Ltd	2010/10/22	<b>17,196</b>
<b>Mizuho Asset Management Co., Ltd.</b>		11,817
<b>Sinko Investment Trust Management Co., Ltd.</b>		5,379
DIAM Co., Ltd	2010/10/20	<b>17,106</b>
<b>DIAM Co., Ltd</b>		17,106
The Sumitomo Trust and Banking Co.,Ltd	2010/9/24	<b>16,203</b>
<b>Nikko Asse Management Co., LTD.</b>		16,203
Fidelity Investments Japan Limited	2010/4/22	<b>16,029</b>
<b>Fidelity Investments Japan Limited</b>		11,355
<b>FMR LLC</b>		4,674
<b>ING Clarion Real Estate Securities LLC</b>	2009/8/4	<b>10,869</b>

Notes

- 1: Reports submitted from the PO on 2007/5/22 to 2010/10/22(excluding unitholders that have less than 10,000 units)
- 2: Total unitholders increased from 200,000 units to 233,550 units due to PO on 2009/11/16



# Disclosure and IR activities

## IR activities for Individual Investors

### Disclosure using KRI website

Opening communication page for individual investors

Main Items	11 <sup>th</sup> period (2010/10) No. of access
Top page	45,881
List of portfolio	8,772
Press release	8,019
Disclosure materials	6,402
Updated information	5,321
DPU・Earning results	4,969
Others(occupancy rate etc.)	19,028

### 「For Individual Investors」



### IR using web site

Providing contents on Nikkei Web News as 「J-REIT special」

### IR seminar and large meeting for individual investors

Attending events follows including WEB seminar (No. of participants/around 650 people)

Events(organizers)	Date
Research for corporation on Web Seminar (Nikkei)	2010/9/29
J-REIT Seminar for individual investors in autumn,2010 (ARES and TSE)	2010/9/11
Stock-Navigation Conference (Investor Networks)	2010/8/28
IR presentation by top management of listing company (Nikkei)	2010/7/3



## IR activities for Domestic and International Investors

### Using KRI website in English /1on1 meetings

Disclosure in English website on same day  
(Press release and Financial results )

(Reference) No. of meetings(including conference call)

10 <sup>th</sup> period IR	
Domestic institutional investors	47
Domestic regional investors	6
International investors (Europe)	6
International investors (US)	27
International investors (Asia)	31
<b>Total</b>	<b>117</b>

### Media articles

Publishing in Electronic-book 「J-REIT PULSE」  
(For individual and institutional investors)



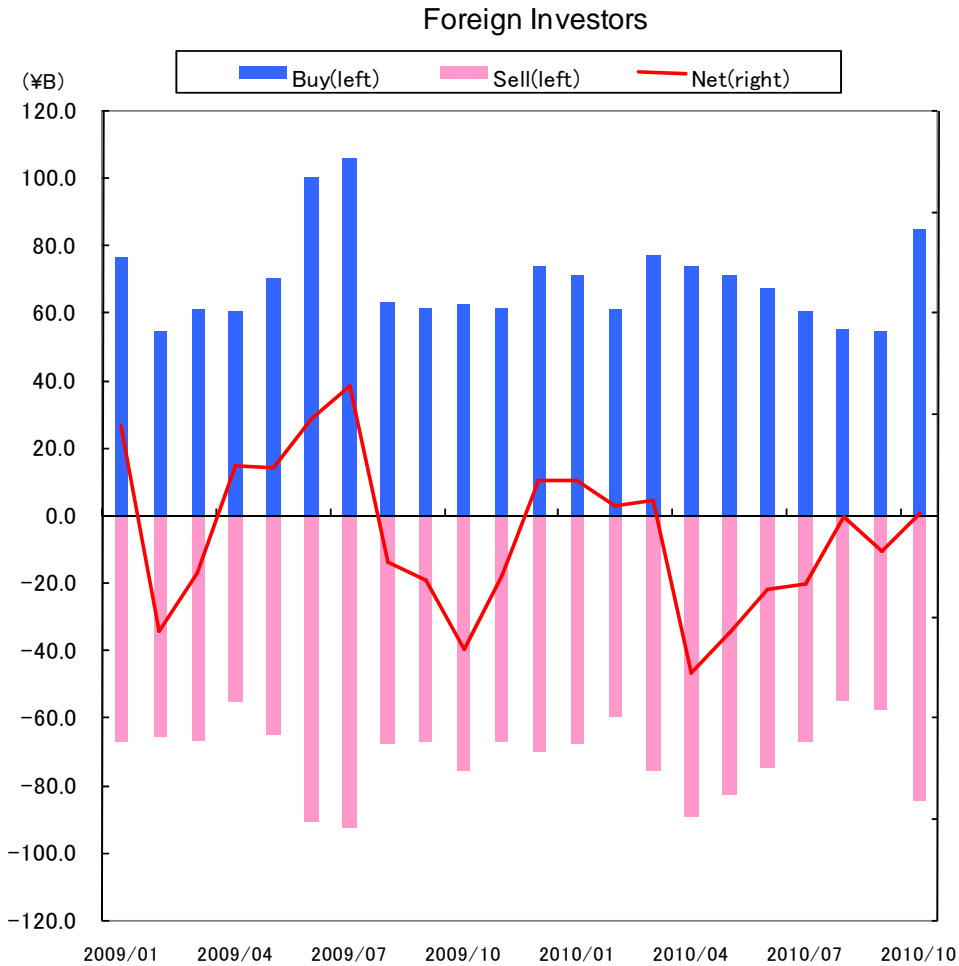
Kenedix Realty Investment Corporation  
Flexibility and Market Sensitivity Deliver A Half-Step Ahead Implementation

### Conference for International Investors

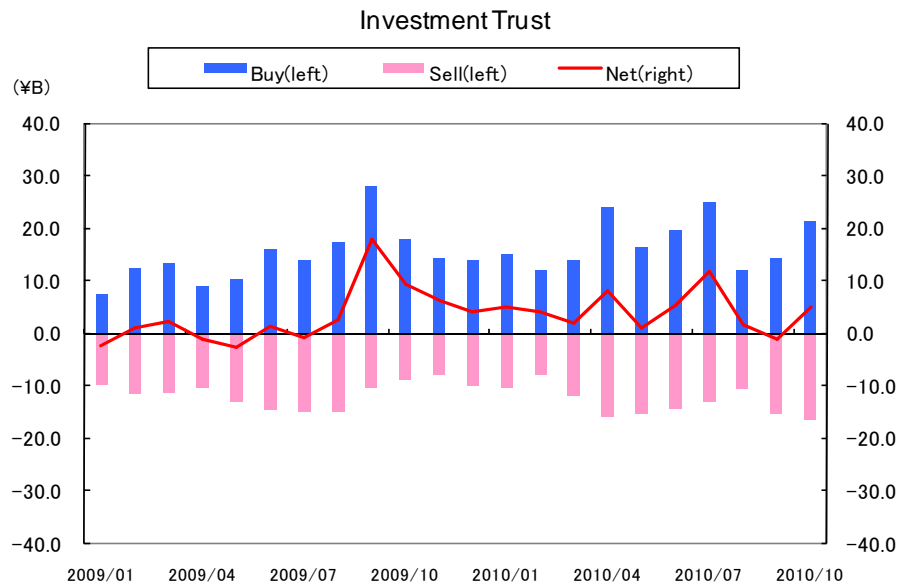
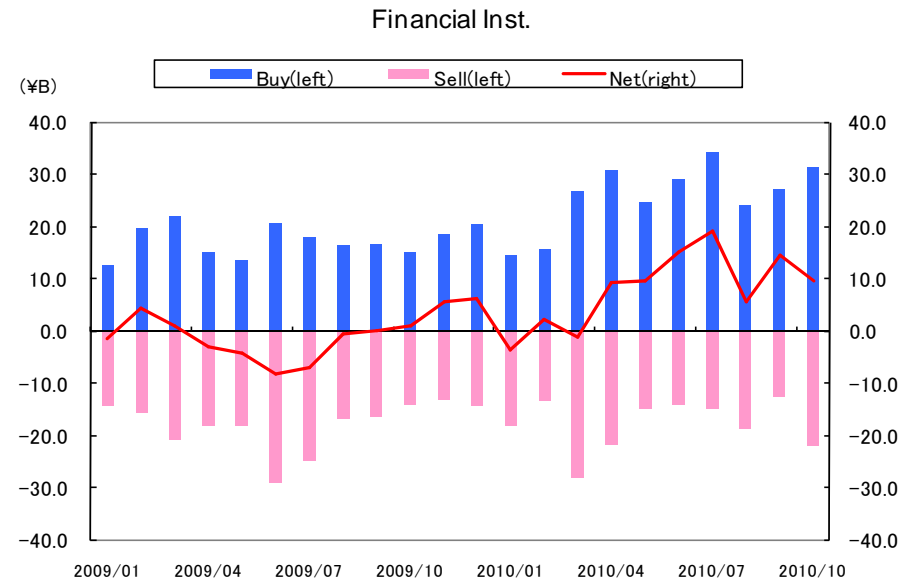
Events(organizers)	Date
PROPERTY CONFERENCE TOKYO 2010 (Nikko Cordial・Citi group)	2010/12/2
2010 Global Property Series - Tokyo (Macquarie Capital)	2010/12/6・7
Deutsche Bank Japan Conference (Deutsche Securities)	2010/11/15・16
Nomura Global Real Estate Forum 2010 (Nomura Securities)	2010/9/6・7

# J-REIT market (Investors trend)

## Trading Value by Investor Type (J-REIT)

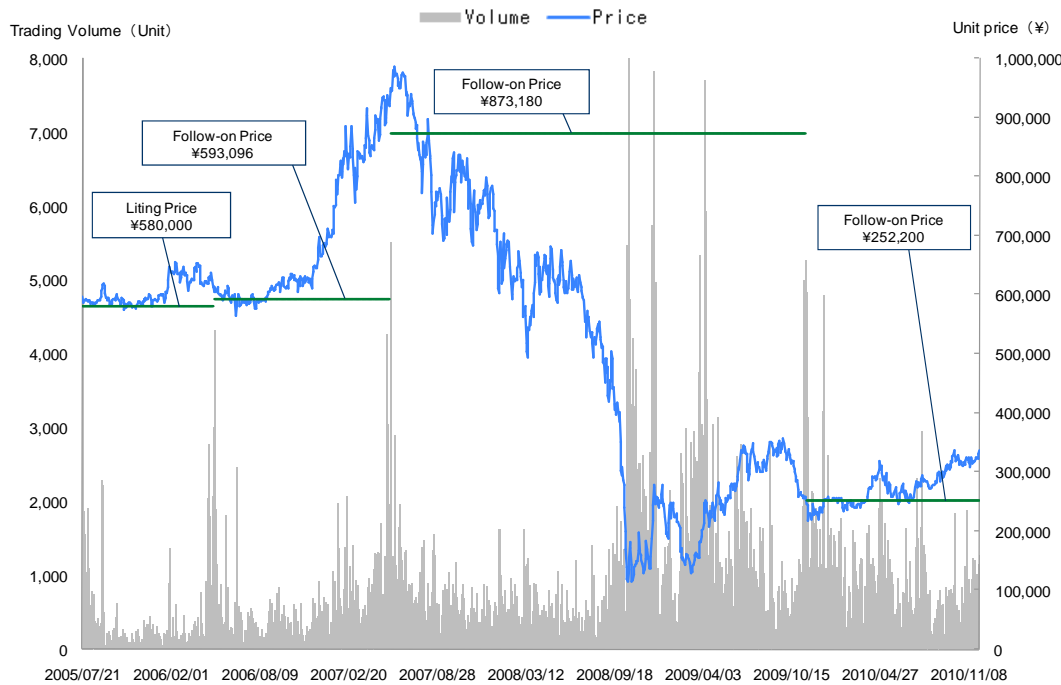


Source; Tokyo Stock Exchange (Data from 2009/1 to 2010/10)



# Unit price performance/Transaction volume since IPO

## Kenedix Realty Investment Corporation (KRI) price/volume performance



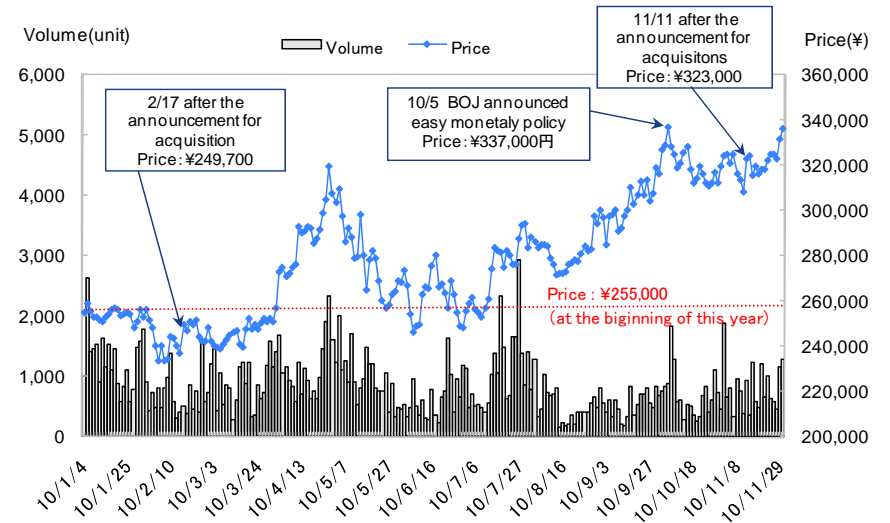
- Note:
1. Period: IPO to 2010/11/29
  2. Price :Closing price ( excluding over 8,000 trading volume (2008/10/20:19,728units)

•As of Dec 1<sup>st</sup> , 2011

Highest price (trading price) : ¥988,000 (2007/5/31)

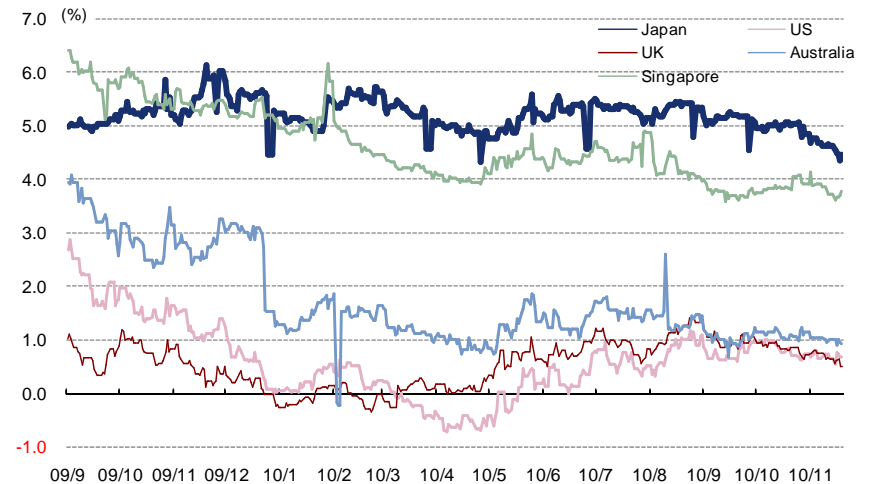
Lowest price (trading price) : ¥100,300 (2008/10/20)

•Average volume during 2010 : 849 units (2010/1/4~2010/11/29)



- Note
- 1: Period 2010/01 /04~ 2010/11/29
  - 2: Unit price is closing price

## (Reference) Global REIT yield gap



Source: Created by KDRM

# Summary financials for 11th period - Income statement and Cash flow statement

Comparison between 11th period (to Oct. 2010) and 10th period (to Apr. 2010)				
	10th period 2009/11/1 2010/4/30	11th period 2010/5/1 2010/10/31	Difference	Note
	(¥M)	(¥M)	(¥M)	
Rental and other operating revenues	7,150	7,159	9	
Rental revenues-real estate	5,882	5,861	-21	①Decrease of rental revenues ②Full revenues of KDX Shinjuku Building Decrease in rental revenues by sales of 2 properties in the 11th period
Common area charges	1,267	1,298	31	
Other lease business revenue	917	1,082	165	
Parking space rental revenues	243	242	-1	
Utility charge reimbursements	560	742	182	Due to seasonal variability of Electricity charges etc.
Miscellaneous	113	98	-15	
Total rental and other operating revenues A	8,067	8,242	175	
Gain on sale etc.	-	116	116	Gain on sale of KDX Shinjuku-Gyoen Building
Operating revenues	8,067	8,358	291	
Property management fee	801	804	3	
Utilities	508	634	126	Due to seasonal variability of electricity charges etc.
Taxes	648	648	-	
Repairs and maintenance cost	110	149	39	Increase in repair of walls construction etc.
Others (*1)	167	140	-27	Decrease in fees and loss on retirement
Depreciation	1,477	1,440	-37	Decrease in write-off completion of a part of assets
Total expense related to rent business B	3,714	3,817	103	
Rental business profit(A-B)	4,353	4,424	71	
Net operating Income (NOI)	5,830	5,864	34	
Loss on disposal of real estate	-	64	64	Loss on sale of Court Shin-okachimachi
Asset management fee	433	458	25	Increase in managed asset from 9th period to 10 period
Others (※2)	180	182	2	
Operating expenses	4,329	4,522	193	
Operating income	3,738	3,835	97	
Non operating income	15	4	-11	
Interest expenses	818	879	61	Full costs of new borrowing in 2010/2
Interest expense on investment corporation bonds	113	114	1	
Borrowing related expense	210	211	1	
Amortization of investment corporation bond issuance costs	5	5	-	
Amortization of investment unit issuance costs	32	8	-24	The 2nd unit of investment securities issue expense w write-off is completed
Amortization of business commencement costs	5	-	-	
Other non-operating expenses	-	11	11	Deduction off the subject consumption tax according to the sale of property
Non-operating expenses	1,185	1,231	46	
Ordinary income	2,568	2,608	40	
Income before income taxes	2,568	2,608	40	
Income taxes	0	0	-	
Net income	2,567	2,607	40	
Retained earnings brought forward	0	0	-	
Unappropriated retained earnings	2,567	2,607	40	

(\*1) Other expenses: Insurance, trust fee etc.

(\*2) Other operating expenses: Directors' compensation, asset custody fees, administrative fees

Numbers showing differences is rounded

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Basis for calculating cash distribution (¥)		
	10th period 2009/11/1 2010/4/30	11th period 2010/5/1 2010/10/31
I Retained earnings at the end of period	2,567,479,697	2,607,121,406
II Total distribution (Distribution per unit)	2,567,415,150 (10,993)	2,541,257,550 (10,881)
III Voluntary retained earnings Provision for reserve for reduction entry	-	65,795,848
IV Retained earnings bring to next period	64,547	68,008

Cash flow statement (¥M)		
	10th period As of Apr. 30, 2010 (¥M)	11th period As of Oct. 31, 2010 (¥M)
Net cash provided by operating activities	4,144	6,664
Net cash provided by investing activities	-14,568	-615
Net cash provided by financing activities	11,752	-2,966
Net increase in cash and cash equivalents	1,327	3,081
Cash and cash equivalents at beginning of period	10,957	12,285
Cash and cash equivalents at end of period	12,285	15,367

## Accounting method for Property taxes - City planning taxes

Changed the accounting method for Property-related taxes from 11th period

### 【Content of change】

These taxes are charged to rental expenses for the period, for which the payment was made during the said period.

↓ Changed the methods below

These taxes are charged to rental expenses for the period, for the portion of such taxes corresponding to said period.

### 【Purpose for change】

Leveling the period profit and loss(⇒stabilizing the dividends).

There is a bias of summing up amount of property-related taxes that are caused by base as for the amount paid between fiscal periods. We will leveling the period profit and loss by the portion of such taxes corresponding to said period.

# Summary financials for 11th period - Balance sheet

	10th period		11th period	
	As of Apr. 30, 2010		As of Oct. 31, 2010	
	(¥M)	(%)	(¥M)	(%)
<b>Current assets</b>	13,580	5.4	16,528	6.6
Cash and bank deposits	7,299		10,416	
Entrusted deposits	5,998		5,828	
Other current assets	282		283	
<b>Fixed assets</b>	237,910	94.6	234,489	93.4
Property, plant and equipment	236,917		233,438	
Buildings	13,869		13,660	
Land	29,104		29,104	
Buildings in trust	58,585		56,730	
Lands in trust	135,358		133,943	
Intangible assets	286		286	
Leasehold right	285		285	
Right of using water facilities in trust	1		1	
Investment and other assets	705		764	
Leasehold and gurantee deposits	11		11	
Long-term prepaid expenses	694		752	
<b>Deffered assets</b>	75	0.0	61	0.0
Investment corporation bond issuance costs	33		27	
Investment unit issuance expenses	41		33	
<b>Total asset</b>	251,566	100.0	251,080	100.0

## Changes in Performance Valuation

	10th period (2010/4)	11th period (2010/10)	Difference	Note
Unitholders' equity per share of common stocks	¥580,987	¥581,170	+¥183	
LTV at end of period	40.9%	40.9%	-0.1%	
Unitholders' equity to total asset	53.9%	54.1%	+0.1%	
Number of properties at end of period	70	67	-3	Sale of 2 properties KDX Shin-Yokohama 381 Building is counted as 1 building
Total leasable floor	271,260.81㎡	267,737.33㎡	-3,523.48㎡	
Occupancy ratio at end of period	94.4%	93.6%	-0.8%	

Property, plant and equipment : -¥3,479M  
Sale of 2 properties in 11th period

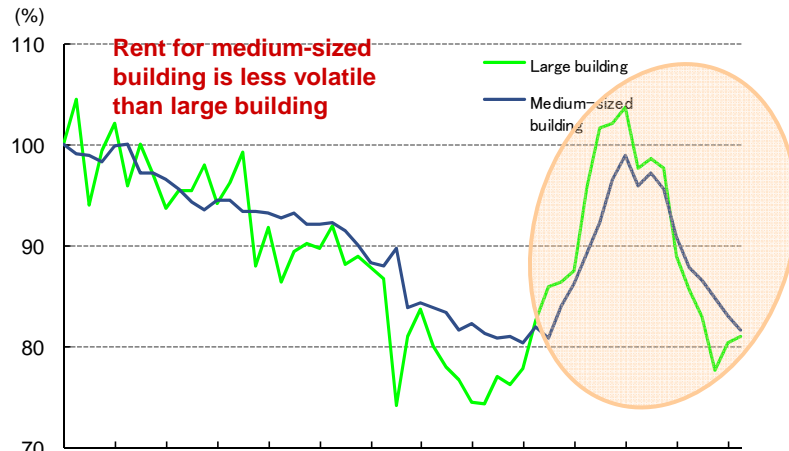
Short-term loans payable : +¥4,500M  
( Increase in long-term loans payable due within one year )

Long-term loans payable : - ¥4,901M  
( Decrease due to the increase in long-term loans payable due within one year )

<b>Current liabilities</b>	39,028	16	43,881	17.5
Accounts payables	377		499	
Short-term loans payable	37,050		41,550	
Other account payables	172		212	
Advanced received	1,245		1,166	
Derivative liabilities	12		7	
Others	183		445	
<b>Fixed liabilities</b>	76,848	31	71,466	28.5
Investment corporation bonds	12,000		12,000	
Long-term loans payable	53,918		49,017	
Tenant leasehold and security deposit	1,593		1,547	
Tenant leasehold security deposit in trust	9,324		8,902	
<b>Liabilities</b>	115,876	46	115,347	45.9
<b>Total unitholders' capital</b>	133,129		133,129	
Unappropriated retained earnings	2,567		2,607	
Unrealized gain from deferred hedge transactions	-7		-4	
<b>Equities</b>	135,689	53.9	135,732	54.1
<b>Total liabilities and unitholders' equity</b>	251,566	100.0	251,080	100.0

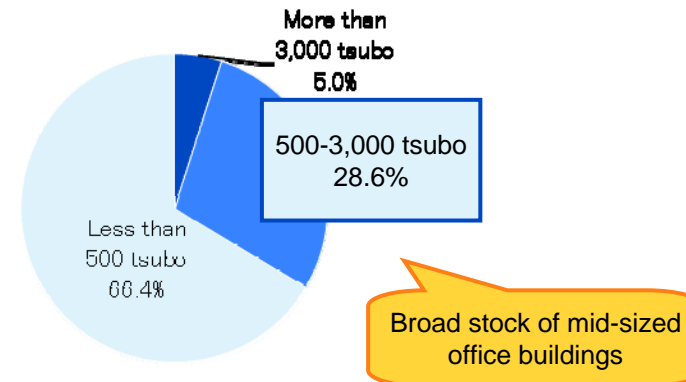
# (Reference data 1) Office building market environment

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



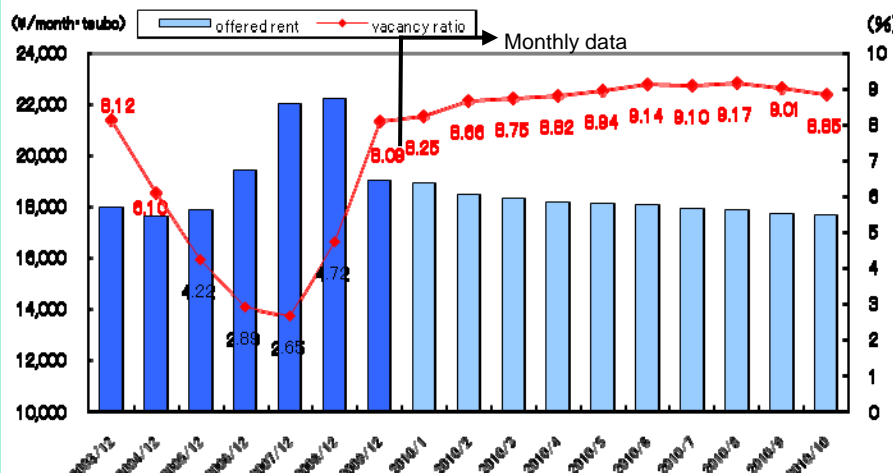
Note: Large building is a building with a gross floor area of 3,000 tsubo or more, while medium-sized building is a building with a gross floor area of 1,000 to 3,000 tsubo  
 Source: Created by KDX based on the data compiled by CBRE (the latest values as of 2010/9)

## 2. Break down of office buildings by GFA (tsubo)



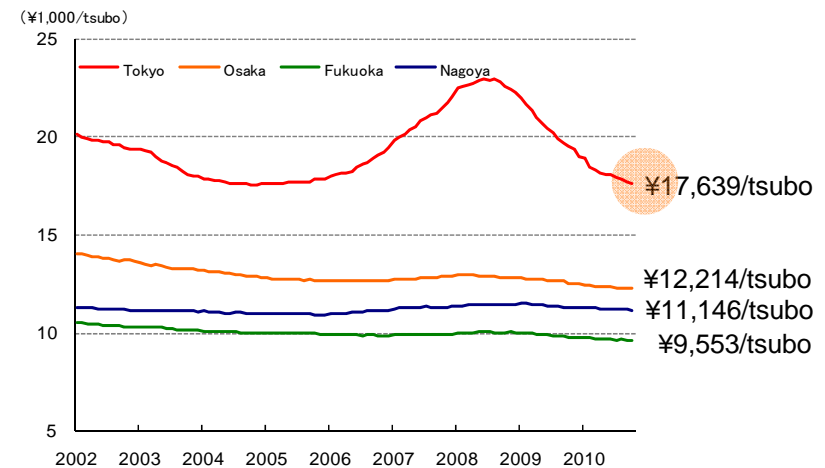
Note: The above data covers rental office buildings located in Tokyo's central 5 wards that were surveyed by CB Richard Ellis Research Institute. The above data may not include the data of all properties in the said 5 wards.  
 Source: Survey conducted by CB Richard Ellis Research Institute based on KRI's request "Macro market survey of Tokyo's 5 wards" (as of Mar 31,2007)

## 3. Changes in the offered rent and vacancy ratio in Central Tokyo



Note: Survey covers buildings with more than 100 tsubo in Tokyo's central 5 wards (Chiyoda, Chuo, Minato, Shinjuku, Shibuya)  
 Source: Miki Shoji "Latest Office Building Markets in Tokyo's central 5 wards" (the latest values as of 2010/10)

## 4. Changes in rent levels by region



Note: Targeting the properties with a gross floor area of 100 tsubo or more in Tokyo's central 5 wards (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya)  
 Source: Created by KRI based on the data compiled by Miki Shoji (the latest values as of 2010/10)

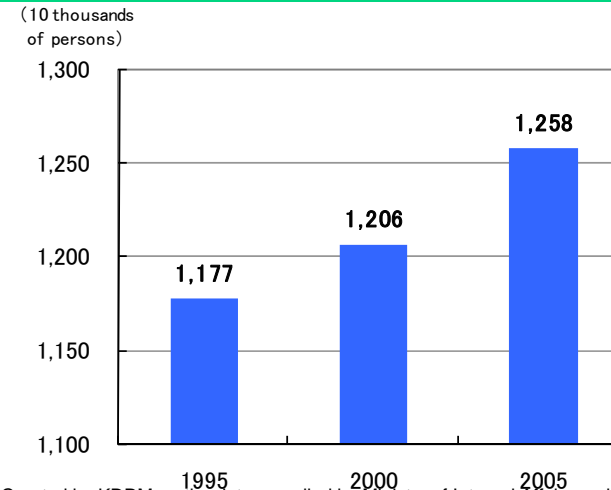
# (Reference data 2) About Tokyo Metropolitan Area

## 1. Economic foundation etc. of Tokyo

(Timing)	(Item)	Japan	Tokyo
FY2007	Total production (Nominal GDP)	¥515,651.0B	¥92,300.5B
2006	No. of office	5,910,000	690,000
2006	No. of employee	58.63M	8.70M
October 1, 2008	Total Population	127.69M	12.83M
October 1, 2008	Population of productive age (15-64years old)	82.30M	8.72M

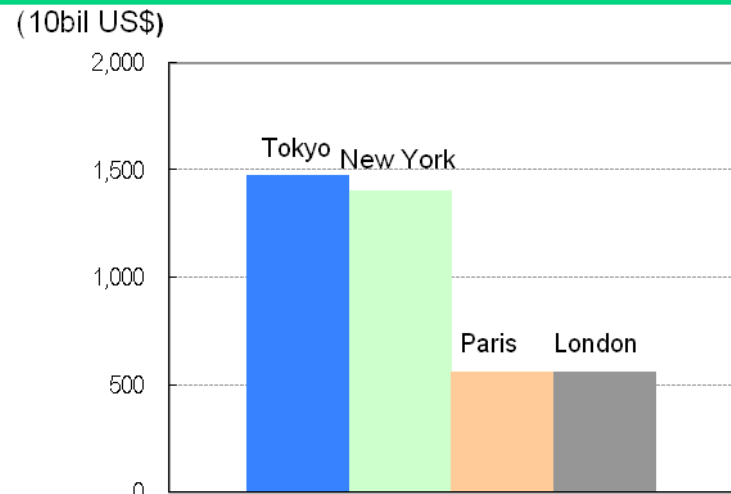
Source: Created by KDRM based on the data compiled by "Kurashi to toukei 2009(Life and statistics 2009)" on the Tokyo metropolitan government website

## 2. Population transition of Tokyo



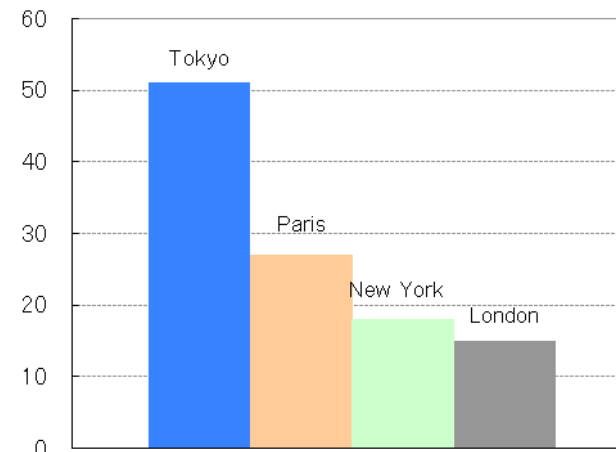
Source: Created by KDRM on the data compiled by Ministry of Internal Affairs and Communications Statistics Bureau, "Japan Statistical Handbook"

## 3. Gross Metropolitan Products estimate (2008)



Source: UK Economic Outlook November 2009, PricewaterhouseCoopers  
Note: Figures are calculated by PricewaterhouseCoopers at PPP

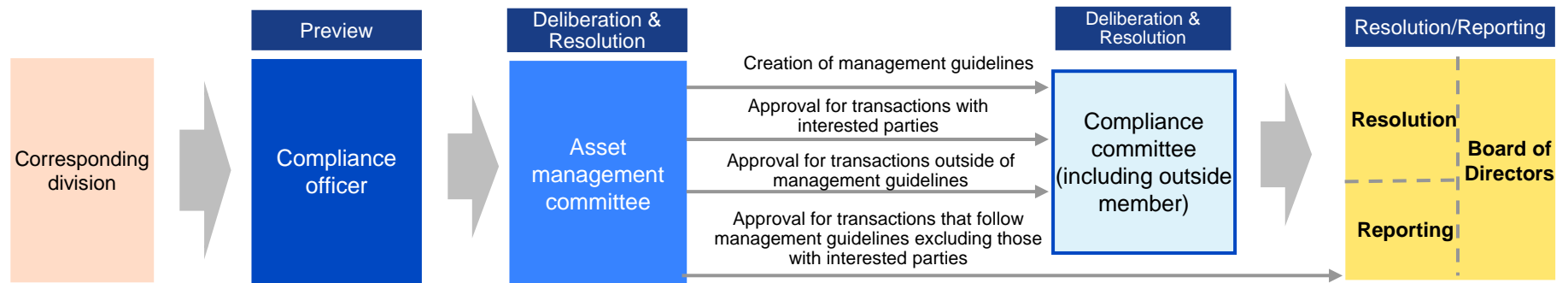
## 4. No. of Headquarters of Fortune 500 (2009)



Source: Fortune Global 500, 2009, Fortune Magazine

# Management structure of Asset Management Company

## Asset Management Company's decision-making process



## Rules on transactions with interested parties

### ◆ Transactions with interested parties

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

### <Reference>

Meetings held by the various committees, Board of Directors of the Asset Management Company / Investment Corporation

	6th period	7th period	8th period	9th period	10th period	11th period
Compliance committee	8	9	8	8	10	7
Asset management committee	38	52	44	36	39	32
Board of directors	7	10	8	10	12	11
Board of directors of Investment Corporation	7	7	8	8	8	8

### < Reference >

## Asset management company's management fee structure

### ■ Asset management fee

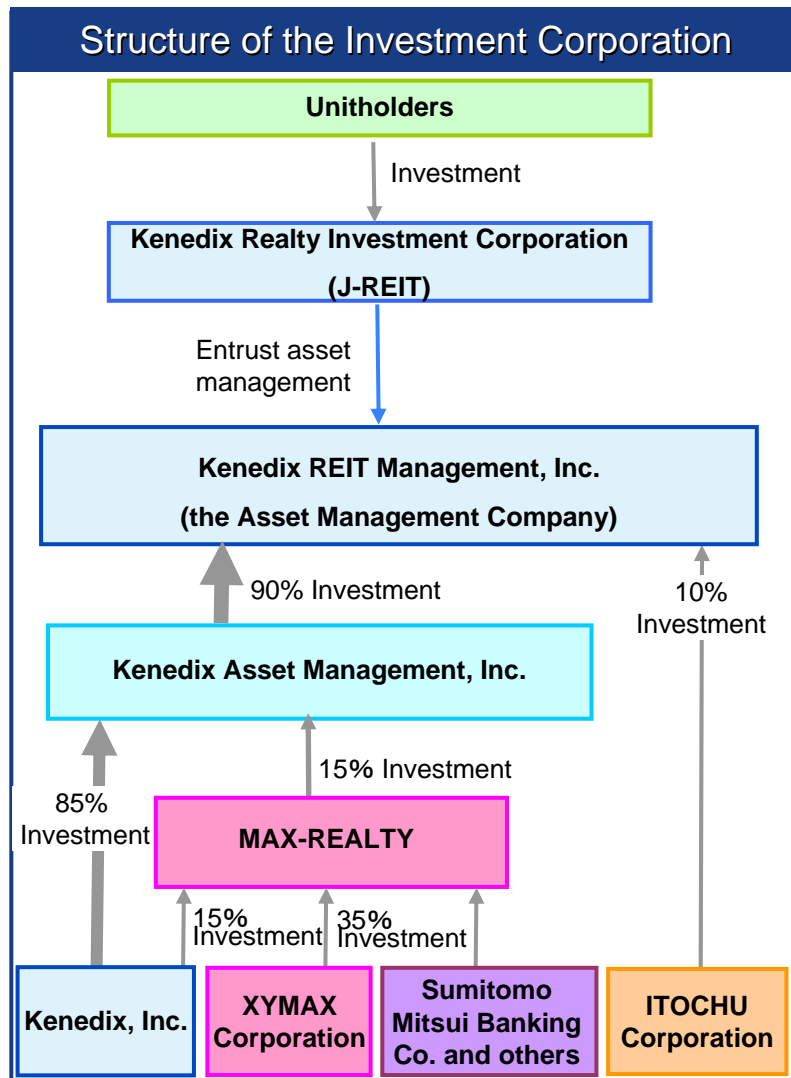
- Management fee I : 0.15% of total assets
- Management fee II : 3.0% of distributable amount each fiscal period
- Acquisition fee : 0.5% of acquisition price (0.25% if interested parties)
- Disposition fee : capped at 0.5% of transfer price

### ■ Property management fees

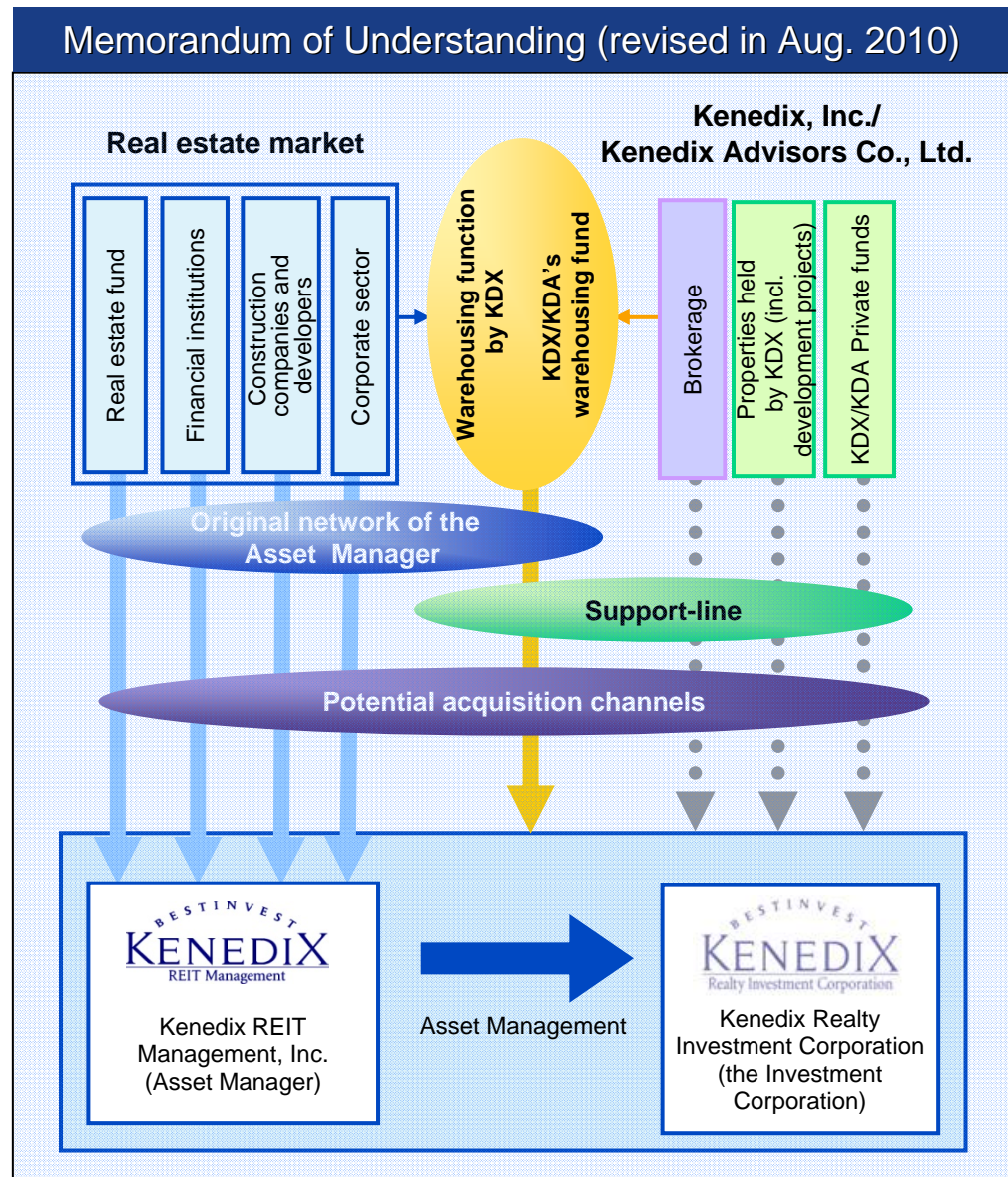
- Rental management fee: 2% of rent revenues + 2% of operating revenues from the property (after deducting operating expenses and before deducting depreciation)
- Management transfer fee: amount determined in proportion to the acquisition/sale price (e.g. ¥1-3B → ¥2M, ¥5-10B → ¥2.4M)
- Construction supervision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



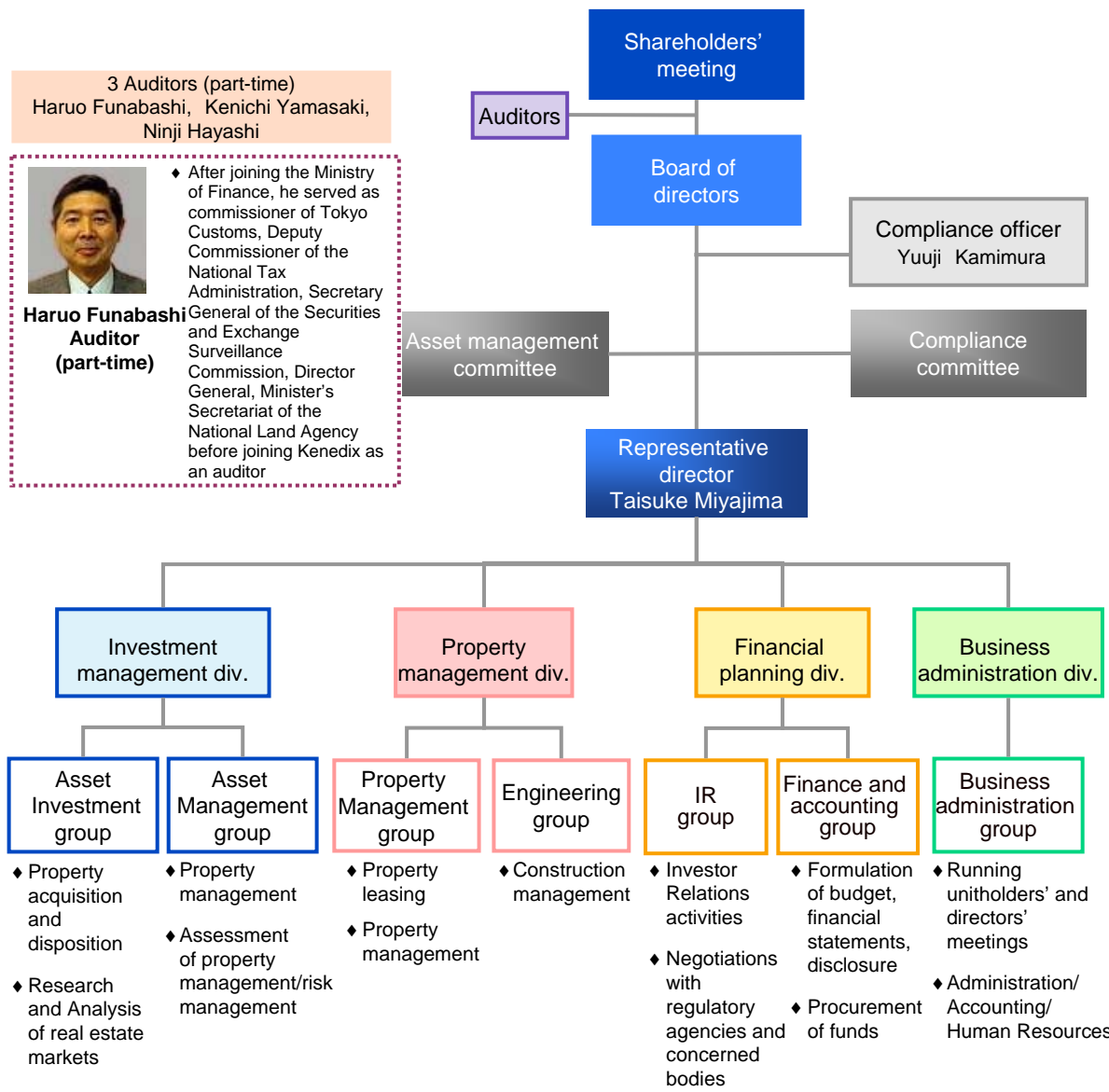
# Change in shareholders of AM and Memorandum of Understanding



Note:  
MAX-REALTY is an asset management company invested by XYMAX Corporation, Sumitomo Mitsui Banking Corporation and others, based on the concept of "combining real estate and finance consulting knowledge in to one."



# Kenedix REIT Management, Inc. -Organizational chart



## Major members



Taisuke Miyajima  
CEO & President

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



Koju Komatsu  
General Manager,  
Investment Management  
Division

- Worked for c.7 years for **Chuo Mitsui Trust and Banking** (Property Sales Department, Property Investment Advisory Department, Asset Finance Department)
- Worked for **Cititrust & Banking** before joining Kenedix, Inc.
- Property appraiser



Masashi Ohwa  
Director & General Manager,  
Property Management Division

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



Masahiko Tajima  
Director & General Manager,  
Financial Planning Division

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



Yuuji Kamimura  
Compliance Officer

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

# Overview of Kenedix Realty Investment and Global REIT market

## Overview of Kenedix Realty Investment Corporation

Listing Date	July 20, 2005
Listing Market	Real Estate Investment Trust Market of the Tokyo Stock Exchange
Ticker Code	8972
Fiscal Period	April 30th, October 31th
Asset Management Company	Kenedix REIT Management, Inc.
Shareholders of Asset Management Company	Kenedix Asset Management, Inc. 90% ITOCHU Corporation 10%

### Portfolio (Asset size, Number of properties as of December 13, 2010)

Asset size	¥244.4B (Total of acquisition price)
No. of properties	70properties (Office buildings 64 properties)
Occupancy rate at end of period	93.6% (as of October 31, 2010)

### Financial Results (as of October 31, 2010)

Total asset	¥251.0B
Debt	¥102.5B
Total debt/Total asset	40.9%
Rating	A(JCR)

### Information of units (as of October 31, 2010)

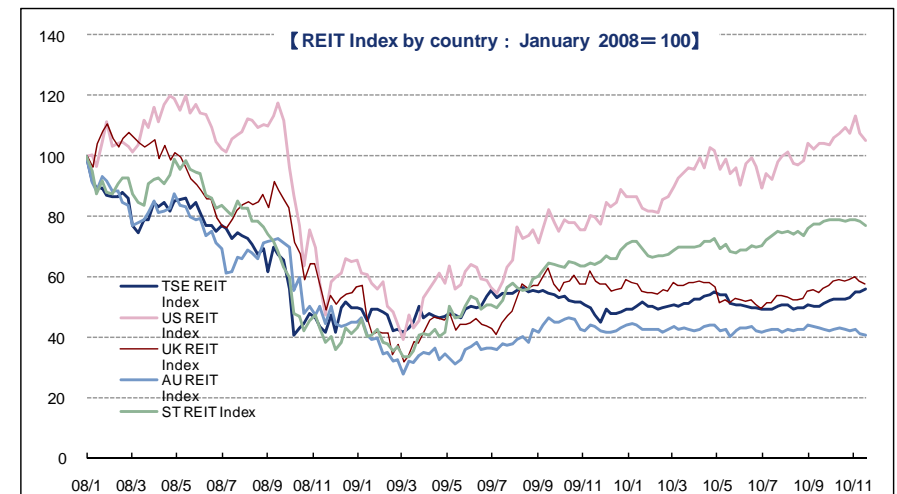
Number of units outstanding	233,550units
Market Capitalization	¥74.6B (Unit Price ¥319,500: Last price of October 29)
BPS	¥581,170

## (Reference) Market size of Listing REIT in the World

(March 31, 2010)

	Market Capitalization	No. of Listing REIT
United States	275,797	142
Australia	64,875	61
France	59,492	46
United Kingdom	30,169	20
Japan	29,151	38
Canada	21,151	31
Singapore	19,059	21
Netherlands	11,127	6
Hong Kong	9,151	7
Bergium	6,130	15

Source: ARES「The Real estate securitization Handbook 2010-2011」



Source: Created by KDRM based on the data compiled by Bloomberg

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