

Kenedix Realty Investment Corporation (KRI)

Summary of 3rd Period Results (ending Oct. 2006)

December 2006

Kenedix REIT Management, Inc.

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



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Change in portfolio construction policy to focus on investment in office buildings

Specific investment policies:

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

Change in portfolio construction policy

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

Kenedix Realty Investment Corporation's basic strategy (investment policy):

- ◆ 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 at 11 December 2006)

| | | |
|-------------------|----|-------|
| Retail properties | 3 | 10.6% |
| Residential | 32 | 29.5% |
| Office Buildings | 30 | 59.9% |

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

Portfolio envisaged when asset size target (¥200bn) is achieved

| | |
|-------------------------------------|----------|
| Residential | c. 25% |
| Urban-type retail properties | c. 8-10% |
| New investments in office buildings | c. 75% |
| Office buildings | |

Highlights in the 3rd Period

| | Future management policies & targets |
|------------------------------|--------------------------------------|
| External growth | |
| Internal growth | |
| Financial performance | |
| 3rd Period Results | |

- ◆ ¥81.4bn (35 properties) at end of the 2nd Period **¥150.9bn (65 properties)** at Dec. 11, 2006
- ◆ Bulk purchases at time of PO using multi-pipeline approach (**26 properties, c. ¥58bn**)
- ◆ Assets acquired during term using asset management company's **proprietary network** (5 properties, c. ¥9bn)

- ◆ Increases in new rents (average of 16%) based on **high move out rates** (6.1% annualised in the 3rd Period, 12.3% annualised in the 4th Period) of medium-size office buildings
- ◆ Construction work and leasing management based on results of **CS survey** (for office buildings)

- ◆ Credit ratings: **A+** (JCR, Dec 2006), A3 (Moody's, Feb. 2006)
- ◆ Equity finance raised through global offering (1 May 2006)
- ◆ Diversified maturity dates (have taken on **7-year** and **10-year fixed** borrowings))

- ◆ Results for the 3rd Period
 - Distribution per unit: ¥13,529
 - FFO per unit: ¥19,759

- ◆ Invest mainly in office buildings
- ◆ Asset size of **¥200bn** by end-2007

- ◆ Focus on portfolio NOI yield
- ◆ Increases in new and existing rents

- ◆ Corporate bond issues
- ◆ Diversified maturity dates
- ◆ Extend duration

- ◆ Stable growth in distribution per unit

Overview in the 3rd Period financial results—Performance highlights

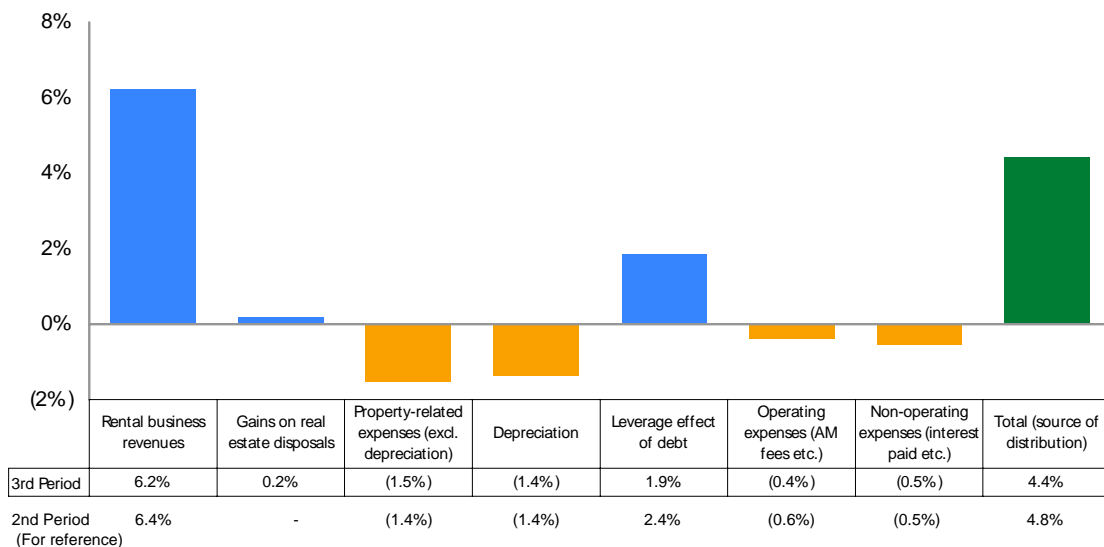
Performance

| | 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% | - |
| NOI from leasing business | ¥2,256m | ¥3,869m | Rental business revenue - Property-related expense + Depreciation for the period |
| FFO | ¥1,752m | ¥3,102m | Net Income + Depreciation for the period – Profit on sale of properties |
| 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)



1. Annual rate calculations based on 179-day average management period of assets acquired, weighted by acquisition cost
2. Ratios are percentages of total liabilities + market capitalization (excluding Leverage effects and Total)
 - Rental NOI yield (rental business revenue - property-related expense) of c. 5.4% on acquisition price basis
3. Leverage effects calculated based on rental business profit margin ÷ (1-debt ratio)
 - Used monthly average debt ratio for current period of c. 36%
4. (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
 - Actual days under management: 179 days
 - Distribution per unit ¥13,529 approx. 4.4%

4th Period Earnings Forecasts

Operating forecasts for 4th Period (to April 2007)

| (¥ million) | 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 | ¥157m profit booked on sale of residential properties in the 3rd period |
| Operating expenses | 1,527 | 2,723 | 2,973 | Management fees up ¥101m 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, ¥18m amortisation 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 business revenue - Property-related expenses + depreciation |
| FFO | 1,752 | 3,102 | 3,274 | Net Income + depreciation for the period - Profit on sale of properties |

Rental business revenues forecasts (for reference)

- ◆ Rental business 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 Term 5 (to October 2007)

- ◆ Expected Fixed Asset Tax & Urban Planning Tax costs: + ¥123m 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

Turn-over ratio for office building and newly-contracted rental levels

Past and forecast vacation rates for office building portfolio (annualised)

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

Note:

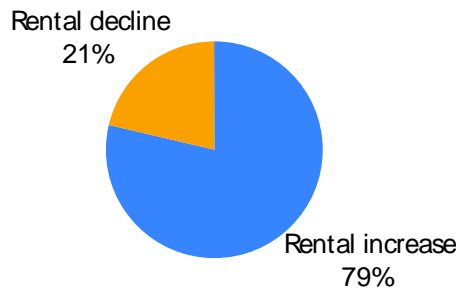
¹ Proportion of floor space to be newly vacated in 4th period based on advance notifications of contract cancellations

Special features of medium-sized office buildings

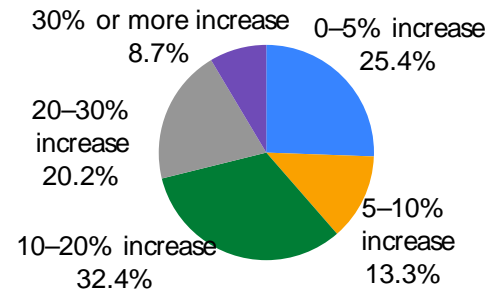
- ◆ Most tenants are medium and small, and **move-out rates are high**
- ◆ When rents are rising, rental levels can be increased



Newly-contracted rental levels (Leased floor space basis)



Distribution of increases in newly-contracted rental levels (Leased floor space basis)



No. of tenants basis

| | Rental increase | Rental decline |
|-------------------------|-----------------|----------------|
| Tokyo economic area | 9 | 1 |
| Regional economic 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 standard floor (offices above floors 1 and 2, excluding special usage) average rents (The one case of rental decline in the Tokyo economic region was signed at the same level as the previous tenant)
3. Limited to office usage above floor 2

Results of increase in office building NOI levels

Office portfolio internal growth performance

| | Activity and results | Supplementary notes |
|---|--|---|
| 1. Increase in ongoing rental levels | <ul style="list-style-type: none"> Of buildings for which we asked for rental increases, rental increases were successfully negotiated for c. 38% | <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 space 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 building 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 building acquisition policy at time of the 2nd period results presentation

- Focus on **medium-scale office buildings in Tokyo economic area** aiming for rises in CF

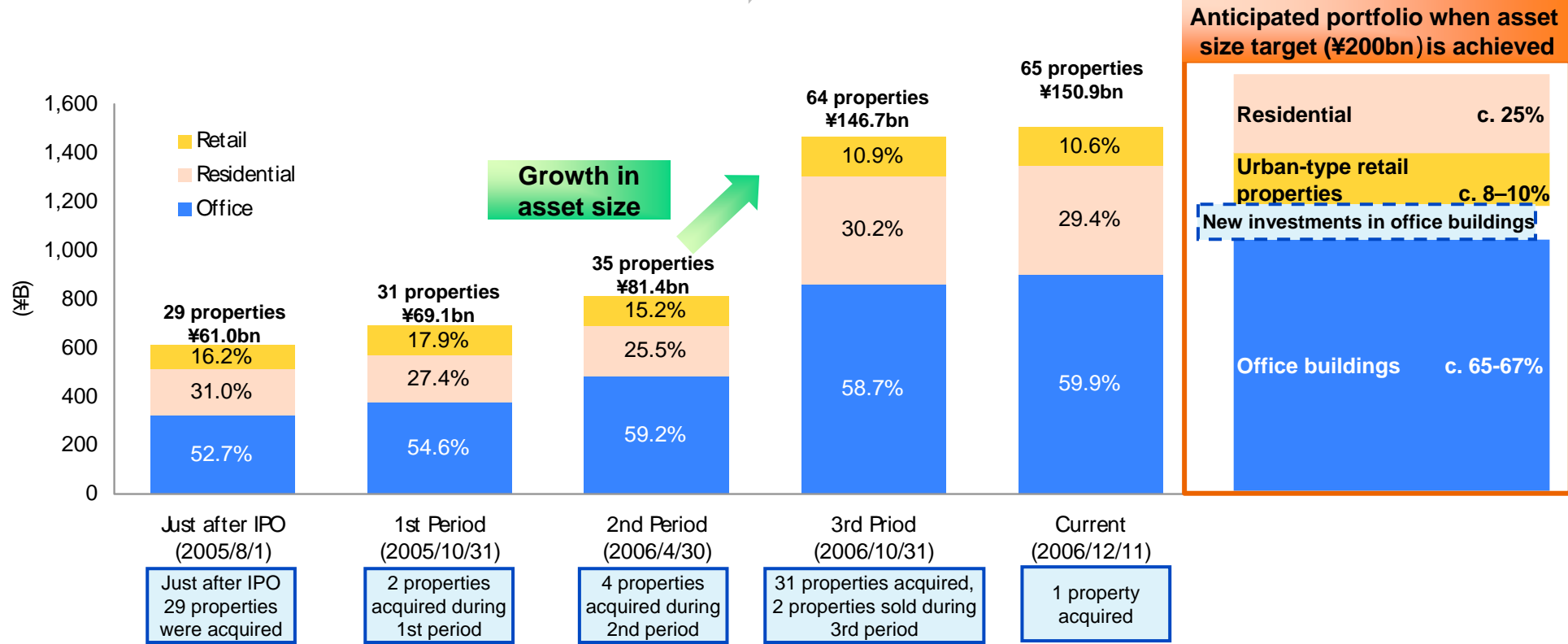


“KENEDIX Selection”—External Growth and Target Asset Size

Initial target ¥200bn by the end of 2008



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



Just after IPO (2005/8/1)
Just after IPO 29 properties were acquired

1st Period (2005/10/31)
2 properties acquired during 1st period

2nd Period (2006/4/30)
4 properties acquired during 2nd period

3rd Period (2006/10/31)
31 properties acquired, 2 properties sold during 3rd period

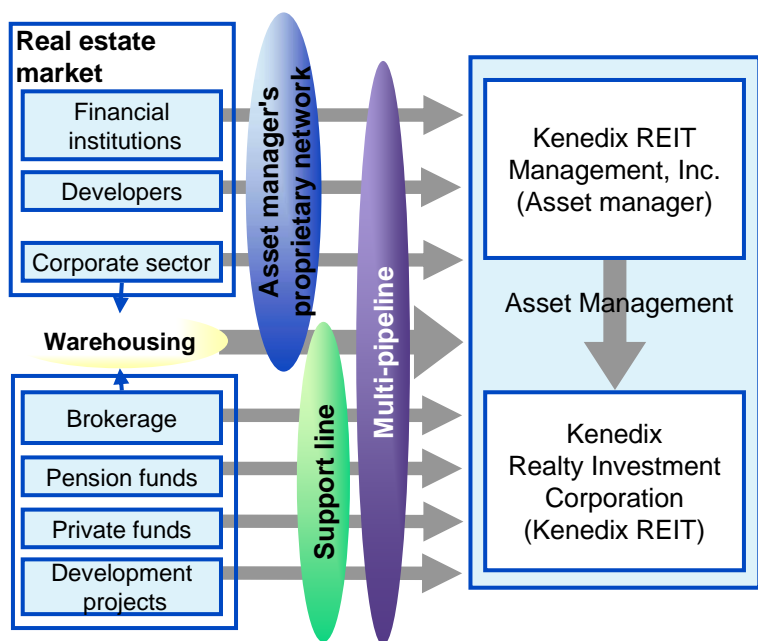
Current (2006/12/11)
1 property acquired

No. of properties infos (compiled by asset management company)

| | 1st Period (21/7/2005–10/2005) | 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 |

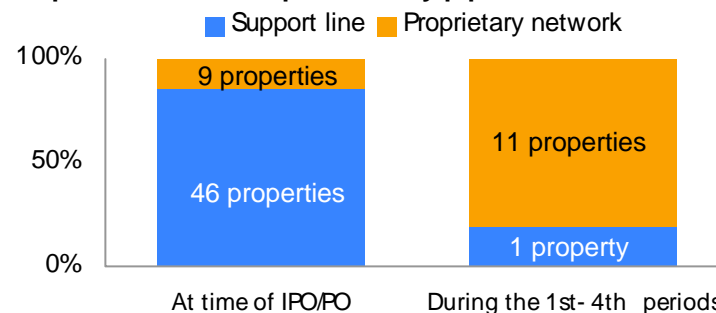
Note: figures shown are rounded down to nearest ¥100m, or 1 decimal place for ratios

External growth strategy—properties acquired using multi-pipeline approach



Strong record of acquisitions through asset manager's proprietary network

Proportion of new acquisitions by pipeline



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

| | 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 properties (c.8.8bn) | 1 properties (c.1.2bn) | 6 properties (c.13.2bn) | 11 properties (c.23.3bn) |
| | Warehousing | | 1 properties (c.6.0bn) | 8 properties (c.16.3bn) | 9 properties (c.22.3bn) |
| Support line | 29 properties (c.61.0bn) ¹ | 1 properties (c.5.6bn) | 17 properties (c.40.5bn) | | 47 properties (c.107.1bn) ^{1, 2} |
| TOTAL | 29 properties (c.61.0bn)¹ | 6 properties (c.20.4bn) | 26 properties (c.58.0bn) | 6 properties (c.13.2bn)³ | 67 properties (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 2006/12/11

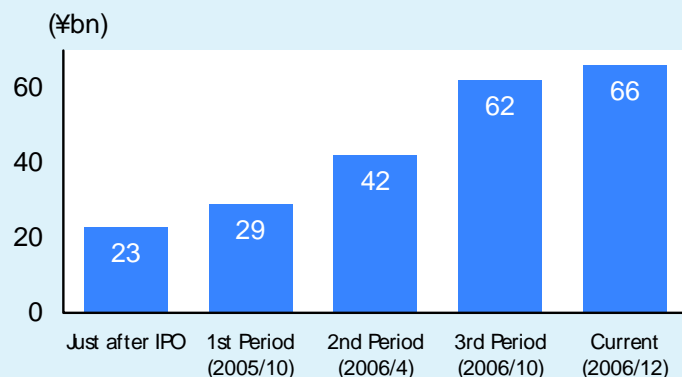
Financial strategies (raising funds through debt)

Credit ratings obtained

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

Total unsecured borrowings since IPO Flexible fund-raising

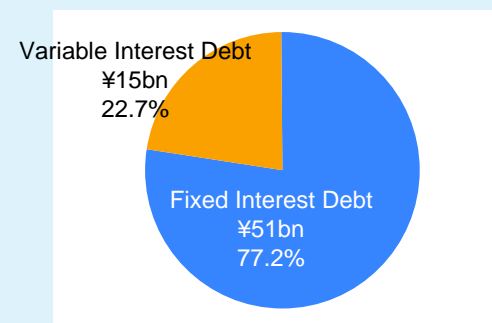
Outstanding debt



Note: Amount of unsecured loans outstanding

Shifting towards Fixed Interest Debt Avoiding risk of interest rate rises

Proportions at variable / fixed rates

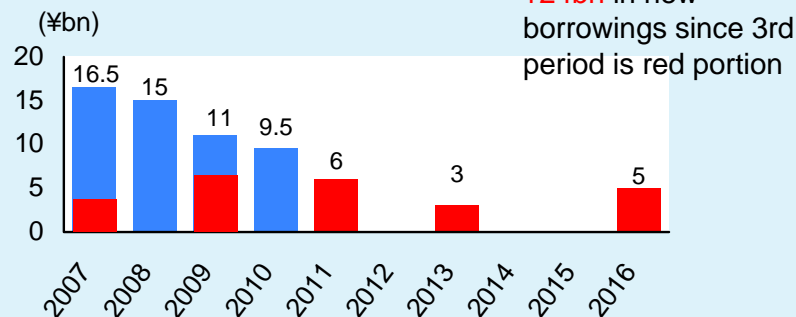


Notes:

- "Fixed Interest Debt" includes loans whose rates have been fixed by use of interest rate swaps
- Proportions are shown rounded down to one decimal place

Diversified maturity dates on borrowings

Debt outstanding by maturity date



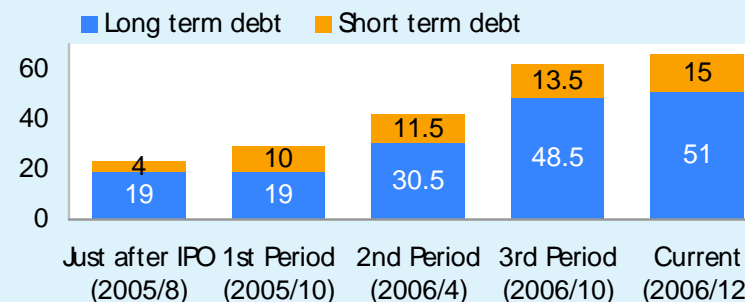
Note: Amount of debt maturing in each year

Reduction in refinancing risks

¥24bn in new borrowings since 3rd period is red portion

Prolonged debt average maturity

Stable debt financing strategy



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