

Kenedix Realty Investment Corporation (KRI)

3rd Period Results (ending Oct. 2006)

December 2006

Kenedix REIT Management, Inc.

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



Disclaimer

The contents of this document, including summary notes, quotes, data and other information, are provided solely for informational purposes and not intended for the purpose of soliciting investment in, or as a recommendation to purchase or sell, any specific products.

Please be aware that matters described herein may change or cease to exist without prior notice of any kind. This document contains forward-looking statements and anticipations of future results, based on current assumptions and beliefs in light of currently available information and resources. Risks and uncertainties, both known and unknown, including those relating to the future performance of the real estate market in Japan, interest rate fluctuations, competitive scenarios, and changing regulations or taxations, may cause Kenedix Realty Investment Corporation (KRI)'s actual results, performance, achievements and financial performance to be materially different from those explicitly or implicitly expressed in this document.

With respect to any and all terms herein, including without limitation, this document, the information provided is intended to be thorough. However, no absolute assurance or warranties are given with respect to the accuracy or completeness thereof.

Neither KRI nor Kenedix REIT Management (KDRM) shall be liable for any errors, inaccuracies, loss or damage, or for any actions taken in reliance thereon, or undertake any obligation to publicly update the information contained in this document after the date of this document.

Section 1

Change of the Portfolio Strategy



Change of the portfolio strategy to focus more on office

New investment policies:

- ◆ Investment to focus on office buildings
- ◆ No new investments in residential for the time being
- ◆ Investment in urban retail properties as an alternative to investing in office buildings

Change in portfolio construction policy

Sector	Usage	After Change	Before Change
Office	Office buildings for rent	50 ~ 100%	50% or more
Residential	Rental housing	0 ~ 30%	20% or more
Retail	Urban-type retail properties	0 ~ 20%	
Others	Business hotels, Educational facilities, Nursing-care facilities	0% for time being	30% or less

Basic investment policies:

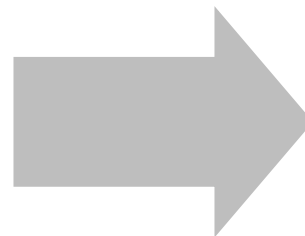
- ◆ Flexible and dynamic investment with accurate timing, based on grasp of market trends
- ◆ Stress on three-point investment criteria (property type, area, and size)
- ◆ Construct diversified asset portfolio

Overview of current portfolio

(As of December 11, 2006)

Retail	3	10.6%
Residential	32	29.5%
Office	30	59.9%

- ◆ Has grown to become diversified portfolio of assets, with 65 properties worth c. ¥150bn



Anticipated portfolio when asset size target (¥200bn) is achieved

Residential	c. 25%
Urban-type retail	c. 8-10%
New investments in office	
Office	c. 65-67%

c. 75%

Section 2

3rd Period Financial Results (ending Oct. 2006)



Highlights in the 3rd period

		Future management policies & targets
External growth	<ul style="list-style-type: none"> ◆ ¥81.4bn (35 properties) at the end of the 2nd period ¥150.9bn (65 properties) at December 11, 2006 ◆ Bulk purchases at time of PO using multi-pipeline approach (26 properties, c. ¥58bn) ◆ Assets acquired using asset management company's proprietary network (5 properties, c. ¥9bn) 	<ul style="list-style-type: none"> ◆ Invest mainly in office buildings ◆ Asset size of ¥200bn by end-2007
Internal growth	<ul style="list-style-type: none"> ◆ Increases in new rents (average of 16%) based on high move out rates (6.1% annualized in the 3rd period, 12.3% annualized in the 4th period) of mid-sized office buildings ◆ Construction work and leasing management based on results of CS survey (for office buildings) 	<ul style="list-style-type: none"> ◆ Focus on portfolio NOI yield ◆ Increases in new and existing rents
Financial performance	<ul style="list-style-type: none"> ◆ Credit ratings: A+ (JCR, Dec. 2006), A3 (Moody's, Feb. 2006) ◆ Equity finance raised through global offering (May 1, 2006) ◆ Diversified maturity dates (have taken on 7-year and 10-year fixed borrowings) 	<ul style="list-style-type: none"> ◆ Corporate bond issues ◆ Diversified maturity dates ◆ Extend duration
3rd period results	<ul style="list-style-type: none"> ◆ Results for the 3rd period <ul style="list-style-type: none"> – Distribution per unit: ¥13,529 – FFO per unit: ¥19,759 	<ul style="list-style-type: none"> ◆ Stable growth in distribution per unit

3rd period financial results—Performance highlights

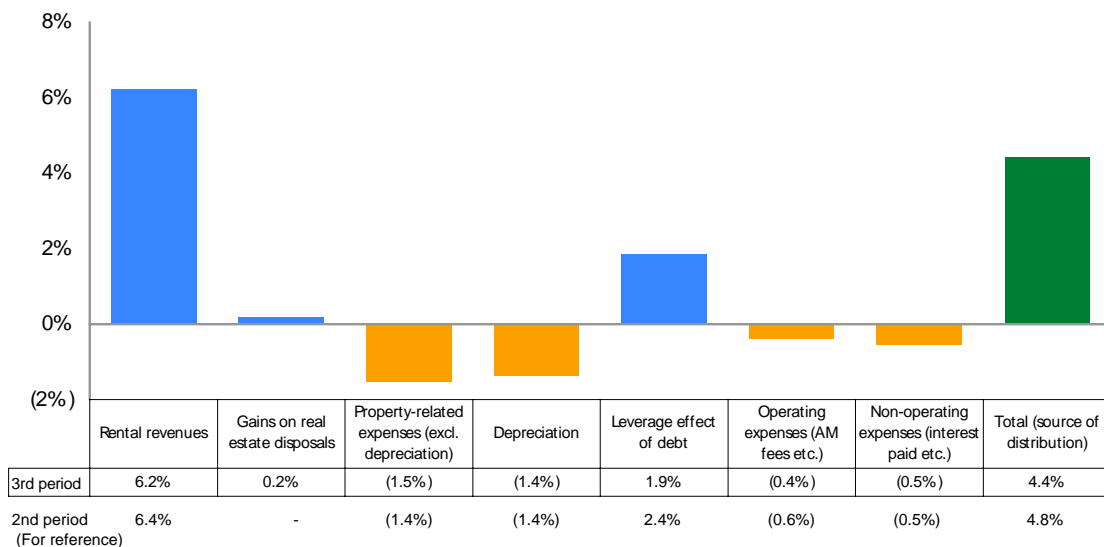
Performance

	2nd period	3rd period
Net Income	¥1,101m	¥2,124m
Total assets	¥92,053m	¥160,314m
Net assets	¥45,387m	¥90,933m
Number of units outstanding	79,370 units	157,000 units
Net assets per unit	¥571,840	¥579,192
Distribution per unit	¥13,884	¥13,529

Financial Ratios

	2nd period	3rd period	Notes
Interest-bearing debt ratio	45.6%	38.7%	Decreased by approx. 6.9%
Equity ratio	49.3%	56.7%	-
Leasing NOI	¥2,256m	¥3,869m	Rental and other operating revenues - Property-related expenses + Depreciation for the period
FFO	¥1,752m	¥3,102m	Net Income + Depreciation for the period – Gains on real estate disposals
FFO pay-out ratio	62.9%	68.5%	Distribution / FFO
FFO per unit	¥22,076	¥19,759	-

◆ Relationship between property revenue, leverage effects, and distribution (illustrated 3rd period results)



- Annual rate calculations based on 179-day average management period of assets acquired, weighted by acquisition cost
- Ratios are percentages of total liabilities + market capitalization (excluding Leverage effects and Total)
 - Leasing NOI yield of c. 5.4% on acquisition price basis
- Leverage effects calculated based on rental business profit margin/ (1-debt ratio)
 - Used monthly average debt ratio for current period of c. 36%
- (Reference) Earnings yield level based on unit price as of the end of the period
 - Unit price as of the end of 3rd period (Oct. 31, 2006): ¥628,000
 - Days under management: 179 days
 - Distribution per unit ¥13,529 c. 4.4%

4th Period Earnings Forecasts

Operating forecasts for 4th period (to April 2007)

	2nd period results (to April 2006)	3rd period results (to October 2006)	4th period forecasts (to April 2007)	Notes
Operating revenues	2,871	5,288	5,542	¥157mn profit booked on sale of residential properties in the 3rd period
Operating expenses	1,527	2,723	2,973	Management fees up ¥101mn because of expansion in asset size in the 3rd period
Property-related expenses (excl. depreciation)	615	1,261	1,309	
Depreciation	650	1,135	1,199	
Operating Income	1,343	2,565	2,568	
Non-operating expenses	246	442	493	Both the 3rd period and the 4th period, ¥18mn amortization of investment unit issue expenses
Interest expense	164	375	431	The 4th period borrowings ¥66.0bn
Ordinary Income	1,103	2,125	2,075	
Net Income	1,101	2,124	2,074	
Number of units outstanding	79,370	157,000	157,000	-
Distribution per unit (Yen)	13,884	13,529	13,200	
NOI	2,256	3,869	4,232	Rental revenue – Property-related expenses + Depreciation
FFO	1,752	3,102	3,274	Net Income + Depreciation for the period – Gain on real estate disposals

Rental business revenues forecasts (for reference)

- ◆ Rental revenues based on ARGUS, a general-use real estate software program
- ◆ For office buildings, reflects vacation notifications (generally 6 months in advance) and leasing situation

2nd period	3rd period	4th period
32 35 properties	59 64 properties	65 properties

Trends in the number of properties

Major changes in 5th Period (to October 2007)

- ◆ Expected fixed asset tax & urban planning tax costs: + ¥123mn compared with 4th period

Disclosure policies for profit forecasts

- ◆ Disclose if DPU changes by 5% or more
- ◆ Disclose in principle if Operating revenues or Net income change by 15% or more

Turnover ratio for office building and newly-contracted rent levels

Past and estimate vacation rates for office portfolio (annualized)

1st period	2nd period	3rd period	4th period (Estimate) ¹
12.2%	2.7%	6.1%	12.3%

Note:

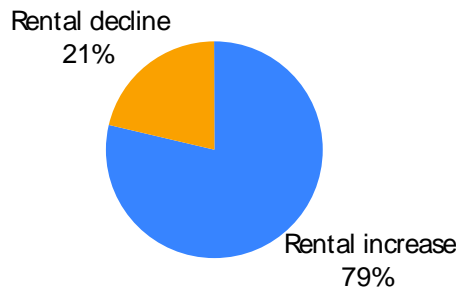
¹ Proportion of floor area to be newly vacated in 4th period based on advance notifications of contract cancellations

Special features of mid-sized office buildings

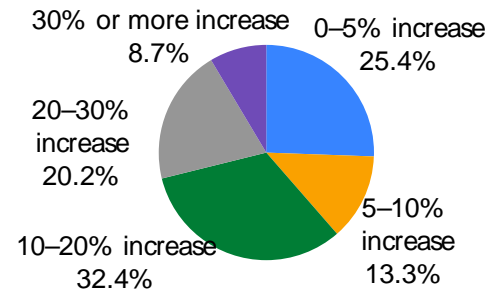
- ◆ Most tenants are medium and small, and **move-out rates are high**
- ◆ When rents are rising, rent levels can be increased



Newly-contracted rent levels (Leased floor area basis)



Distribution of increases in newly-contracted rent levels (Leased floor area basis)



No. of tenants basis

	Rental increase	Rental decline
Tokyo metropolitan area	9	1
Other regional areas	4	4
Total	13	5

Largest increase : c. 39% (+¥9,000/tsubo)
Average increase (number of cases basis) : c.16%

1. 3rd period results (new rental contracts signed in the 3rd Period)
2. Comparison with typical floor (offices above floors 1 and 2, excluding special usage) average rents (The one case of rental decline in the Tokyo metropolitan area was signed at the same level as the previous tenant)
3. Limited to office usage above floor 2

Results of increase in office NOI levels

Office portfolio internal growth performance

	Accomplishments	Notes
1. Increase in ongoing rent levels	<ul style="list-style-type: none"> Rental increases were successfully negotiated for c. 38% (Of buildings for which we asked for rental increases) 	<ul style="list-style-type: none"> Of office buildings in the Tokyo metropolitan area, we chose to negotiate rental increases unrelated to contract renewal date at the beginning of 3rd period (20% of total office tenant rental floor area in the Tokyo metropolitan area)
2. Reduction in BM costs	<ul style="list-style-type: none"> Succeeded in reductions on 15 of 23 properties under review (reductions total around ¥5m per month) Average reduction of c. 20% 	<ul style="list-style-type: none"> Of 25 properties owned at the beginning of the 3rd period, 23 properties are under review (2 properties already reduced in the 2nd period)
3. Increase in occupancy rates	<ul style="list-style-type: none"> Office occupancy rate 97.3% (15 properties) 97.7% (29 properties) 	<ul style="list-style-type: none"> New contracts during the 3rd period for space vacant at the start of the period or when acquired
4. Other	<p>Reduced electricity charges : 14 properties Reduced fixed asset tax : 2 properties Parking revenue, vending machine installations, antenna installations etc.</p>	<p>Reduction resulting from change of plan (applies from the 4th period) Utilized fixed asset tax reduction consultant</p>

(Reference) Office acquisition policy at time of the 2nd period results presentation

- Emphasis on mid-sized office in the Tokyo metropolitan area aiming for rises in CF



Section 3

External Growth

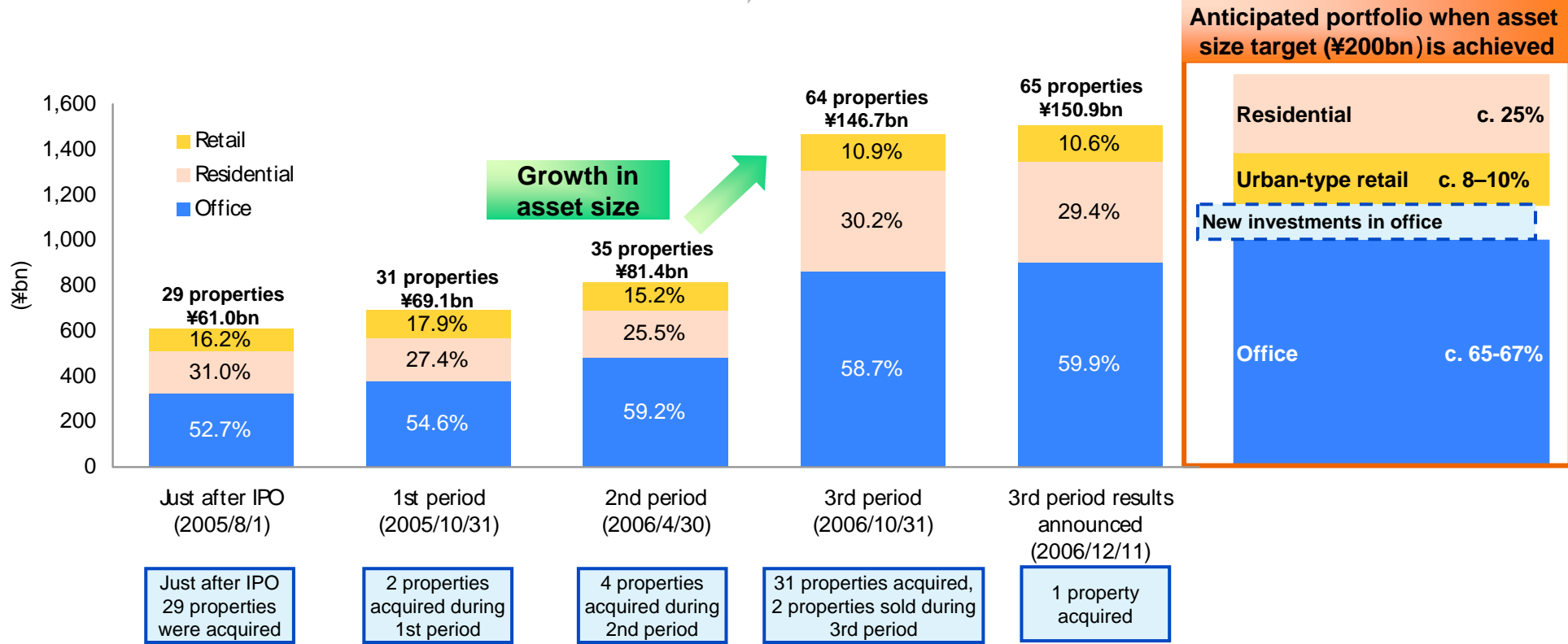


“KENEDIX Selection”—External Growth and Target Asset Size

Initial target ¥200bn by the end of 2008



Current target **¥200bn** by the end of 2007

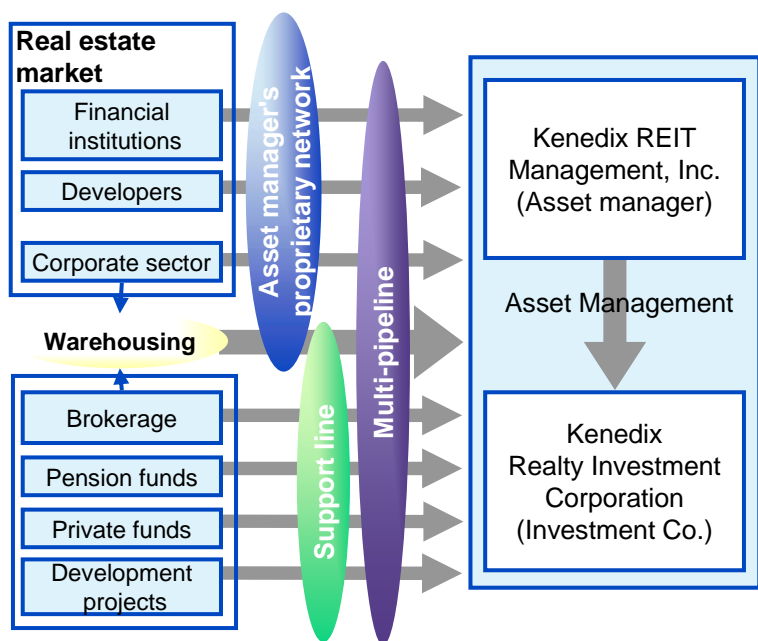


No. of properties infos (compiled by asset manager)

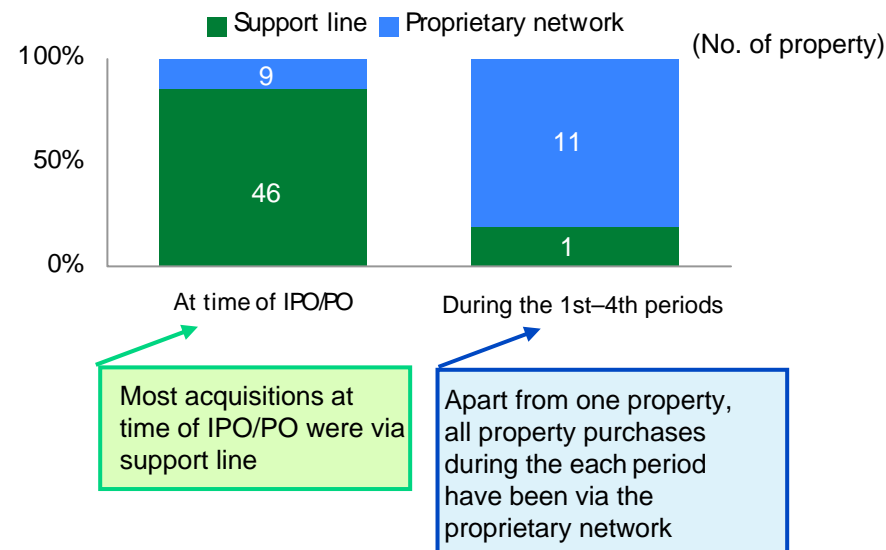
	1st period (7/21/2005–10/2005)	2nd period (11/2005–4/2006)	3rd period (5/2006–10/2006)
Infos from asset manager's proprietary network	179	409	318
Infos from Kenedix Group	30	76	111
Total	209	485	428

Note: figures shown are rounded down to nearest ¥100m, or 1 decimal place for ratios

External growth strategy—properties acquired using multi-pipeline approach



Strong record of acquisitions through asset manager's proprietary network



Most acquisitions at time of IPO/PO were via support line

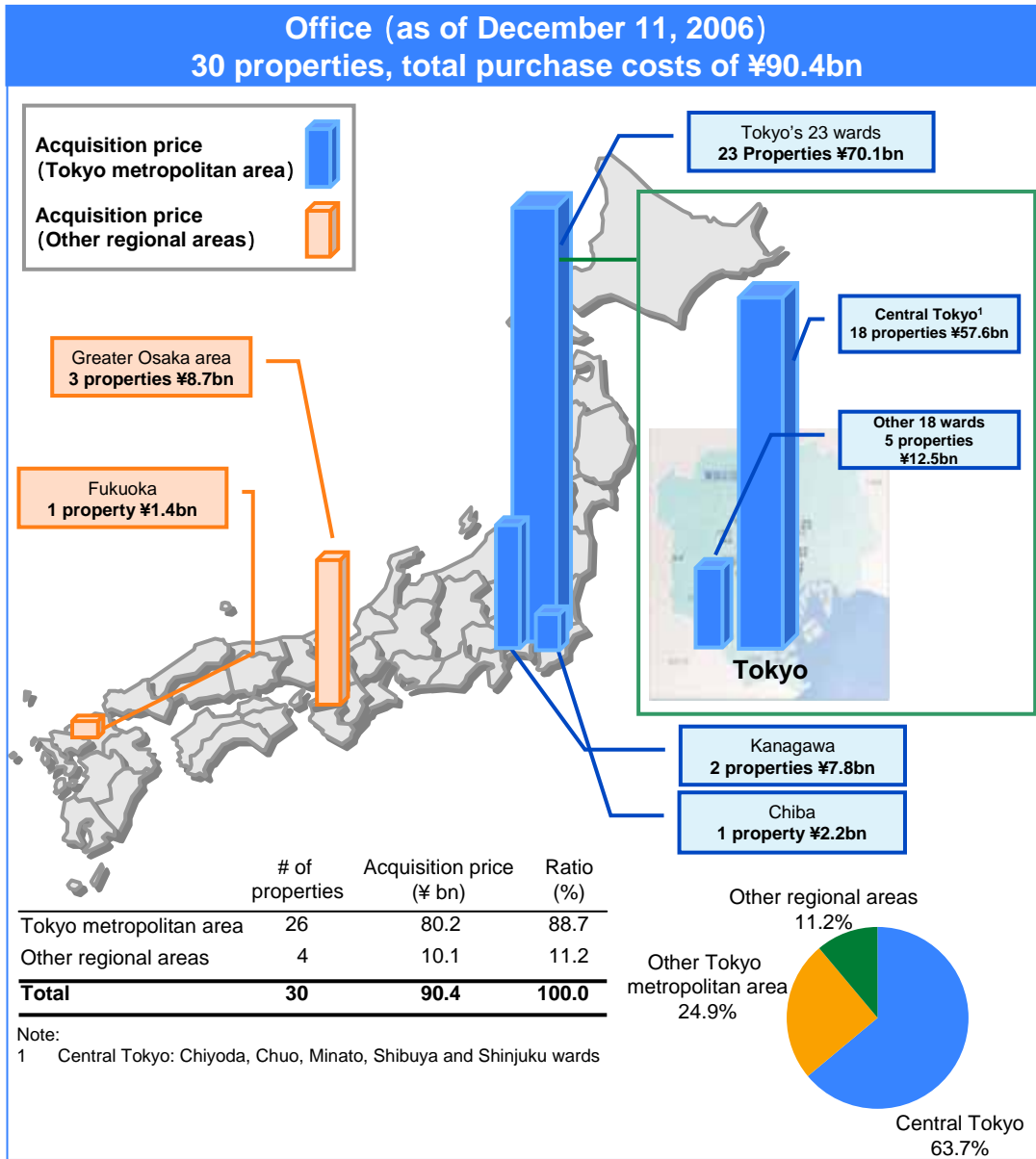
Apart from one property, all property purchases during the each period have been via the proprietary network

(No. of property)		1st period Just after IPO (2005/8/1)	1st period (excl. Just after IPO) and 2nd period	PO (2006/5/1)	3rd and 4th periods (excl. PO)	TOTAL
Proprietary network	Direct acquisition	-	4 (c.¥8.8bn)	1 (c.¥1.2bn)	6 (c.¥13.2bn)	11 (c.¥23.3bn)
	Warehousing	-	1 (c.¥6.0bn)	8 (c.¥16.3bn)	-	9 (c.¥22.3bn)
Support line		29 (c.¥61.0bn) ¹	1 (c.¥5.6bn)	17 (c.¥40.5bn)	-	47 (c.¥107.1bn) ^{1,2}
TOTAL		29 (c.¥61.0bn)¹	6 (c.¥20.4bn)	26 (c.¥58.0bn)	6 (c.¥13.2bn)³	67 (c.¥152.7bn)¹

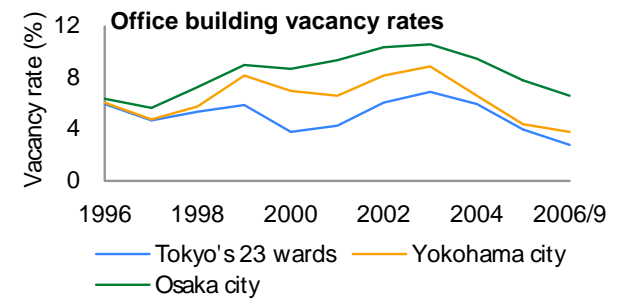
Notes:

- 1 Includes 2 residential properties (c. ¥1.7bn) sold in May 2006
- 2 Breakdown of support line : Pension funds 29 properties, private funds 6 properties, Kenedix's own real estate investments 12 properties
- 3 As of December 11, 2006

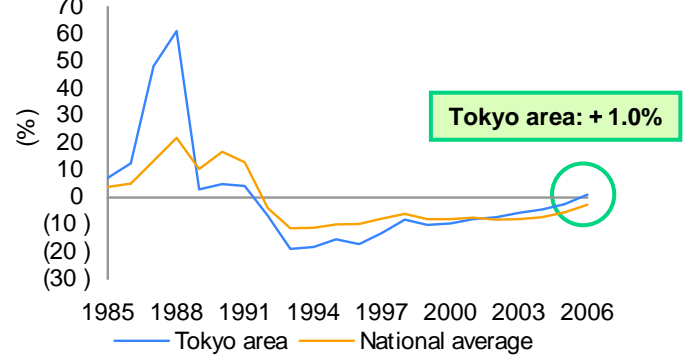
Emphasis on mid-sized office buildings in the Tokyo metropolitan area



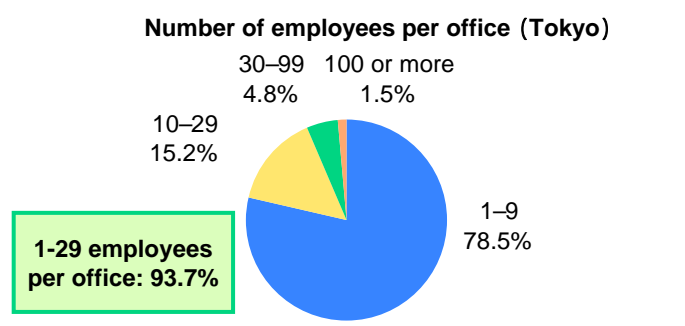
Office building prices improving



Official land prices (commercial), YoY change

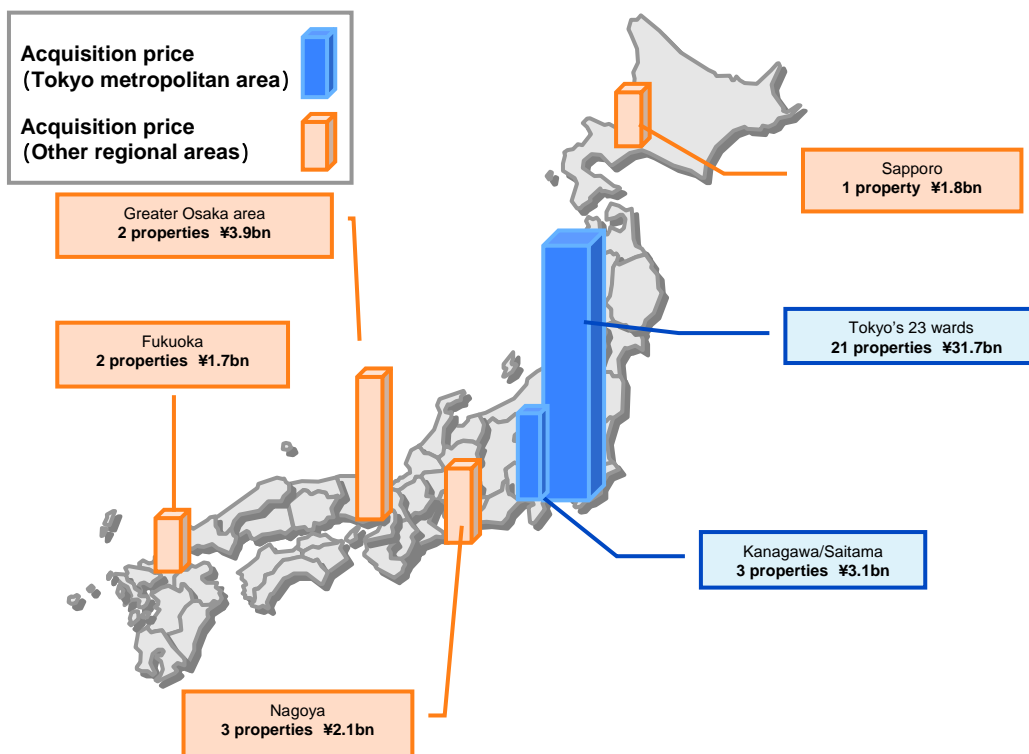


High share for mid-sized offices



Residential – Current portfolio

Residential (as of 11 December 2006) 32 properties, total purchase costs of ¥44.4bn



	# of properties	Acquisition price (¥ bn)	Ratio (%)
Tokyo metropolitan area	24	34.8	78.5
Other regional areas	8	9.5	21.4
Total	32	44.4	100.0

Changes in top appraisal values (major cities)

City	Rate of change (2006)	Rate of change	Maximum appraisal value (2006)
1 Nagoya	26.4%	9.3%	4,600
2 Tokyo	23.8%	9.9%	18,720
3 Osaka	19.2%	2.0%	4,960
4 Kyoto	16.8%	3.6%	2,020
5 Fukuoka	15.5%	5.9%	3,960
6 Yokohama	11.5%	4.8%	3,870
7 Sapporo	10.1%	-	1,850
8 Saitama	6.0%	(3.2%)	1,950
9 Otsu	5.0%	(4.8%)	210
10 Kobe	4.5%	(3.8%)	1,870
11 Sendai	4.4%	(6.2%)	1,430
12 Shizuoka	3.3%	(3.2%)	940
13 Okayama	3.1%	(2.0%)	1,010
14 Hiroshima	2.5%	(4.2%)	1,650
15 Chiba	2.3%	(2.9%)	1,350

Source: National Tax Agency

Note: Maximum appraisal values are ¥1,000 per m²

Population growth in major cities

Trends for cities with populations over 1mn

City	2005 population ('000)	Population growth 2000-2005
1 Tokyo (23 wards)	8,483	4.3%
2 Yokohama	3,579	4.4%
3 Osaka	2,628	1.2%
4 Nagoya	2,215	2.0%
5 Sapporo	1,880	3.2%
6 Kobe	1,525	2.1%
7 Kyoto	1,474	0.0%
8 Fukuoka	1,400	4.4%
9 Kawasaki	1,327	6.2%
10 Saitama	1,176	3.8%
11 Hiroshima	1,154	1.8%
12 Sendai	1,024	1.7%
Tokyo metropolitan area	34,471	3.2%
Other regional areas	93,285	(0.2%)
Nationwide	127,756	0.7%

Source: Company compilation based 2005 Population Census (preliminary figures), Statistics Bureau of the Ministry of Internal Affairs and Communications

Note: Cities where the company has investment assets (as of October 31, 2006) are highlighted in blue

Section 4

Internal Growth



Internal growth achieved— Maximize revenue through converting properties into office space

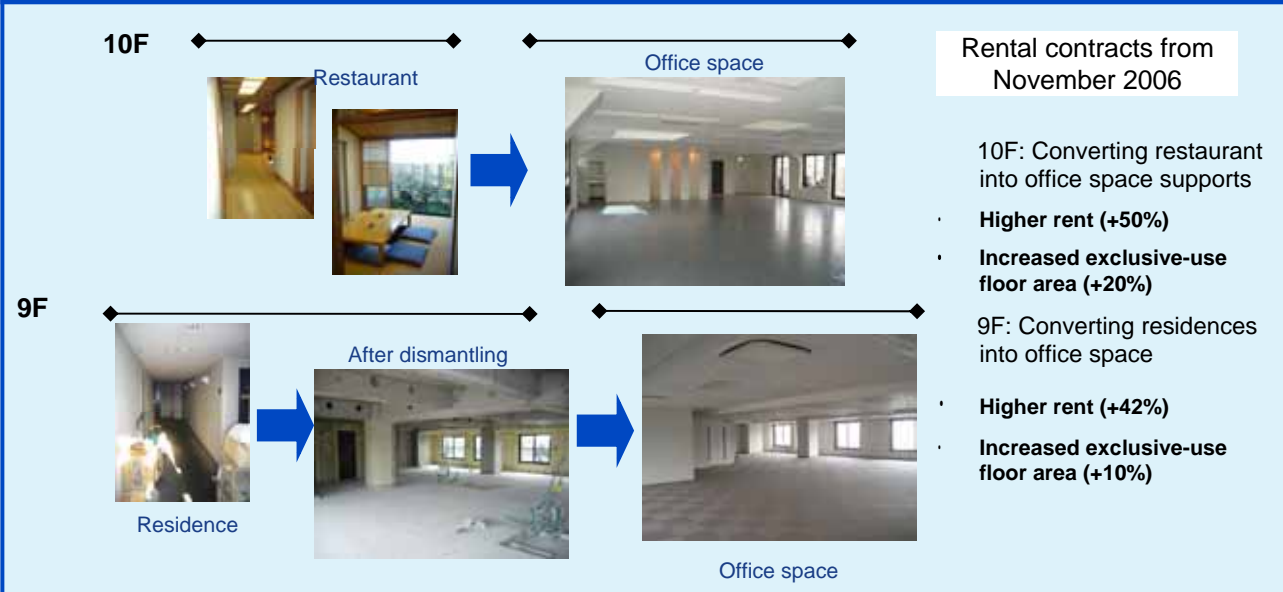
KDX Hamacho Building (office)



Acquisition data

Location: Nihonbashi Hamacho,
Chuo Ward, Tokyo
Leasable area: 3,048.54m²
Completion date: September 1993
Acquisition date: March 2006
Acquisition price: ¥2,300mn

Maximizing revenue through conversion into office space



Estimated pre-conversion rent
(restaurant, residences)
9F/10F aggregate: ¥17mn annually

Post-conversion rent
9F/10F aggregate: ¥28mn annually

Points

- ◆ Strong office demand
- ◆ Kenedix group's expertise managing mid-sized buildings
- ◆ Fits with office-focused policy
- ◆ Portfolio can support vacancy during conversion as well as conversion cost

Annual revenue up: c. ¥11mn

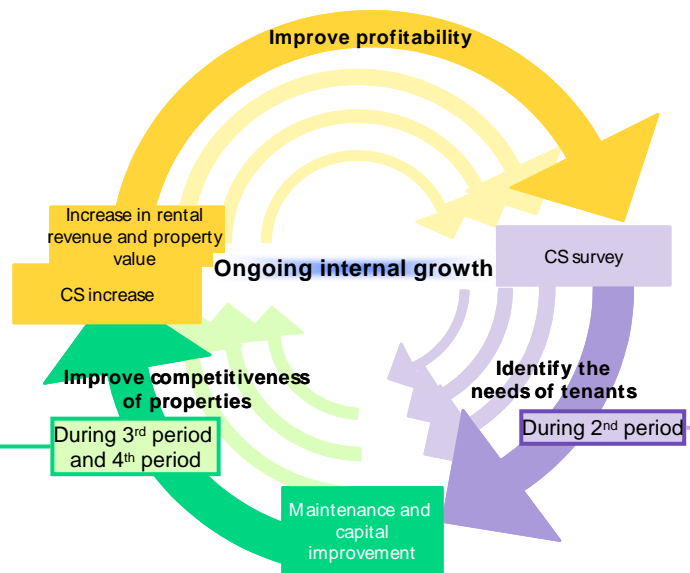
Conversion cost: c. ¥68mn

Revenue growth as
percentage of conversion
cost: 16.2%

Occupancy trends

March (when acquired): 87.3%
End of September (one tenant vacate): 65.3%
November 1 (new contracts for 8/9/10F): 88.7%

Internal Growth Strategy—Pursue of Customer Satisfaction



Tenant customer satisfaction survey

- ◆ In conjunction with **J. D. Power Asia Pacific, Inc.**
- ◆ Survey brief: **20 properties** (all 13 office buildings owned as of December 2005, Yoyogi M Building, six office buildings acquired in the 3rd period)
- ◆ No. of respondents: **904** (Managers: 160, Staff: 744)
- ◆ Five satisfaction levels for each category (possible maximum: 1,000)

Work based on results of customer satisfaction survey

	Total satisfaction level*		Description
	Mgrs	Staff	
Sogo Hirakawacho Building			Install elevator lobby air-conditioning ducts, change toilet ventilation fans, install electric toilet water heaters
Higashi-Kayabacho Yuraku Building			Install remote security
Noir Hatchobori			Clean room air-conditioning & external coil fans Work on ground-floor elevator lobby
K&Y Building (Southern Plaza)			1) Install four security cameras, digital recorders 2) Elevators linked to remote security 3) Change to/install new non-contact car readers 4) Install intercom 5) Install hotel locks on common stairs
Harajuku FF Building			External stairway lighting/handrails, air-conditioning
Kanda Kihara Building			1) Rust-proof internal/external steel, apply topcoat 2) Change batteries for electrical equipment 3) Clean air-conditioning fans 4) install electric toilet water heaters, overhaul pumps
NNK Building			Repair external walls, roof Install hot-air dryers in toilets
Koishikawa Yoshida Building			1) Change central post collection point 2) Replace trash-room/entrance mats 3) Add more entrance-hall lighting 4) Add more hallway night lamps
Hakata Ekimae Dai-2 Building			Automate tower parking Add lighting in common corridors Replace water-heating equipment
Portus Center Building			Replace tile flooring in common corridors
KDX Omori Building			Add more entrance-hall lighting

CS-based work record, budgets

(¥ bn)	3 rd period	4 th period (E)
CS-based¹	.17	.25
ER-based ²	.16	.15
Lease ³ /value increase	.22	.47
Other work	.09	.06
Total	.64	.93
Depreciation	1.13	1.20

218 work requests from property management company (Kenedix Advisors) during the 3rd period

Notes:

- 1 Work in accordance with tenant requirements based on customer satisfaction survey, and with other individual tenant requirements
- 2 Based on engineering reports
- 3 Conversions, display rooms etc.

* Total satisfaction level
Mildly satisfied to satisfied
Neutral to mildly satisfied
Mildly unsatisfied to neutral

Internal growth strategy — Enhance buildings' competitiveness

Office-building name changes

New name	Old name	Change date
KDX Hamacho	Hamacho Hanacho	August 1, 2006
KDX Funabashi	Leland Center	October 1, 2006
KDX Hamamatsu-cho	Shuwa #2 Hamamatsu-cho	October 1, 2006
KDX Minami Semba Dai-1	Semba Mont Blanc	October 1, 2006
KDX Minami Semba Dai-2	Nashiki	October 1, 2006
KDX Nogizaka	PRISMA·N	October 1, 2006



- ◆ Show leasing companies, the rental market that the building is managed by the Kenedix (KDX) Group
- ◆ Management quality and spec levels typically differentiate office buildings in the mid-sized market

Office: Other refurbishing

- ◆ Enhance entrance-hall lighting
- ◆ Security: Install surveillance cameras

Before



After



Residential: Refurbishing, rents on new contracts

- ◆ Covert traditional kitchens to open-plan (Ashiya Royal Homes)
- ◆ Security: Change locks
- ◆ Rent raised for 30 units, lowered for 16, unchanged for others (new contracts during the 3rd period)



Retail: Yoyogi M Building

Increase revenue by establishing clear vision, enhance tenant appeal by increasing property's profile



Internal growth strategy – Maintain NOI yield and occupancy rates

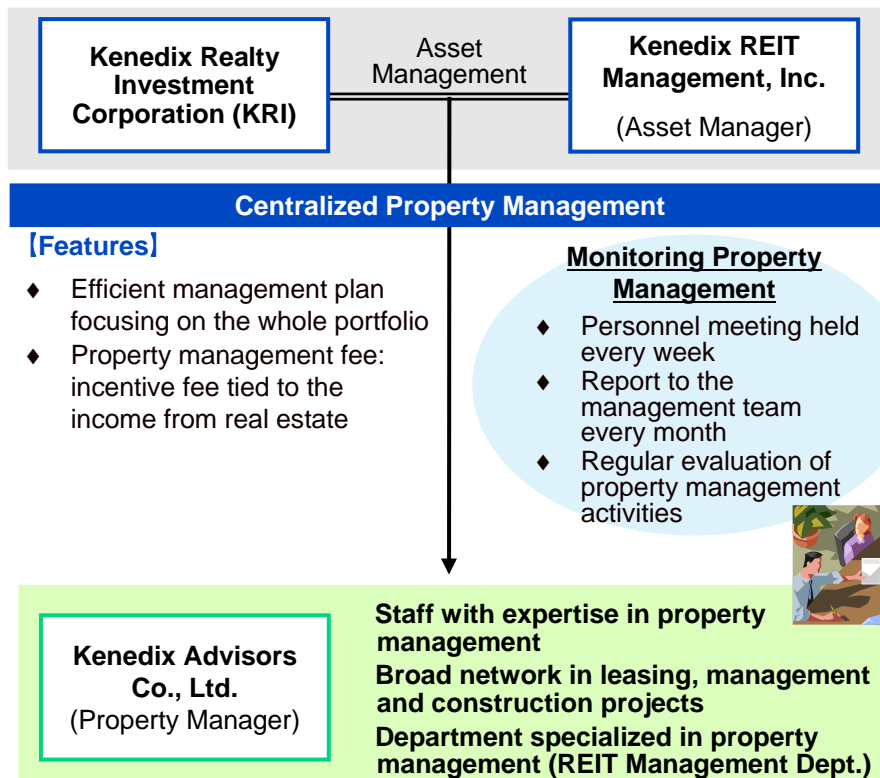
Portfolio's leasing NOI yield¹ (annualized)

	3 rd period	Office	Residential	Retail
# of Properties	64	29	32	3
NOI yield	5.4%	5.8%	4.8%	4.7%
Post-tax ²	5.2%	5.5%	4.7%	4.7%

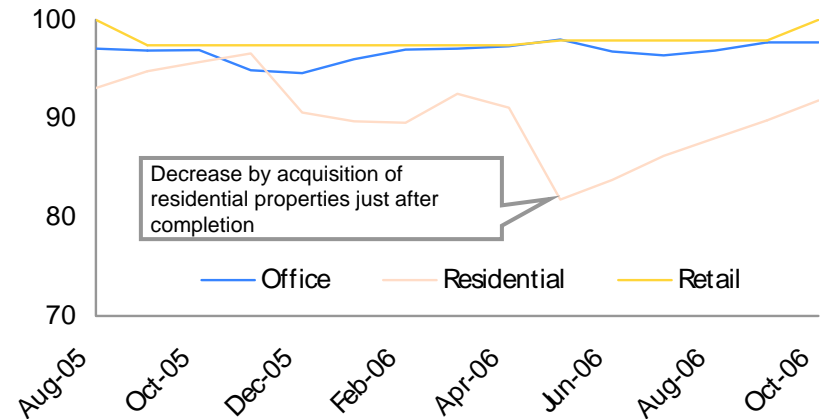
1: Leasing NOI yield: Real estate operating income (before depreciation) divided by purchase cost

2: NOI yield after property and metropolitan taxes recorded as expenses

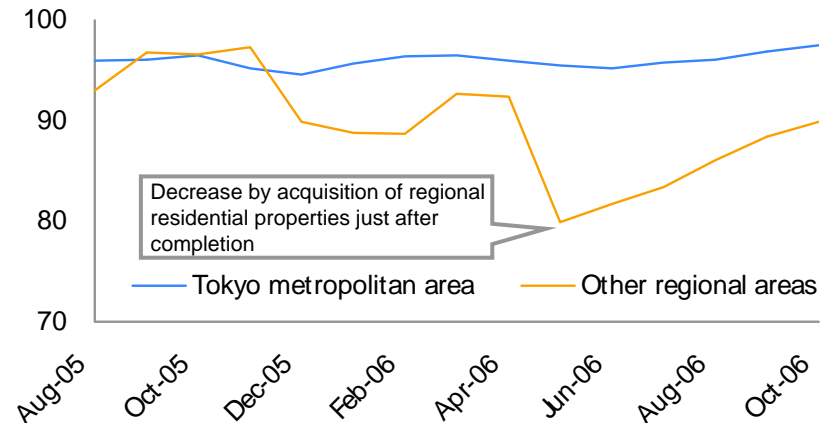
Centralized Property Management



Trend of occupancy rate by type



Trend of occupancy rate by area



Section 5

Financial Strategies / IR Strategies



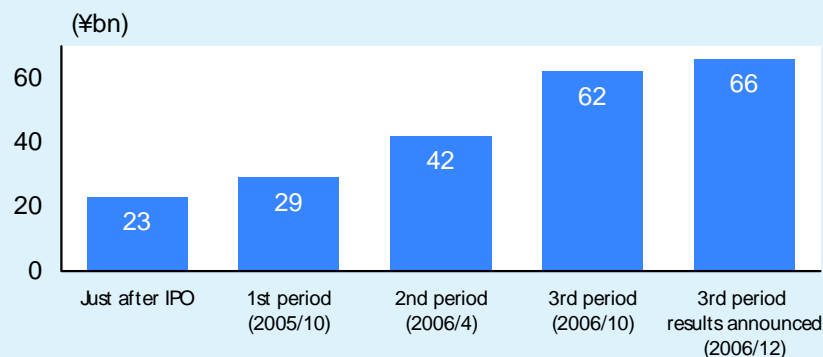
Financial strategies (raising funds through debt)

Credit ratings

Rating agency	Type of rating	Rating Date
Japan Credit Rating Agency (JCR)	Long-term preferential debt credit : A+	December 11, 2006
Moody's Investors Service, Inc.	Issuer credit : A3	February 28, 2006

Unsecured loans

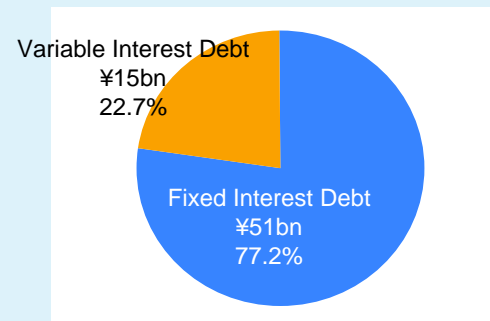
Flexible Financing



Note: Amounts of unsecured loans outstanding

Fixed interest rate

Fixed interest rate on long-term debt to avoid the risk of future increase in interest rates

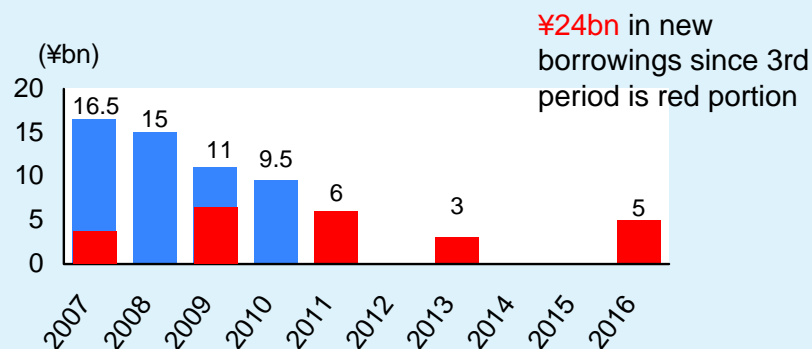


Notes:

- 1 Fixed-Interest Debt" includes loans that were converted to fixed from floating through interest rate swap
- 2 Second decimal place omitted for ratios

Diversified repayment period

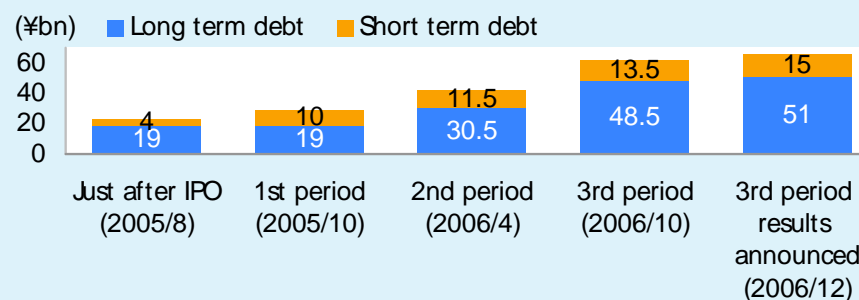
Diversified repayment period to avoid refinancing risk



Note: Amount of debt maturing in each year

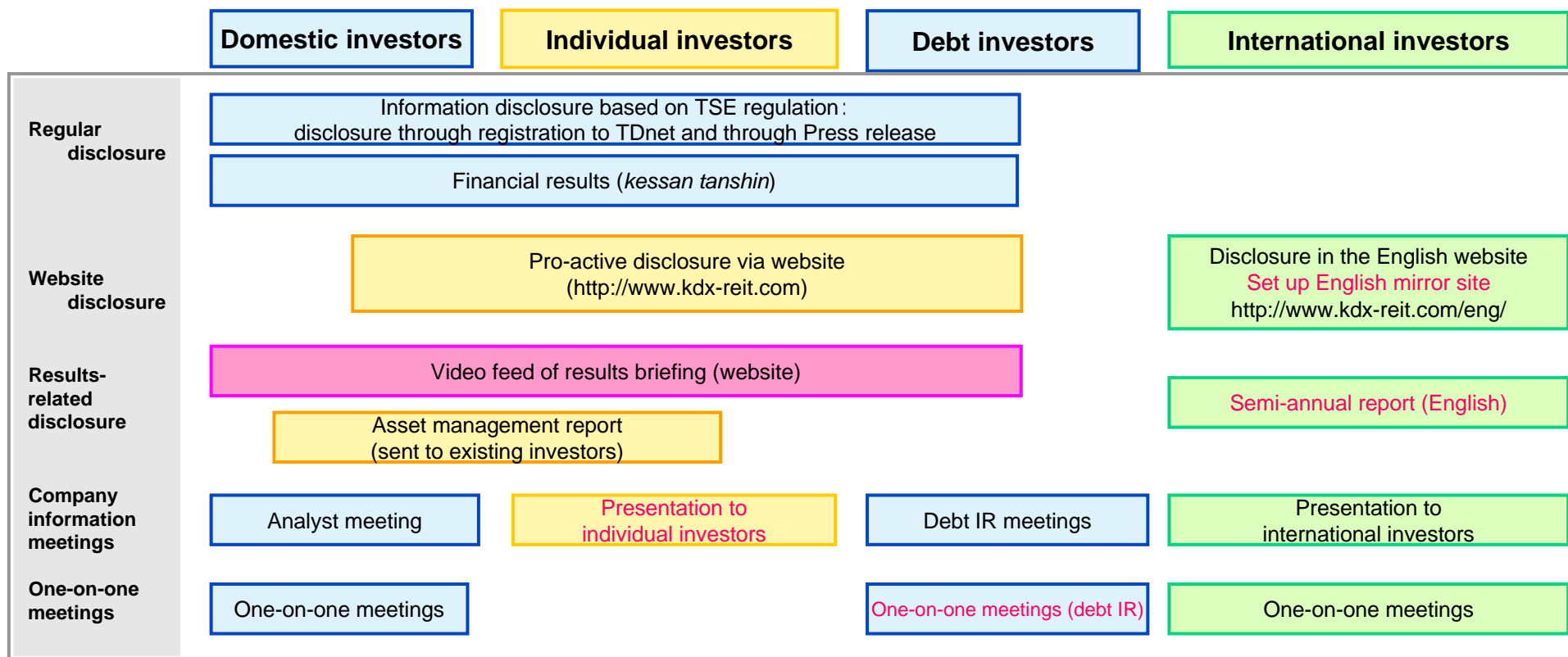
Prolonged debt average maturity

Stable debt financing strategy



Note: Fixed interest rates for all long-term loans through interest rate swaps

Disclosure and IR Activities



Number of investor meetings

Domestic institutions	141
Domestic regional financial institutions	52
International investors (Europe)	52
International investors (US)	45
International investors (other)	34
Total	324

Access to KRI website

Total traffic	33,574
Press release	11,919
Portfolio	8,100
Dividends	4,569
KDRM site top	4,684
Disclosure material	3,279
Occupancy rate	2,862
English webpages	1,541

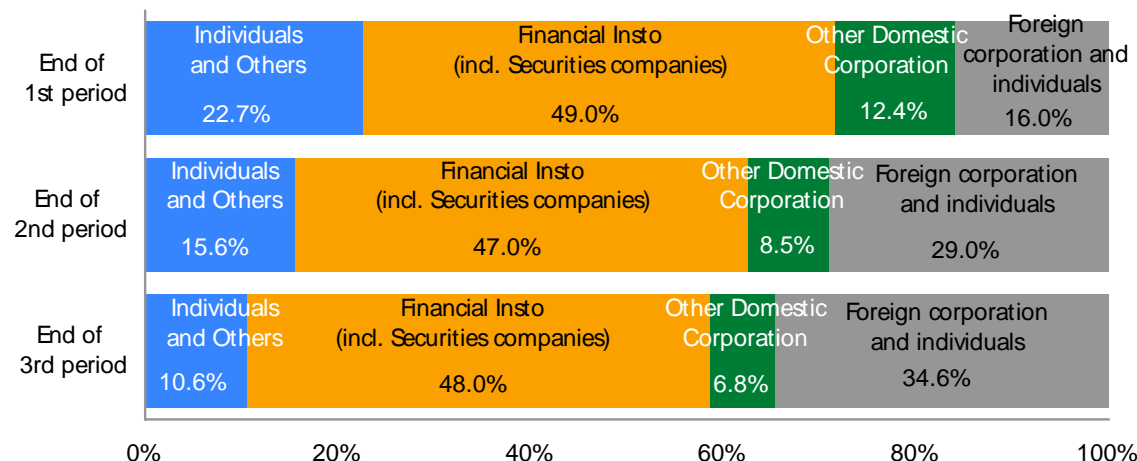
Red text: IR activity initiated in 3rd period

Note: From June 21, 2005 to October 31, 2006 (including conference calls)

Note: Six-months from May 1, 2006 to Oct. 31, 2006

KRI Unitholders (as of 3rd Period-end, October 31, 2006)

Investment Units by Unitholder



Expansion of investor base through aggressive IR activities

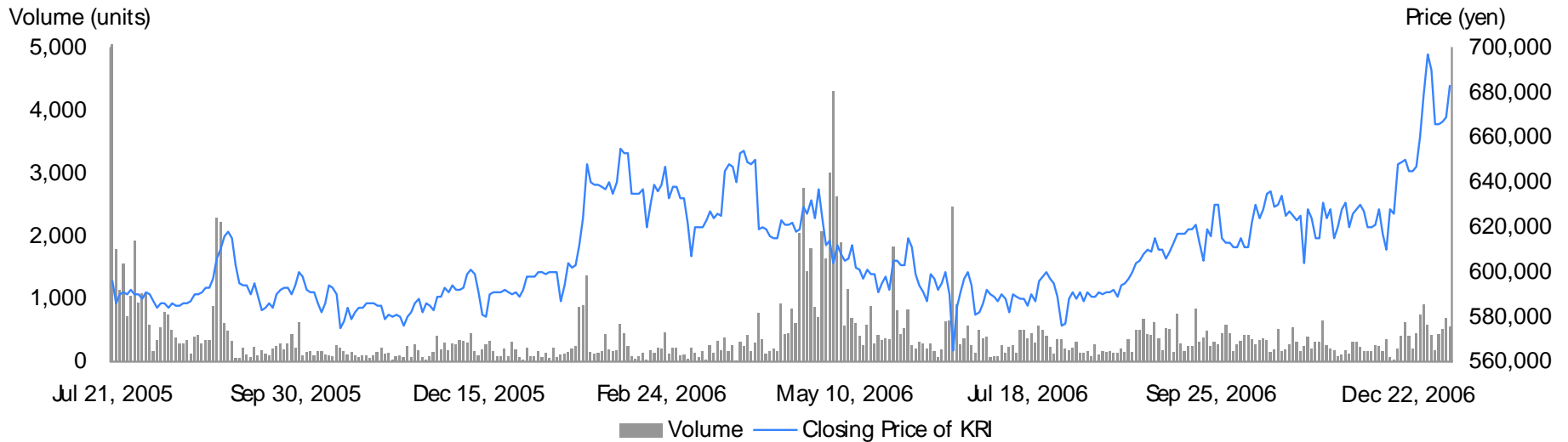
Type of Unitholder (as of October 31, 2006)

Type of Unitholder	# of Unitholder	(%)	# of Inv. units	(%)
Individuals and Others	6,881	95.1%	16,712	10.6%
Financial Inst. (incl. Securities companies)	115	1.6%	75,308	48.0%
Other Domestic Corporation	133	1.8%	10,721	6.8%
Foreign corporation and Individuals	110	1.5%	54,259	34.6%
Total	7,239	100.0%	157,000	100.0%

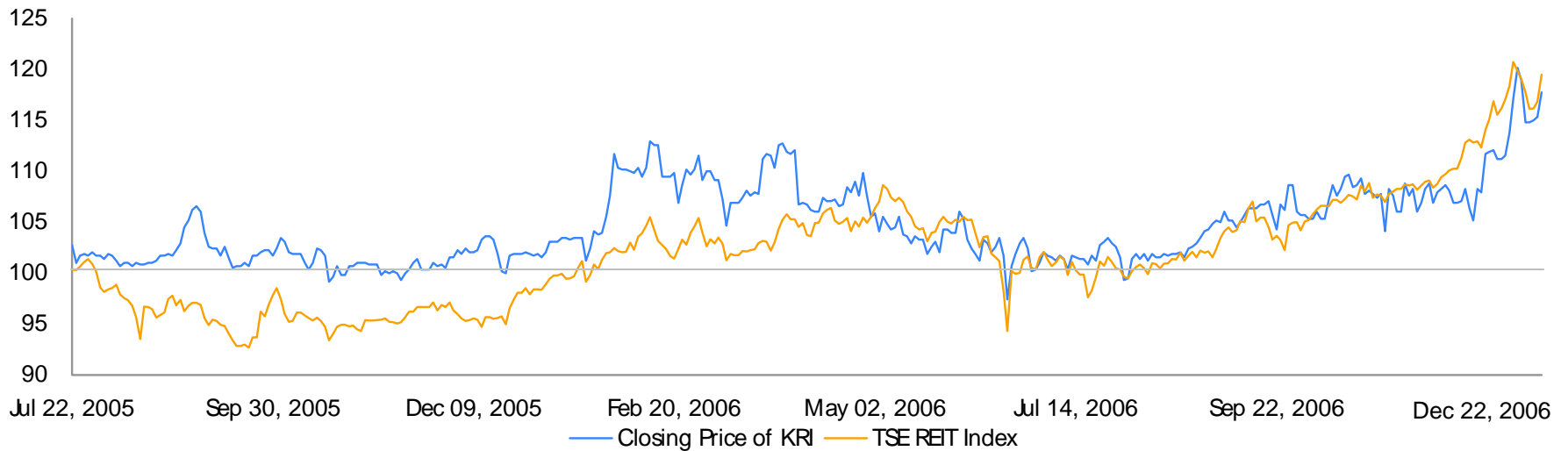
Top 10 Unitholders (as of October 31, 2006)

Name	# of units held (unit)	(%)
1 Japan Trustee Services Bank, Ltd. (Trust Acct.)	13,675	8.71
2 Nikko Citi Trust and Banking Co.(Investment Trust Acct.)	12,055	7.67
3 Goldman Sachs International	8,945	5.69
4 Trust & Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	8,145	5.18
5 Kenedix, Inc.	7,850	5.00
6 The Master Trust Bank of Japan, Ltd. (Trust Acct.)	7,029	4.47
7 State Street Bank & Trust Company	4,018	2.55
8 Resona Bank Ltd.	3,260	2.07
9 The Juyo Bank, Ltd.	3,183	2.02
10 Sumitomo Mitsui Banking Corporation	2,542	1.61
Total	70,702	45.03

KRI Unit Price Performance



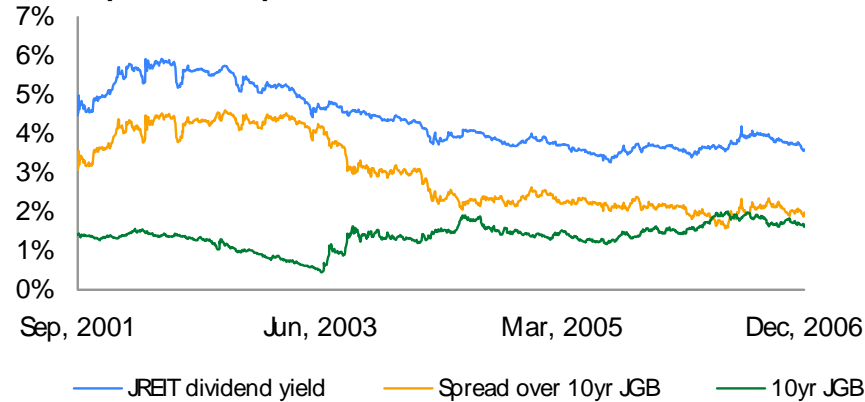
TSE REIT Index and KRI unit price



Note: TSE REIT Index as of July 20, 2005 = 100, whereas KRI Initial Offer Price = 100

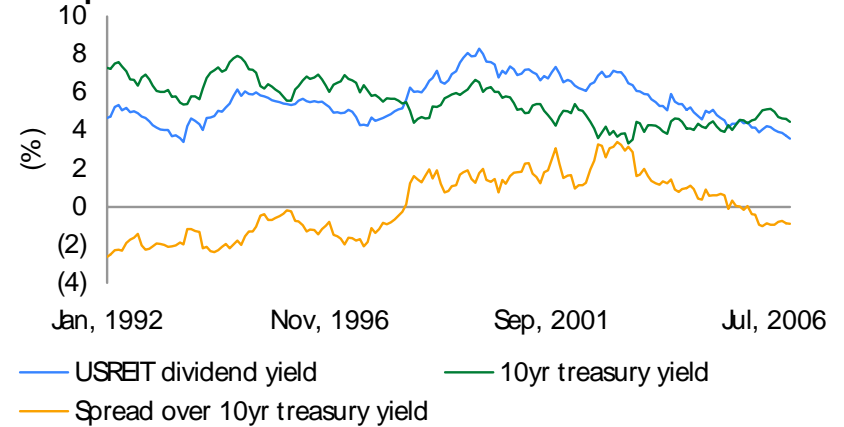
Market overview (yield Comparison between Japan and U.S.)

Yield spread in Japan



Source: UBS, Bloomberg

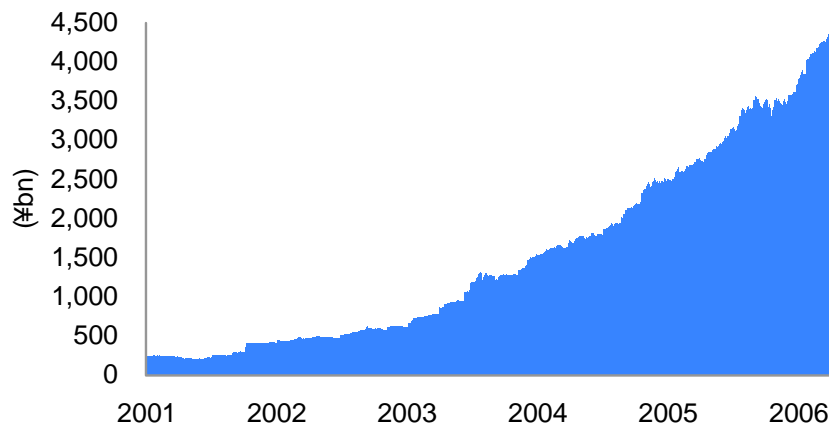
Yield spread in U.S.



Source: Datastream

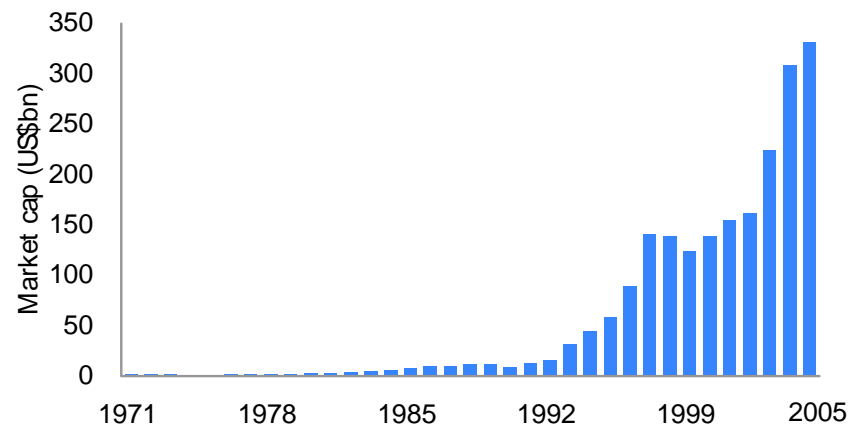
Comparison with the yield of Japanese and US government securities (yield spread) show that levels are sufficiently high strong interest from international investors for JREITs

Trend of market cap. in JREIT



Source: UBS

Trend of market cap. in USREIT



Source: NAREIT

Statements of Income

	3rd period from May 1, 2006 to October 31, 2006		2nd period from November 1, 2005 to April 30, 2006	
	Amount	Of	Amount	Of
	(¥ thousand)	Operating	(¥ thousand)	Operating
Rental and other operating revenues	4,549,456		2,574,667	
Rental revenues	3,908,749		2,220,814	
Common charges	640,706		353,853	
Others	582,043		297,122	
Parking space rental revenues	175,387		86,129	
Utility charge reimbursements	314,355		152,652	
Miscellaneous	92,300		58,340	
Total rental and other operating revenues(A)	5,131,499		2,871,789	
Disposal income	157,334		-	
Operating revenues	5,288,833	100.0	2,871,789	100.0
Property management fees	529,334		322,415	
Utilities	296,833		146,889	
Tax	179,543		9,327	
Repairs and maintenance costs	62,666		55,117	
Other expenses	193,265		81,608	
Depreciation	1,135,559		650,193	
Total property-related expenses (B)	2,397,201		1,265,551	
Rental business profit (A-B)	2,734,297		1,606,237	
Net operating income (NOI)	3,869,856		2,256,430	
Asset management fees	203,841		150,113	
Other operating expenses	122,597		112,140	
Operating expenses	2,723,641	51.5	1,527,805	53.2
Operating income	2,565,192	48.5	1,343,983	46.8
Non Operating income	2,389	0.1	5,198	0.2
Interest expense	375,765		164,606	
Financing related expense	20,904		11,743	
Amortization of unit issuance costs	17,784		55,118	
Amortization of organization costs	5,089		5,089	
Other non-operating expenses	22,956		9,610	
Non-operating expenses	442,500	8.4	246,168	8.6
Non-operating expenses	440,110	8.3	240,969	8.4
Ordinary income	2,125,081	40.2	1,103,014	38.4
Income before income taxes	2,125,081	40.2	1,103,014	38.4
Current income taxes	1,009	0.0	1,017	0.0
Deferred income taxes	0		2	
Net income	2,124,071	40.2	1,101,999	38.4
Retained earnings at the beginning of period	40		14	
Retained earnings at the end of period	2,124,112		1,102,013	

◆ Net operating days in each period
 3rd Period: 184 days (May 1, 2006–Oct. 31, 2006)
 2nd Period: 181 days (Nov. 1, 2005–Apr. 30, 2006)
 To see Income statement by property, please refer to the list in the Kessan Tanshin

◆ Rental and other operating revenues:
 – To the 35 properties as of the end of the 2nd period, we have added 31 new properties and disposed 2 residential properties during 3rd period
 – 64 properties as of the end of the 3rd period

◆ Disposal income:
 – Income from disposal of two residential properties (May 10, 2006)

◆ Property-related expenses:
 – Property tax and city planning tax were included to expenses on tax payment date

◆ Amortization of unit issuance costs:
 Issuance costs were split into six times (in three years) from the 3rd period (due to the regulation change in accounting policy)

Other expenses:

Insurance premium, trust fees, etc.

Other operating expenses:

Directors compensation, asset custody fees, general admin fees, auditors' fees etc.

Balance Sheets

ASSETS	3rd period as of October 31, 2006		2nd period as of April 30, 2006	
	Amount (¥ thousand)	(%)	Amount (¥ thousand)	(%)
Current assets	10,243,869	6.4	8,119,288	8.8
Cash and bank deposits	4,709,666		4,897,035	
Entrusted deposits	4,779,041		2,946,056	
Other current assets	755,162		276,196	
Fixed assets	149,945,921	93.5	83,893,031	91.1
Property and equipment at cost	149,719,621	93.4	83,434,736	90.6
Buildings	1,370,913		1,048,237	
Land	2,148,301		1,345,661	
Buildings in trust	56,634,477		30,056,832	
Land in trust	89,565,928		50,984,005	
Other assets	226,300	0.1	458,295	0.5
Leasehold and security deposits	18,205		17,488	
Long-term prepaid expenses	76,874		43,020	
Derivative assets	131,220		397,786	
Deferred assets	124,550	0.1	40,717	0.1
Organization costs	35,627		40,717	
Unit issuance costs	88,923		-	
TOTAL ASSETS	160,314,341	100.0	92,053,037	100.0

◆ Cash and deposits, Cash and deposits in trust:

- Out of the leasehold and security deposits received from end-tenants, ¥2,745mn (as of end of 2nd period) and ¥4,814mn (as of end of 3rd period) were released

◆ Property and equipment at cost

- 62 properties held at the end of the 3rd period are held in the form of trust beneficiary interests. KDX Funabashi Building and KDX Nogizaka Building were acquired as properties
- 34 properties held at the end of 2nd period are held in the form of trust beneficiary interests, and KDX Funabashi Building was acquired as a property

LIABILITIES	3rd period as of October 31, 2006		2nd period as of April 30, 2006	
	Amount (¥ thousand)	(%)	Amount (¥ thousand)	(%)
Current liabilities	16,204,462	10.1	12,239,887	13.3
Trade payables	289,763		106,410	
Short-term debt	13,500,000		11,500,000	
Current maturities of long-term debt	1,500,000		-	
Other account payables	145,413		99,119	
Rents received in advance	767,536		529,894	
Deposits received	1,748		4,462	
Fixed liabilities	53,176,581	33.2	34,426,133	37.4
Long-term debt	47,000,000		30,500,000	
Leasehold and security deposit received	184,398		131,646	
Leasehold and security deposits held in trust received	5,940,494		3,396,700	
Deferred tax liability	51,687		-	
Unrealized gain on derivatives	-		397,786	
Equities	69,381,044	43.3	46,666,021	50.7
Total unitholders' capital	88,729,652	55.4	44,285,002	48.1
Retained earnings	2,124,112	1.2	1,102,013	1.2
Unrealized gain from deferred hedge transactions	79,532	0.1	-	
TOTAL UNITHOLDERS' EQUITY	90,933,297	56.7	45,387,015	49.3
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	160,314,341	100.0	92,053,037	100.0

(¥mn)	Acquisition value	Book value	Appraisal value at the end of 3 rd period	Differences from acquisition value (%)	Differences from book value (%)
Office	86,224	87,424	92,157	+5,932 (+6.9%)	+4,732 (+5.4%)
Residential	44,459	45,898	45,536	+1,077 (+2.4%)	362 (0.8%)
Retail	16,059	16,396	17,620	+1,560 (+9.7%)	+1,223 (+7.5%)
Total	146,742	149,719	155,313	+8,570 (+5.8%)	+5,594 (+3.7%)

(¥mn)	End of 1 st period	End of 2 nd period	End of 3 rd period
Short-term debt	10,000	11,500	13,500
Long-term debt	19,000	30,500	48,500
Interest-bearing debt total	29,000	42,000	62,000
Ratio of long-term	65.5%	72.6%	78.2%
Interest-bearing debt ratio	37.5%	45.6%	38.7%

◆ Measurement of interest swap at fair value recorded as a piece of total unitholders' capital from the 3rd period

Statements of Cash Flows / Retained Earnings

Statements of Cash Flows

	3rd period	2nd period
	from May 1, 2006 to October 31, 2006	from November 1, 2006 to April 30, 2006
	Amount (¥ thousand)	Amount (¥ thousand)
1. Cash flows from operating activities		
Income before income taxes	2,125,081	1,103,014
Depreciation	1,135,559	650,193
Amortization of long term prepaid expenses	10,894	6,641
Interest income	461	11
Interest expense	375,765	164,606
Amortization of organization costs	5,089	5,089
Amortization of unit issuance costs	17,784	-
Changes in rental receivables	35,670	46,728
Changes in consumption tax refundable	461,163	771,867
Changes in prepaid expenses	23,280	6,956
Changes in trade payables	183,353	86,583
Changes in other payables	31,270	12,872
Changes in rent received in advance	237,641	149,650
Changes in deposit received	2,714	66,679
Changes in disposal of tangible assets in trust	1,763,670	-
Cash payments of long term prepaid expenses	44,748	15,163
Others, net	65,643	62,387
Sub total	5,252,426	2,686,794
Interest income receivables	461	11
Cash payments of interest expense	363,960	149,708
Cash payments of income tax	1,015	854
Net cash provided by operating activities	4,887,912	2,536,243
2. Cash flows from investing activities		
Purchase of property and equipment	1,143,962	2,398,504
Purchase of property and equipment held in trust	68,040,151	10,774,905
Payments of security deposit receivable	716	7,488
Payments of leasehold and security deposits received	4,600	11,503
Proceeds from leasehold and security deposits	57,351	143,150
Payments of leasehold and security deposits held in trust	251,697	208,757
Proceeds from leasehold and security deposits held in trust	2,795,490	629,077
Payments of restricted bank deposits	750,424	82,013
Proceeds from restricted bank deposits	225,669	181,003
Net cash used in investing activities	67,113,039	12,529,940
3. Cash flows from financing activities		
Increase from short-term debt borrowing	13,000,000	1,500,000
Decrease from short-term debt repayment	11,000,000	-
Increase from long-term debt	18,000,000	11,500,000
Proceeds from issuance of units	44,444,649	-
Payments of dividends	1,098,660	239,969
Net cash provided by financing activities	63,345,989	12,760,030
4. Net change in cash and cash equivalents	1,120,861	2,766,333
5. Cash and cash equivalents at beginning of period	7,057,143	4,290,810
6. Cash and cash equivalents at end of period	8,178,004	7,057,143

Statements of retained earnings

	(Unit: yen)	
	3rd period 2006/5/11- 2006/10/31	2nd period 2005/11/1 ~ 2006/4/30
Retained earnings	2,124,112,014	1,102,013,492
Distributions	2,124,053,000	1,101,973,080
(Distributions per unit)	13,529	13,884
Retained earnings in next year	59,014	40,412

Revision of the Financial performance forecast for the 3rd period (ended Oct, 2006)

	Original forecast (published on Jun.12)	Revised on Oct. 18	Actual results	Difference from original forecast
Operating Revenue	¥5,027mn	-	¥5,288mn	+5.2%
Net Income	¥2,075mn	-	¥2,124mn	+2.4%
Distribution per unit	¥13,200	¥13,500	¥13,529	+2.5%

Portfolio Overview (as of Dec. 11, 2006)

Type	# of props.	Area ¹	Name	Location	Acquisition Price (¥mn)	Completion Date	Occupancy rate (%) ² (End of Apr.06)	Occupancy rate (%) (End of Jul.06)	Occupancy rate (%) (End of Oct.06)	NOI yield (%)
Office	A-13	T	Belles Modes Building	Chiyoda ward, Tokyo	5,950	May, 1994	80.5	85.7	97.1	3.7
	A-1	T	Nihonbashi 313 Building	Chuo ward, Tokyo	5,940	Apr. 1974	100.0	100.0	100.0	6.0
	A-16	T	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	100.0	100.0	100.0	5.8
	A-2	T	Sogo Hirakawacho Building	Chiyoda ward, Tokyo	5,180	Mar. 1988	100.0	100.0	100.0	5.2
	A-17	T	Ebisu East 438 Building	Shibuya ward, Tokyo	4,640	Jan. 1992	100.0	100.0	100.0	4.6
	A-3	T	Higashi-kayabacho Yuraku Building	Chuo ward, Tokyo	4,450	Jan. 1987	100.0	100.0	100.0	6.2
	A-30	T	KDX Nishi-Gotanda Building	Shinagawa ward, Tokyo	4,200	Nov. 1992	—	—	—	—
	A-4	T	Noir Hatchobori	Chuo ward, Tokyo	3,680	Jun. 1993	100.0	100.0	100.0	5.5
	A-18	T	KDX Omori Building	Ohta ward, Tokyo	3,500	Oct. 1990	100.0	100.0	100.0	5.8
	A-19	T	KDX Hamamatsucho Building	Minato ward, Tokyo	3,460	Sep. 1999	100.0	87.7	100.0	3.9
	A-29	T	KDX Higashi-Shinjuku Building	Shinjuku ward, Tokyo	2,950	Jan. 1990	—	—	100.0	4.6
	A-20	T	Dai-ichi Kayabacho Building	Chuo ward, Tokyo	2,780	Oct. 1987	72.2	100.0	100.0	4.9
	A-21	T	NTB • M Building	Minato ward, Tokyo	2,690	Feb. 1992	100.0	100.0	100.0	4.8
	A-5	T	K&Y Building (Southern Plaza)	Nakano ward, Tokyo	2,533	Aug. 1992	98.8	98.8	97.0	5.8
	A-22	T	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	100.0	100.0	99.6	6.5
	A-6	T	Harajuku F.F. Building	Shibuya ward, Tokyo	2,450	Nov. 1985	100.0	100.0	100.0	6.8
	A-27	T	KDX Kajicho Building	Chiyoda ward, Tokyo	2,350	Mar. 1990	—	90.9	100.0	4.4
	A-15	T	KDX Hamacho Building	Chuo ward, Tokyo	2,300	Sep. 1993	87.3	87.3	65.3	4.8
	A-7	T	RIK Minami Aoyama	Minato ward, Tokyo	2,270	Nov. 1988	100.0	100.0	100.0	6.7
	A-14	T	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	91.9	91.9	97.9	5.6
	A-23	T	KDX Yotsuya Building	Shinjuku ward, Tokyo	1,950	Oct. 1989	100.0	100.0	100.0	5.2
	A-8	T	Kanda Kihara Building	Chiyoda ward, Tokyo	1,950	May. 1993	100.0	100.0	100.0	7.1
	A-9	T	NNK Building	Shinjuku ward, Tokyo	1,610	Jun. 1992	100.0	100.0	100.0	6.7
	A-26	T	Kiba Ocean Building	Kohto ward, Tokyo	1,580	Oct. 1992	—	67.1	68.1	2.8
	A-28	T	KDX Nogizaka Building	Minato ward, Tokyo	1,065	May. 1991	—	100.0	100.0	4.7
	A-10	T	Koishikawa Yoshida Building	Bunkyo ward, Tokyo	704	Oct. 1992	100.0	100.0	100.0	6.8
	A-12	R	Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	96.7	100.0	100.0	6.7
A-24	R	KDX Minami Sembu Dai-1 Building	Osaka, Osaka	1,610	Mar. 1993	91.2	100.0	100.0	5.1	
A-25	R	KDX Minami Sembu Dai-2 Building	Osaka, Osaka	1,560	Sep. 1993	86.0	77.3	90.0	4.7	
A-11	R	Hakata-Ekimae Dai-2 Building	Fukuoka, Fukuoka	1,430	Sep. 1984	100.0	99.2	99.2	7.6	
Office (Total 30 properties) Sub Total					90,424					
Retail	C-1	T	Jinnan-zaka Frame	Shibuya ward, Tokyo	9,900	Mar. 2005	100.0	100.0	100.0	4.7
	C-2	T	Yoyogi M Building	Shibuya ward, Tokyo	2,479	Aug. 1991	87.1	87.2	100.0	3.5
	C-3	R	ZARA Tenjin Nishi-dori	Fukuoka, Fukuoka	3,680	Nov. 2005	100.0	100.0	100.0	5.2
	Retail (Total 3 properties) Sub Total					16,059				

Dispositions (2 properties)

Type	# of props.	Area ¹	Name	Location	Acquisition Price (¥mn)	Disposal Price (¥mn)	Occupancy rate (%) (End of Dec.05)	Occupancy rate (%) (End of Apr.06)
Residential	B-10	T	Storia Todoroki	Setagaya-ward, Tokyo	877	1,015	96.5	100.0
	B-12	T	Clair Court Rokakouen	Setagaya-ward, Tokyo	831	985	97.1	100.0
Residential (Total 2 properties)					1,708	2,000		

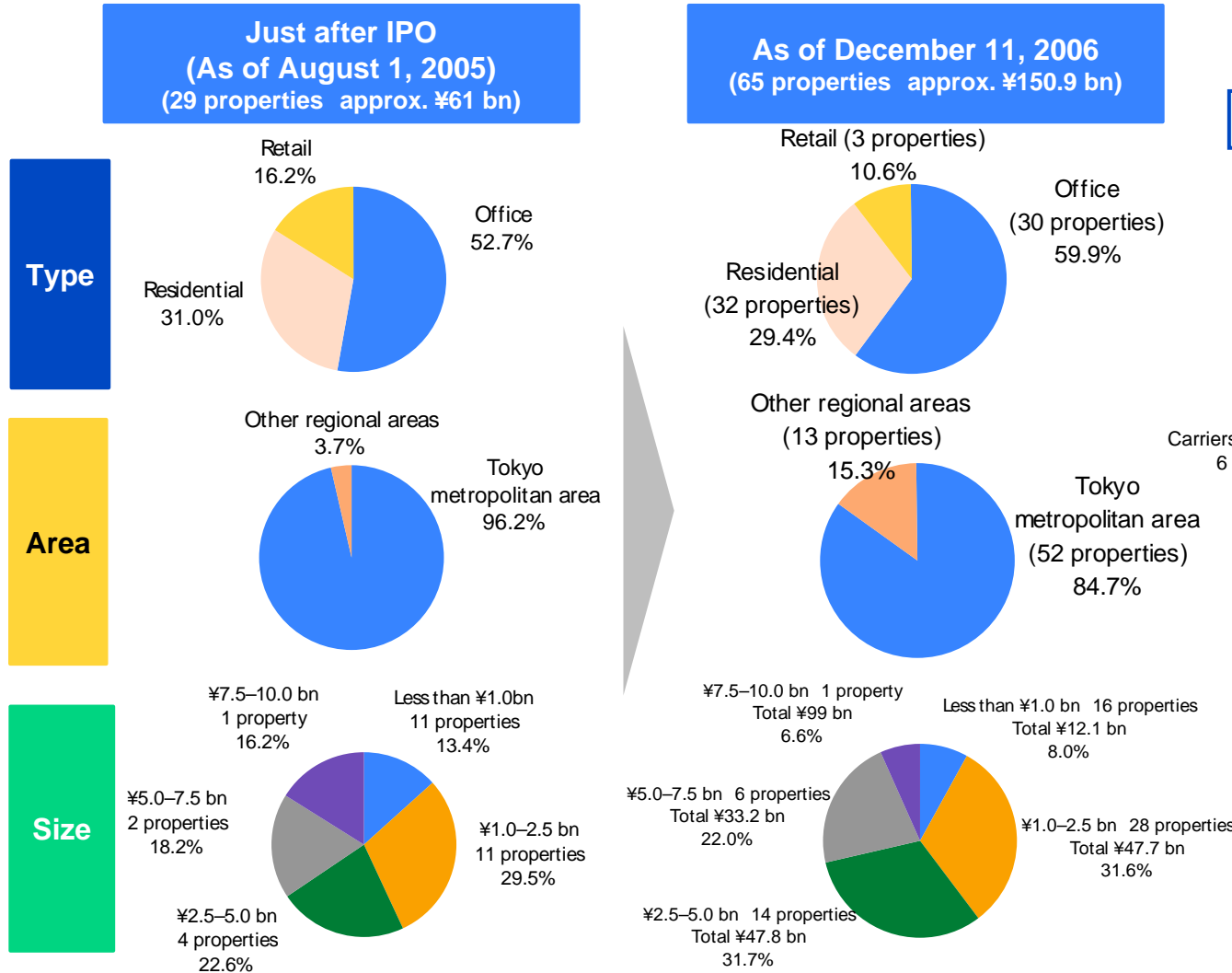
Type	# of props.	Area ¹	Name	Location	Acquisition Price (¥mn)	Completion Date	Occupancy rate (%) ² (End of Apr.06)	Occupancy rate (%) (End of Jul.06)	Occupancy rate (%) (End of Oct.06)	NOI yield (%)
B-19	T	Residence Charmante Tsukishima	Chuo ward, Tokyo	5,353	Jan. 2004	100.0	100.0	100.0	5.3	
B-20	T	Regalo Ochanomizu II	Bunkyo ward, Tokyo	3,600	Feb. 2006	41.4	70.1	93.8	2.7	
B-1	T	Storia Sirokane	Minato ward, Tokyo	2,460	Feb. 2003	100.0	100.0	100.0	5.1	
B-2	T	Tre di Casa Minami Aoyama	Minato ward, Tokyo	2,460	Feb. 2004	100.0	100.0	100.0	5.1	
B-21	T	Regalo Shiba-Kouen	Minato ward, Tokyo	2,260	Nov. 2005	50.6	96.7	100.0	3.0	
B-3	T	Court Mejiro	Shinjuku ward, Tokyo	1,250	Mar. 1997	85.1	100.0	100.0	4.4	
B-4	T	Apartments Motoazabu	Minato ward, Tokyo	1,210	Jan. 2004	97.1	97.6	94.6	5.4	
B-5	T	Apartments Wakamatsu-Kawada	Shinjuku ward, Tokyo	1,180	Feb. 2004	97.8	90.5	96.3	5.0	
B-22	T	Chigasaki Sode Ni-bankan	Chigasaki, Kanagawa	1,160	Jan. 1991	94.8	91.3	91.3	5.1	
B-6	T	Court Nihonbashi-Hakozaki	Chuo ward, Tokyo	1,130	Feb. 2004	94.3	100.0	97.2	5.5	
B-23	T	Court Nishi-Shinjuku	Shinjuku ward, Tokyo	1,130	Oct. 2005	100.0	100.0	93.0	5.2	
B-7	T	Side Denenchofu	Ohta ward, Tokyo	1,110	Feb. 1997	94.4	97.2	97.2	5.5	
B-34	T	Gradito Kawaguchi	Kawaguchi, Satama	1,038	Feb. 2006	—	100.0	100.0	5.3	
B-8	T	Scourt Yokohama-Kannai II	Yokohama, Kanagawa	945	Mar. 2003	100.0	100.0	100.0	6.0	
B-24	T	Regalo Komazawa-Kouen	Setagaya ward, Tokyo	912	Feb. 2006	84.8	100.0	100.0	5.0	
B-9	T	Court Motoasakusa	Taito ward, Tokyo	880	Jan. 2005	82.3	96.0	100.0	5.3	
B-25	T	Court Shin Okachimachi	Taito ward, Tokyo	878	Oct. 2005	100.0	97.0	100.0	5.5	
B-11	T	Bloom Onotesando	Shibuya ward, Tokyo	875	Mar. 2003	100.0	100.0	100.0	5.5	
B-13	T	Human Heim Okachimachi	Taito ward, Tokyo	830	Dec. 2004	85.2	100.0	100.0	6.0	
B-26	T	Primo Regalo Kagurazaka	Shinjuku ward, Tokyo	762	Jan. 2006	56.8	96.0	96.0	4.8	
B-14	T	Court Shinbashi	Minato ward, Tokyo	748	Dec. 1997	100.0	100.0	100.0	5.6	
B-27	T	Primo Regalo Youga	Setagaya ward, Tokyo	730	Dec. 2005	100.0	100.0	100.0	5.3	
B-15	T	Court Suitengo	Chuo ward, Tokyo	659	Jul. 2003	100.0	94.9	90.0	5.0	
B-28	T	Court Shimouma	Setagaya ward, Tokyo	638	Oct. 2005	100.0	100.0	100.0	5.2	
B-29	R	Ashiya Royal Homes	Ashiya, Hyogo	2,330	Jun. 1991	78.5	81.8	80.3	4.7	
B-18	R	Venus Hibarigaoka	Sapporo, Hokkaido	1,800	Mar. 1989	82.7	81.7	84.6	5.0	
B-30	R	Regalo Ibaraki I-II	Ibaraki, Osaka	1,600	May. 1991	29.4	40.9	67.1	1.3	
B-31	R	Collection Higashi-Sakura	Nagoya, Aichi	1,264	Mar. 2006	4.5	58.3	94.0	0.8	
B-32	R	Renaissance 21 Hirao Jbusui-machi	Fukuoka, Fukuoka	900	Oct. 2005	34.2	69.5	91.9	4.9	
B-33	R	Montore Nishikouen Bay Court	Fukuoka, Fukuoka	826	Feb. 2006	46.8	73.2	84.1	5.2	
B-16	R	Abreast Hara	Nagoya, Aichi	444	Feb. 2000	95.2	100.0	100.0	6.9	
B-17	R	Abreast Hibarai	Nagoya, Aichi	407	Mar. 2000	94.4	93.8	90.8	6.3	
Residential (Total 32 properties) Sub Total					44,459					
Total 65 properties					150,942					

Notes:

- 1 T:Tokyo metropolitan area, R:Other regional areas
- 2 Occupancy rate of properties acquired on May 1, 2006 show the values for the term before acquisition by our company (April 30, 2006) and serve for reference only
- 3 NOI yield after property and metropolitan taxes recorded as expenses

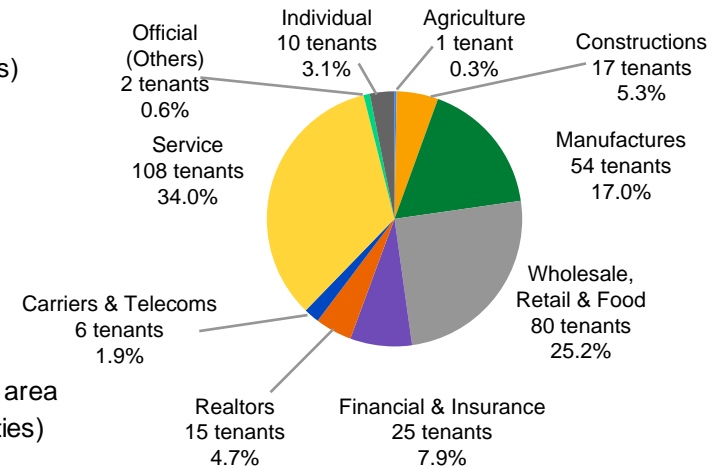
“KENEDIX Selection” - External Growth

Portfolio Overview



Diversification in Tenant Mix (as of the end of 3rd period)

Office: 29 properties, Number of tenants: 318



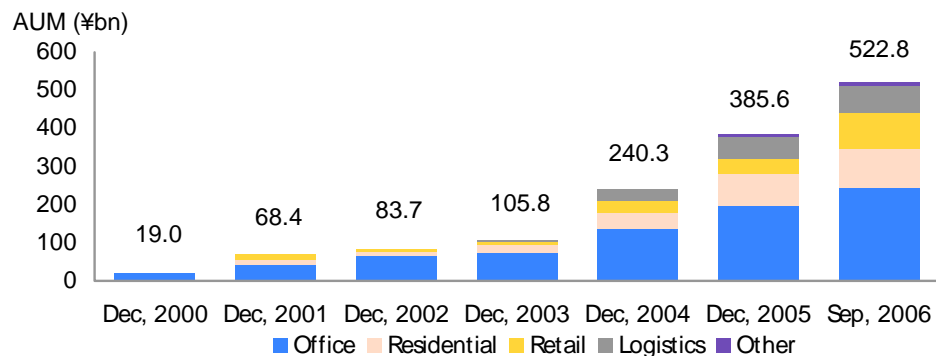
Number of end tenants (as of the end of 3rd period)

Office	318
Residential	1,081
Retail	22
TOTAL	1,421

Note: Including type duplication

Kenedix Group's Support Line

AUM



Source: Kenedix, As of September 30, 2006

Notes:

1 AUM trend of Kenedix, Inc and Kenedix Advisors Co., Ltd.

2 Include KRI and Japan Logistics Fund's properties

Advantages of property acquisition by Kenedix Group

High percentage of properties acquired through non-auction process

(ratio of properties acquired through non-auction process)

- ◆ FY2004(A) 93.0%
- ◆ FY2005(A) 94.4%

Aggressive approach to development projects

- ◆ Superior results through proactive approach , know how accumulation
- ◆ Establishment of Development Department and reinforcement of human resources

Private Funds for pension investors arranged by the sponsor

Fund Number	Type	Fund established
1	Office, Residential	Nov. 2003
2	Office	Nov. 2003
3	Office, Residential	Apr. 2004
4	Residential, Office	Sep. 2004
5	Residential, Office	Mar. 2005
6	Residential, Office	Jul. 2005
7	Residential, Office	Aug. 2005
8	Residential, Office	Aug. 2006

Acquisition of all properties held by fund No1 and No3 in Aug. 2005
Acquisition of all properties held by fund No2 in May. 2006

Fund size of the funds No4 to No8 is approximately ¥12.0–34.0bn each, with total size amounting to c. ¥120.0 bn

Source: Kenedix, As of November 30, 2006

Note:

Established by Kenedix, Inc and Kenedix Advisors Co., Ltd.

Kenedix Group's Support Line

Secure the transparency and fairness of management in Kenedix group by manifesting information flow between funds of different investors

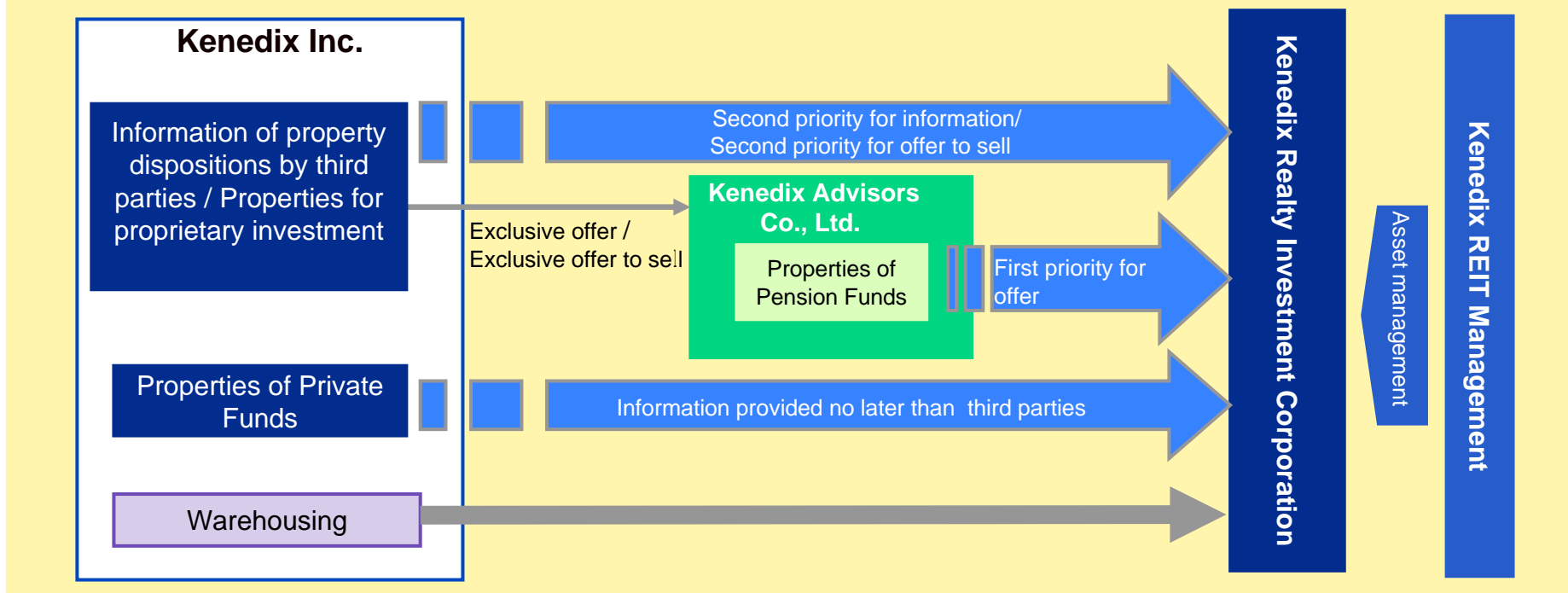
Information of property dispositions: priority next to pension funds

Information of property dispositions from pension funds: 1st priority

Information of property dispositions from Kenedix private funds: no later than third parties

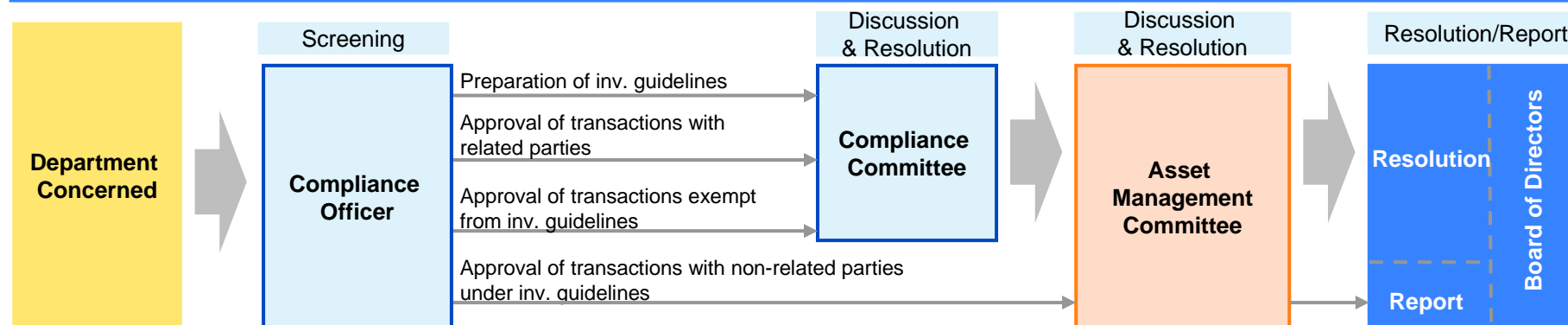
Property acquisition by utilizing Kenedix warehousing function

Outline of the "Memorandum on provision of property information"



Management Structure of the Asset Management Company

Decision Making Flow Chart



Policy on Transaction with Related Parties

Asset Acquisition: **Must not acquire properties over appraised price**
 Asset Disposal: **Must not sell out properties under appraised price**
 Real Estate Leasing: Proper conditions must be determined in conjunction with research on market price and condition as well as reference to the opinion of the third party
 Real estate agency business such as trading and leasing properties: commissions must be within the range specified in the Building Lots and Buildings Transaction Business Law

< Reference >

of meetings held by the various committees and Board of Directors of the asset manager /Investment company

	1 st period	2 nd period	3 rd period	Total
Compliance Committee	7	7	7	21
Asset Management Committee	21	35	39	95
Board of Directors	9	7	9	25
Board of Directors of Investment co*	11	7	7	25

*Attendance of Directors at the Board Meeting of the Investment co.: out of the 25 meetings, attendance of all directors at 23 meetings (1 Executive Director, 2 Supervisory Directors). 2 meetings were attended by 1 Executive Director and 1 Supervisory Director (1 Supervisory Director was absent). 1 meeting was held by conference call

< Reference >

Transactions with interested parties

(Disclosure of the summary of all transactions with interested parties)

Period	1 st	2 nd	3 rd	Total
# of properties acquired	31	4	31	66*
# of assets acquired	30	1	25	56
# of commissions of property transaction brokerage	27	-	3	30
# of property management agreements concluded	31	4	31	66
# of Property leasing (master lease contracts)	30	4	29	63

Note: 2 properties were already disposed (May 10, 2006)