KENEDIX REIT

8th Fiscal Period

November 1, 2008 - April 30, 2009

SEMIANNUAL REPORT

BESTINVEST
KENEDIX
Realty Investment Corporation

INVESTMENT HIGHLIGHTS FOR THE EIGHTH FISCAL PERIOD

Kenedix Realty Investment Corporation (KENEDIX-REIT) is issuing a cash distribution of 12,172 yen per unit to unitholders (shareholders) as a distribution for operations during the Eighth Fiscal Period running from November 1, 2008 to April 30, 2009.

Note: The amounts are rounded to the nearest 100 million yen

Operating Revenues **8,204** mn yen

Period-on-period decrease of 299 million yen in capital gains from sales

Net Income **2,434** mn yen

Adjusted total without property sales would be 2,926 million yen for the Eighth Fiscal Period and 2,823 million yen for the Seventh Fiscal Period

Distribution per Unit **12,172** yen

Total Unitholders' Equity **127,398** mn yen

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Speaking to You

Q&A with the CEO

Transforming STABLITIY into a Path to GROWTH

— That Half-Step Ahead —

Q The global economy continued to experience tough times over the past six months. What are your thoughts on this?

A I am concerned by its impact on Japan. And naturally globalization has brought about many similarities in the timing of events such as the rising and falling of capital markets. Nonetheless, there are differences in the nature of economies and in the financial conditions of the firms that comprise individual economies. Many Japanese firms have posted deficits or enormous drops in profits; however, unique to Japan is the fact that this has not had an excessively negative impact on the balance sheets of said firms. Japanese firms have developed resilience to bad times, which is one reason behind their insistence on having strong capital reserves.

Naturally, I cannot say that these negative factors don't concern me. However, real estate is essentially a local business. We are well-versed in our portfolio, which we are confident is ideal for surviving the times due to its historically proven low volatility, our solid relations with

PROPORTION OF FLOATING-RATE DEBT VS. FIXED-RATE DEBT (as of April 30, 2009)

Average interest rate [Note]	**1.84%**
Average life	**2.5 years**
Proportion of long-term debt	**89.9%**

Note: The average interest rate above does not include upfront fees. The average interest rate including upfront fees is 2.03%. "Fixed interest rate debt" includes borrowings that were converted to fixed from floating through interest rate swaps.

DEBT BALANCE BY MATURITY PERIOD
(as of April 30, 2009)

> We have a proven portfolio with diverse tenants, little volatility and strong occupancy — characteristics of the mid-sized office building market and success.

tenants and our many experts on staff knowledgeable in the diverse factors of successful real estate management. Of course, the financing aspect of a J-REIT makes us susceptible to the whims of the debt and equity markets, which the industry had mistakenly thought we were insulated from. Still, I am proud of the long-term, fixed-interest rate financing strategy we have maintained since our IPO and the strength of this strategy is evident in our refinancing prowess and the lengths and diffusion of our repayment dates. There are obviously loans remaining that have to be refinanced, but we feel that this will be accomplished with little stress.

Q Are you stating that your focus is no longer on refinancing?

A If we are unable to acquire properties in this market, I would question the meaning of our existence as a J-REIT. Cap rates are climbing and creating an even greater yield gap, sellers are willing to sell and excellent properties are available that would further optimize our portfolio. This supply can be absorbed by J-REITs and thus bring stability to the market. We did not have any acquisitions in our Eighth Fiscal Period, but we acquired a building in Sakae, Nagoya, in the Ninth Fiscal Period that clearly shows a change in our strategy.

We had acquired the land in April 2008 and had a forward commitment on the building, but despite an earlier agreed to price we were able to negotiate the price down significantly, representing a clear footprint in the modal shift of KENEDIX-REIT from stabilization to prudent growth. We seek to fund further acquisitions through equity rather than debt, and thus secure a less expensive route to growth with no "maturing" of the capital.

Q What were the portfolio management highlights in the Eighth Fiscal Period?

A We assimilated the funds for the acquisition of the Sakae property in the Ninth Fiscal Period by disposing of non-core properties in the KENEDIX-REIT portfolio. These included KDX Hakata Building in Kyushu, which allowed us to further concentrate our presence in the Tokyo Metropolitan Area, and KDX Koishikawa Building, which was our smallest building and was outside our investment policy parameters.

These changes to our portfolio along with cost cutting through consolidation of building maintenance companies, contracting with new electricity providers, reductions in trust fees, maintenance and repair fees has dramatically lowered expenses. We have also successfully leased out the KDX Jimbocho Building, a building that had 0% occupancy less than a year ago – leading to increased occupancy in this economy. All these point to excellent portfolio management, a requisite strength of a J-REIT.

Q These achievements, along with the successful refinancing during the Eighth Fiscal Period, are not easy even in good times. How were you able to accomplish these?

A First, it was possible because of our first class team of professionals, a few of whom will be introduced in the following pages. We have the experience and developed networks of these professionals at our disposal. Additionally, we have a proven portfolio with diverse tenants, little volatility and strong occupancy – characteristics of the mid-sized office building market and success.

Q Why do you believe so profusely in the J-REIT model?

A Three strengths of J-REITs are the constant liquidity of investment units through the market, the constant transparency based on strict governance and the simple structure. The J-REIT, with these strengths and the ability to attract capital, will certainly outstrip other real estate funds to become the leading player of property acquisition. We have placed an emphasis on disclosure and governance since our IPO so that our investors can see their investment at work and be assured that their investment is being well managed. Our ability to invest our investors' capital in a transparent manner when property cap rates are high is a potent weapon. Additionally, since leverage is kept low, below 42% in our case, the investment is quite reliable. The present phenomenon of a disparity between market value and transaction value, is when J-REITs should buy.

Q Is this why you are shifting your focus to equity driven growth?

A Yes. We realigned our portfolio when other players were not concerned about the market. We were the first to emphasize that it was of utmost importance to secure an optimal portfolio and that we would consider selling properties at a loss if it contributed to a comprehensive improvement. We intend to continue to improve our management capacity for mid-sized office buildings, exercising the same type of debt control that we have practiced since our IPO, while at the same time focusing on equity rather than debt as the main source of property acquisition capital. We are taking that half step ahead on our path to prudent growth based on a sound balance between acquisitions and financing.

We are doing this because we perceive a recovery coming in debt liquidity, more favorable government measures and more realistic demands on J-REIT returns emerging in the capital markets along with more transactions and excellent acquisition opportunities in the real estate market.

Don't get me wrong. We have dealt with headaches, such as our sponsor selling its stake in the J-REIT, the poor economy and a couple of properties with poor occupancy, but this has resulted in increased transparency, strict governance, greater occupancy and more resiliency at the end of the Eighth Fiscal Period – these are the cornerstones for future growth.

Taisuke Miyajima
CEO and President
Kenedix REIT Management, Inc.

Miyajima entered Kenedix, Inc. after serving in the Capital Markets Department of Mitsubishi UFJ Trust and Banking in its Los Angeles Branch. He worked in real estate investment advisory for seven years, after which he transferred employment to serve as CEO and President of Kenedix REIT Management, Inc. and Executive Director of KENEDIX-REIT.

Speaking to You

Q&A with the General Manager of the Financial Planning Division

Proving a Well Executed Policy

Q The majority of press on J-REITs over the past year has been shouting about refinancing and the inability of J-REITs to gain refinancing. KENEDIX-REIT has continually stayed out of this fray. Why is this?

A Business comes in cycles. Asset managers of J-REITs are thrust into a predicament where our performance is judged every six months. Obviously, we knew this from the beginning and this is not a complaint. However, this subconsciously compels us to always look at the short-term window. But, as stated above, business comes in cycles. Since our IPO we have insisted on long-term financing and fixed interest rates. This did raise our financing costs slightly, but none of our bonds mature until 2012 and 2017, and our latest refinancing has loans maturing after 2015. Additionally, our team of supporting banks includes core banks of the Japanese system, and our low leverage and straightforward disclosure has been integral to their continued financing for our J-REIT. When we first implemented our long-term strategy, it was either ignored or viewed poorly, but now I believe it is understood.

Q Your CEO, Taisuke Miyajima, has talked about a modal shift towards growth driven by equity and several acquisitions when the timing and deal is right. What have you done to prepare for this?

A We previously filed a shelf registration for 100 billion yen of investment units and took the steps to renew the deadline for said potential issuance. We additionally processed a shelf registration for the issuance of 100 billion yen in new investment bonds during the Eighth Fiscal Period. We may seem contrarian at first glance, but I don't see KENEDIX-REIT issuing bonds in the near future though we have arranged for the flexibility to issue investment units and bonds on our timetable any time in the future. Potentially such a move would drive down our LTV, presently at only 41.4%, and further enhance our appeal among financial institutions as a recipient of future financing.

Q What are your thoughts regarding Moody's downgrading of KENEDIX-REIT?

A First, it is important to note that we are rated by both Moody's Investors Services ("Moody's") and Japan Credit Rating Agency ("JCR"). Moody's downgraded us to Ba1 (negative), but JCR has kept us at A+ (negative). One of the reasons given for downgrading was that we had started discussions with lenders to convert portfolio properties into collateral for loans and thus our unsecured bonds may become subordinated to the loans. We will

AMOUNT OF DEBT MATURING IN EACH 6 MONTHS (as of April 30, 2009)

Notes: 1. Shows debt amounts that mature in each period
2. 1H is from Apr. 1 to Sep. 30 and 2H is from Oct. 1 to Mar. 31 of the following year, and are not indentical with the fiscal periods of KENEDIX-REIT (e.g. 2009 1H is from Apr. 1 to Sept. 30, 2009)
3. Balance of borrowings from Development Bank of Japan (excluding divided repaymet amount) shown in

continue to brief Moody's to gain their understanding about our portfolio strength, which is being demonstrated to a greater extent with each passing day, as well as the low LTV we maintain of 41.4%.

Q What were the achievements and issues of your refinancing during the Eighth Fiscal Period?

A In the Eighth Fiscal Period, KENEDIX-REIT executed multiple refinancing of loans. The diversification of the maturity dates is shown on page 7. Although the cost of financing did go up, we were able to achieve all the financing needed and to keep the identical short-term to long-term financing ratio and fixed to floating ratio as shown in the table on page 2. In refinancing, the balances of Sumitomo Mitsui Banking Corporation and Development Bank of Japan Inc. were increased, while those of less important lenders were eliminated. This served to further strengthen our team of supporting banks. The other large development was the collateralization of debt. About 70% of our portfolio has been offered in a collateral pool to financial institutions, with the remaining properties under an unsecured status. Accordingly, we have secured medium- and long-term (2-3 year) period borrowings and more stability in our financial transactions, while at the same time maintaining portfolio liquidity.

Q What are your thoughts on the modal shift to equity driven growth?

A I welcome this shift. Our strategy to date has been proven by our track record of strong growth, conservative LTV and the support of financial institutions. My role is to ensure investors that we maintain our conservative LTV, even at a lower level, and that any capital raising we do in the form of equity is done with utmost consideration given to our investment unit holders. I am convinced, however, that this is the common goal of the management at Kenedix REIT Management, Inc.

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

Tajima served in Chuo Mitsui Trust and Banking for twelve years where he worked in business planning and securitization. He joined Kenedix, Inc. in May 2005 after four years in the structured finance department at Sumitomo Life Insurance Company.

BALANCE OF BORROWINGS BY BORROWING PROVIDERS

(billion yen)

	7th period	8th period	Difference
Sumitomo Mitsui Banking Corporation	18.95	19.45	+0.5
Chuo Mitsui Trust and Banking	14.5	14.5	-
Development Bank of Japan	11.0	12.0	+1.0
Aozora Bank	12.0	12.0	-
Bank of Tokyo Mitsubishi UFJ	9.8	9.8	-
Mitsubishi UFJ Trust and Banking	7.2	7.2	-
Resona Bank	4.3	4.3	-
Norinchukin Bank	4.0	4.0	-
Citibank	2.5	2.5	-
Mitsui Sumitomo Insurance	1.7	1.0	-0.7
Chiba Bank	0.8	0.0	-0.8
Total	**86.75**	**86.75**	**-**

CHANGE IN LTV

Note: LTV = Total debt÷Total assets

BREAKDOWN OF BORROWING PROVIDERS

(as of April 30, 2009)

Stable financing through good relationships with financial institutions, especially megabanks, trust banks and Development Bank of Japan

FINANCIAL STRATEGY AND DEVELOPMENTS

KENEDIX-REIT has been resolute since its IPO in following a long-term, fixed interest rate financing policy as a means to be free from daily concerns over refinancing. This strategy has helped placed it above the hectic fray of the past year with various J-REITs repeatedly rushing to refinance and allowed KENEDIX-REIT to pursue a beneficial financing strategy built on its strong core of supporting banks.

As of the end of the Eighth Fiscal Period, KENEDIX-REIT has outstanding interest-bearing debt of 98.75 billion yen, which breaks down into 10.0 billion yen in short-term borrowings, 76.75 billion yen in long-term borrowings and 12 billion yen in bonds. It is important to note that while some J-REITs took out bonds of 3 years or less, KENEDIX-REIT took out 5- and 10-year maturities, freeing it from any redemption obligation for the bonds until 2012 and 2017.

Furthermore, KENEDIX-REIT has prepared itself for possible acquisitions by renewing a 2-year shelf registration of investment corporation bonds totaling 100 billion yen, and a 2-year shelf registration of investment units for a primary offering of 100 billion yen and secondary offering of 15 billion yen. This provides KENEDIX-REIT with great flexibility regarding the timing of acquisitions.

There was a major shift in the refinancing of 21.5 billion yen in loans that was implemented in the Eighth Fiscal Period. At the behest of financial institutions and following repeated negotiations, KENEDIX-REIT collateralized about 70% of its assets on an appraisal basis, with about 30% left uncollateralized. This gives KENEDIX-REIT flexibility in management and disposition, secures cash on hand and minimizes any impact on bond debt. The figures portray the broad achievements and maturities following refinancing.

FLEXIBLE FUND RAISING THROUGH SHELF REGISTRATION

Summary of Shelf Registration	Investment Corporation Bond	Investment Unit Certificate	
		Primary	Secondary
Planned issue amount	¥100 bn	¥100 bn	¥15 bn
Planned issuance period	2 years from 2009/2	2 years from 2009/5	2 years from 2009/5

IMPACT OF REFINANCING ON MATURITIES

Note: The debt amount maturing in each period with 1H corresponding to April – September and 2H corresponding to October – March

Collateralization of Portfolio (April 2009)

	Uncollateralized		Collateralized	
No. of properties	27 properties		40 properties	
Total appraisal value	¥60 bn (27.8%)		¥156.3 bn (72.2%)	
Size (Avg. appraisal value)	¥2,225 mn/property		¥3.909 mn/property	
Area (Appraisal value)	Tokyo Metropolitan Area	¥53.8 bn	Tokyo Metropolitan Area	¥135.2 bn
	Other Regional Areas	¥6.1 bn	Other Regional Areas	¥21.1 bn
Type (Appraisal value)	Office	¥53.0 bn	Office	¥139.2 bn
	Residential	¥5.0 bn	Residential	¥6.2 bn
	Central urban retail	¥1.9 bn	Central urban retail	¥10.9 bn

Post-Collateralization Developments (April 2009)

Extension of average life	Prepayment of existing debt and refinancing to long-term borrowings (¥3.5 bn); temporal advantage prioritized over funding costs.
Diversification of maturity	Refinancing to diversify maturities (6 months, 1 year, 2 years, 2.5 years and 3 years)
Additional cash on hand	Increased cash on hand by selling uncollateralized properties (KDX Hakata Building and KDX Koishikawa Building)

Speaking to You

Q&A with the General Manager of the Investment Management Division

Insight into the Investment Strategy of KENEDIX-REIT

Q Please discuss the two properties you sold during the Eighth Fiscal Period.

A There were really three reasons behind selling these properties: the first was to raise capital for acquisitions, the second was to enable us to buy the Sakae property with our own capital, and the third was that these properties did not match our current investment standards – KDX Hakata Building is a local property and KDX Koishikawa Building is valued at less than 1 billion yen.

Q What factors are essential for constructing an ideal portfolio?

A You need a portfolio that provides stable cash flow preferably located in the central five wards of Tokyo where properties tend to demonstrate lower volatility and appraisal values have more resilience.

Q What are the most essential elements for an effective acquisitions team?

A The acquisitions team needs to have both the ability to research and the ability to source information. It must always have a grasp on what is happening in the market and remain motivated even in "slow" times.

Q What do you look for when investing in a property?

A The building must be in compliance with all legal regulations. This is obvious, but sometimes trying. Furthermore, it must be located in the central five wards of Tokyo and provide stable cashflow.

Q You acquired the KDX Nagoya Sakae Building in the Ninth Fiscal Period. Does this signify or represent a strategic change?

A The property provides excellent quality to our portfolio, and the price was successfully renegotiated down despite being a forward commitment. We did have to abandon the master lease term as a part of the agreement. We are ready to move with our strategy and staff in place. All we need is for the capital markets to come in line. However, rest assured that our growth will be prudent and we will not drive in neutral.

Kenji Ajitani

Director and General Manager
Investment Management Division
Kenedix REIT Management, Inc.

Ajitani joined Kenedix, Inc. in April 2003 after serving for ten years at Sojitz Corporation in its Construction Department. After nearly one year at Kenedix, Inc., Ajitani was assigned to Kenedix Advisors Co., Ltd. where he served for three and a half years. Ajitani was then assigned to his current post at Kenedix REIT Management, Inc. in June 2007.

KDX NAGOYA SAKAE BUILDING

9th Fiscal Period Acquisition

KENEDIX-REIT committed to buying this excellent office building in Sakae, Nagoya by first acquiring the land prior to construction of the building. The building is rated A- under CASBEE Nagoya (Japanese equivalent of LEED) and features strong anti-seismic features, a roof top garden and modern security system. The terms of the acquisition were also lowered to reflect the change in the business environment.

KDX NAGOYA SAKAE BUILDING

Location	4-chome Sakae, Naka-ku, Nagoya-shi
Site area	1,192.22m^2
GFA	9,594.00m^2
Year built	April 2009
Number of stories	11F
Acquisition price	Land: ¥4,000 mn Building: ¥3,550 mn

- 3 minute walk from "Sakae" Station on the Subway Higashiyama Line, Meijo Line and Meitetsu Seto Line
- Located along flourishing "Hirokoji-dori"
- Typical floor area of about 200 tsubo with a ceiling height of 2.8m
- Eco-conscious design with environment control equipment (free air conditioning, perimeter fan system + full-height glass, and daylight sensor for luminance control)
- Security system (using non-contact IC cards)

FOLLOWING THE COMMITMENT: NEGOTIATING TO REFLECT THE TIMES

SPECIFICATIONS

Seismic Isolation Structure

- Seismic isolation structure to mitigate earthquake risks
- A new office building constructed by Takenaka Corporation

Rooftop Garden

- Rooftop garden to realize a high level of environmental design
- CASBEE Nagoya: A-rated

Amendments to Building Acquisition Agreement

	Before amendment	After amendment
Name of property	——	KDX Nagoya Sakae Building
Acquisition price	¥4,325 mn	¥3,550 mn
Fixed rent	Master lease agreement with guaranteed fixed rent	None

DESCRIPTION OF PORTFOLIO

KENEDIX-REIT is completely committed to building the optimal portfolio for investors and focuses its strategy on mid-sized office buildings, which show little volatility in dire economic times.

PORTFOLIO BREAKDOWN BY USAGE

(as of end of 8th period))

The KENEDIX-REIT portfolio is dominated by well located mid-sized office buildings.

GEOGRAPHIC CONCENTRATION OF OFFICE PORTFOLIO

(as of end of 8th period)

KENEDIX-REIT further concentrated the portfolio in Tokyo through the sale of a Fukuoka property and a small Tokyo property. This creates a portfolio of properties committed to weathering the storm.

PRACTICING WHAT YOU PREACH

KENEDIX-REIT said it would concentrate on office buildings in the Tokyo Metropolitan Area with a value of at least 1.0 billion yen. During the Eighth Fiscal Period the KDX Hakata Building in Fukuoka and the KDX Koishikawa Building, the smallest building in Tokyo, were sold to further optimize the portfolio in the Tokyo Metropolitan Area.

(as of end of 8th Period)

Speaking to You

Q&A with the General Manager of the Property Management Division

Diligently Working to Maintain Occupancy and Lease Out Buildings

Q What is Asset Management?

A Asset management consists of the total responsibility of managing assets. The asset manager has the final responsibility for the budget, whereas the property manager is responsible for the actual site of the building. The asset manager verifies what the property manager does. The asset manager makes decisions and establishes strategies, while the property manager implements them and works to achieve the goals. The asset manager provides direction on leasing.

CHANGES IN OCCUPANCY RATIO FOR OFFICE BUILDINGS (by region)

Q What is key to maintaining occupancy?

A We place a lot of emphasis on customer (tenant) satisfaction. We have indirectly obtained 3,189 samples from tenants and we are committed to finding ways to improve satisfaction. We find that being tenant-oriented and having a strong relationship helps maintain high occupancy and high retention. We also find that good relationships lead to higher rents. These also lead to easier negotiations for both parties.

Q What is your position concerning rents?

A Until one year ago we had been proactively negotiating for rent increases to try to bring our rents up to market levels. However, from about a year ago, tenants began to not request greater floor space and started seeking greater energy efficiency. CEO Miyajima and our leadership decided then that we would not negotiate up rents. As a result of this and our efforts to maintain good relationships, we have found that requests to leave during these hard times have matched the levels of good times, giving us consistent performance.

Q What was key to leasing out the KDX Jimbocho Building?

A As you know, we renovated the KDX Jimbocho Building, which began with zero occupancy. Following the renovations several factors backed by frequent and diligent site viewings and good relationships with brokers contributed to our successful leasing out of the property. The excellent location in front of Jimbocho Station was also a positive influence, along with the renovations that included installing new fixtures and brighter, cleaner restrooms for potential tenants. Our pursuit of good relationships with both brokers and tenants is definitely well received by the market.

Q What are the challenges and advantages of the KDX Nagoya Sakae Building?

A KENEDIX-REIT acquired the KDX Nagoya Sakae Building during the Ninth Fiscal Period following a long period of forward commitment. The property was transferred to KENEDIX-REIT with 80% vacancy; however, it is a unique, new and high spec building in the traditional center of Sakae, rather than just one of several buildings in other areas in Nagoya. We have shown the building to several brokers and they have liked the appearance, quality and solid cutting-edge anti-seismic measures. We are convinced that its distinct presence in the area will help us to apply proactive site visits and other measures to successfully lease out the property in the next year.

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

Ohwa joined Kenedix, Inc. in June 2004 after working for nearly a decade at Asahi Urban Development Corporation and other real estate companies. After one year at Kenedix, Inc., he was assigned to the position of Executive Officer and General Manager of the REIT Management Division of Kenedix Advisors Co., Ltd. Ohwa served in this position for two years before being assigned to his current position at Kenedix REIT Management, Inc.

PROACTIVE PORTFOLIO MANAGEMENT GENERATES RESULTS

KENEDIX-REIT prides itself on never being complacent and always working to improve returns for investors. Results are achieved through a variety of carefully crafted measures.

One of KENEDIX-REIT's focuses has been the reduction of operating expenses. Efforts described in the figure below have contributed to savings equivalent to 27,900,000 yen per year. Key reductions have been achieved in trust fees, building repair and maintenance costs via competitive bids and other measures.

KENEDIX-REIT has successfully maintained an occupancy of 95%+ through relationships with tenants, brokers and proactively conducting customer satisfaction surveys. Relationships have proven to be of particular importance with existing tenants and brokers.

KENEDIX-REIT is also able to maintain high occupancy because we are committed to leasing up our properties. We have taken the KDX Jimbocho Building in the Eighth Fiscal Period, and KDX Toranomon Building and KDX Nishi-Gotanda Building earlier, from 0-20% occupancy up to nearly 100% occupancy. It took 12 months to fully lease the KDX Jimbocho Building in the Eighth Fiscal Period. However, these efforts are achieved through the provision of information to our broker network, private previews and such active efforts including the proper handling of inquiries.

REDUCING OPERATING COSTS

CHANGES IN DEPRECIATION AND ACTUAL CONSTRUCTION COSTS & BUDGET

KENEDIX-REIT will also continue to reduce value-up construction costs significantly as most work has been completed to date. KENEDIX-REIT will continue to actively fill properties by flexibly responding to tenant needs so that vacancy periods can be shortened and occupancy raised while sufficiently conducting all necessary maintenance construction.

THE MID-SIZED OFFICE STRATEGY

KENEDIX-REIT changed its portfolio focus to Tokyo mid-sized office buildings approximately five fiscal periods ago. The strategy has borne well for the REIT and the portfolio has demonstrated its resilience with little volatility despite dealing with the current downward pressure on rents.

AVERAGE RENTS FOR 8TH FISCAL PERIOD (office)

	7th Period	8th Period	Change
	(per tsubo/monthly)		
Central Tokyo	¥20,500	¥20,400	-0.8%
Other Tokyo Metropolitan Area	¥14,400	¥14,100	-1.6%
Other Regional Areas	¥11,100	¥11,000	-1.0%
Total for Office	¥17,600	¥17,400	-1.0%

Note: Figures show the total of weighted-average rent for each property based on floor area divided by the number of properties in each area (rounded down to the nearest hundred yen). The total for office shows the average rent for 57 office buildings (properties sold in the 8th Period are excluded)

The above factors combined with our measures to enhance existing properties and introduce blue-chip properties in the portfolio are proof positive that KENEDIX-REIT is diligently taking steps to optimize its portfolio.

NUMBER OF END TENANTS PROVES STRONG WEAPON (office)

No. of tenants (No. of properties)	595 tenants (57 properties)
Ratio of largest end-tenant	2.2%
Ratio of top 3 end-tenants	5.5%

Note: The above ratio shows the ratio of top end tenants within the entire portfolio (based on leased area)

(as of April 30, 2009)

The mere volume of mid-sized office buildings in Tokyo and Japan ensures liquidity even in tough times and the ability to attract tenants at affordable rents and appropriate sizes. The potential tenant base is abundant and diversified, providing a stable cash flow and a hedge against bad times.

BREAKDOWN OF OFFICES BY EMPLOYEES PER OFFICE (Tokyo)

Source: Kenedix REIT Management, Inc. based on Tokyo office statistics report as of 2006 (MPHPT Statistics Bureau)

THE DIVERSE SECTORS PROVIDE ROBUST DEFENSES AGAINST POOR ECONOMIC TIMES (office)

(as of April 30, 2009)

ASSET MANAGEMENT COMPANY

KENEDIX-REIT is convinced that transparent and robust decision-making based on a strong philosophy adhered to throughout the asset management company is essential for the REIT to optimize returns for investors. In that light, Kenedix REIT Management closely observes the following decision making flow to prevent conflicts of interest, and does so based on the management philosophy outlined below. Closely adhered tenets are what set us apart and make it advantageous for investors to invest in KENEDIX-REIT.

DECISION-MAKING AT Kenedix REIT Management

MANAGEMENT PHILOSOPHY AT Kenedix REIT Management

Kenedix REIT Management ORGANIZATIONAL CHART

KENEDIX-REIT PORTFOLIO TABLE (End of Eighth Fiscal Period)

	No.	Collaterized Assets	Property Name	Location	Acquisition Price (mn yen)	Site Area (m²)	Floor Area (m²)
A Office	A-1	■	KDX Nihonbashi 313 Building	Chuo Ward, Tokyo	5,940	1,047.72	8,613.09
	A-2		KDX Hirakawacho Building	Chiyoda Ward, Tokyo	5,180	1,013.85	8,002.97
	A-3	■	Higashi-Kayabacho Yuraku Building	Chuo Ward, Tokyo	4,450	773.43	5,916.48
	A-4		KDX Hatchobori Building	Chuo Ward, Tokyo	3,680	992.20	4,800.43
	A-5	■	KDX Nakano-Sakaue Building	Nakano Ward, Tokyo	2,533	1,235.16	6,399.42
	A-6	■	Harajuku F.F. Building	Shibuya Ward, Tokyo	2,450	699.67	3,812.44
	A-7		FIK Minami Aoyama	Minato Ward, Tokyo	2,270	369.47	1,926.98
	A-8	■	Kanda Kihara Building	Chiyoda Ward, Tokyo	1,950	410.18	2,393.94
	A-9		KDX Shinjuku-Gyoen Building	Shinjuku Ward, Tokyo	1,610	383.63	2,594.88
	A-12	■	Portus Center Building	Sakai, Osaka	5,570	13,936.63	79,827.08
	A-13		KDX Kojimachi Building	Chiyoda Ward, Tokyo	5,950	612.17	5,323.81
	A-14	■	KDX Funabashi Building	Funabashi, Chiba	2,252	1,180.41	5,970.12
	A-15	■	KDX Hamacho Building	Chuo Ward, Tokyo	2,300	554.80	4,133.47
	A-16	■	Toshin 24 Building	Yokohama, Kanagawa	5,300	1,287.16	8,483.17
	A-17		Ebisu East 438 Building	Shibuya Ward, Tokyo	4,640	724.22	4,394.58
	A-18	■	KDX Omori Building	Ota Ward, Tokyo	3,500	1,123.93	7,334.77
	A-19	■	KDX Hamamatsucho Building	Minato Ward, Tokyo	3,460	504.26	3,592.38
	A-20	■	KDX Kayabacho Building	Chuo Ward, Tokyo	2,780	617.17	3,804.86
	A-21		KDX Shinbashi Building	Minato Ward, Tokyo	2,690	536.11	3,960.22
	A-22	■	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	705.00	6,180.51
	A-23		KDX Yotsuya Building	Shinjuku Ward, Tokyo	1,950	996.65	3,329.68
	A-24	■	KDX Minami Semba Dai-1 Building	Osaka, Osaka	1,610	715.44	4,236.59
	A-25	■	KDX Minami Semba Dai-2 Building	Osaka, Osaka	1,560	606.45	3,315.93
	A-26	■	KDX Kiba Building	Koto Ward, Tokyo	1,580	922.77	2,820.64
	A-27	■	KDX Kajicho Building	Chiyoda Ward, Tokyo	2,350	526.43	3,147.70
	A-28		KDX Nogizaka Building	Minato Ward, Tokyo	1,065	409.36	1,695.07
	A-29	■	KDX Higashi-Shinjuku Building	Shinjuku Ward, Tokyo	2,950	1,340.97	7,885.40
	A-30	■	KDX Nishi-Gotanda Building	Shinagawa Ward, Tokyo	4,200	684.41	5,192.87
	A-31	■	KDX Monzen-Nakacho Building	Koto Ward, Tokyo	1,400	580.99	2,668.91
	A-32	■	KDX Shiba-Daimon Building	Minato Ward, Tokyo	6,090	1,182.40	7,824.03
	A-33		KDX Okachimachi Building	Taito Ward, Tokyo	2,000	239.72	1,882.00
	A-34	■	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	724.62	3,603.63
	A-35		KDX Hachioji Building	Hachioji, Tokyo	1,155	460.62	2,821.21
	A-36		KDX Niigata Building	Niigata, Niigata	1,305	1,110.56	6,810.29
	A-37	■	KDX Ochanomizu Building	Chiyoda Ward, Tokyo	6,400	1,515.28	7,720.08
	A-38		KDX Nishi-Shinjuku Building	Shinjuku Ward, Tokyo	1,500	626.06	2,017.63
	A-39	■	KDX Toranomon Building	Minato Ward, Tokyo	4,400	288.20	2,277.38
	A-40	■	Toranomon Toyo Building	Minato Ward, Tokyo	9,850	869.01	8,346.83
	A-41	■	KDX Shinjuku 286 Building	Shinjuku Ward, Tokyo	2,300	421.70	3,432.04
	A-42	■	Karasuma Building	Kyoto, Kyoto	5,400	1,788.67	12,632.68
	A-44	■	KDX Sendai Building	Sendai, Miyagi	2,100	987.78	5,918.30
	A-45		KDX Roppongi 228 Building	Minato Ward, Tokyo	3,300	408.86	2,235.30
	A-46	■	Hiei Kudan-Kita Building	Chiyoda Ward, Tokyo	7,600	1,844.83	11,425.31
	A-47		KDX Shin-Yokohama 381 Building	Yokohama, Kanagawa	4,700	911.24	7,673.67
	A-48	■	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	1,968.13	7,420.87
	A-49	■	Nissou Dai-17 Building	Yokohama, Kanagawa	2,710	629.00	4,016.61
	A-50	■	Ikejiri-Oohashi Building	Meguro Ward, Tokyo	2,400	834.79	3,482.96
	A-51	■	KDX Hamacho Nakanohashi Building	Chuo Ward, Tokyo	2,310	462.29	3,280.41
	A-52		KDX Kanda Misaki-cho Building	Chiyoda Ward, Tokyo	1,380	314.54	1,536.60
	A-53	■	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	1,826.25	13,238.16
	A-54		KDX Kitahama Building	Osaka, Osaka	2,220	751.92	4,652.96
	A-55	■	Shin-toshin Maruzen Building	Shinjuku Ward, Tokyo	2,110	457.64	3,439.37
	A-56	■	KDX Jimbocho Building	Chiyoda Ward, Tokyo	2,760	465.92	3,292.13
	A-57		KDX Gobancho Building	Chiyoda Ward, Tokyo	1,951	335.70	1,893.11
	A-58		KDX Nagoya Sakae Building (Land) (Note 1)	Nagoya, Aichi	4,000	1,192.22	9,594.00
	A-59		KDX Iwamoto-cho Building	Chiyoda Ward, Tokyo	1,864	266.86	1,618.65
	A-60	■	KDX Harumi Building	Chuo Ward, Tokyo	10,250	2,230.69	12,694.32
	A-61		KDX Hamamatsucho Dai-2 Building	Minato Ward, Tokyo	2,200	368.28	2,478.90
	Office Subtotal (58 Properties)				**193.911**	**60,974.42**	**371,017.82**
B Residential	B-3		Court Mejiro	Shinjuku Ward, Tokyo	1,250	1,581.91	3,326.07
	B-4		Apartments Motoazabu (Note 2)	Minato Ward, Tokyo	1,210	639.41	1,685.14
	B-5		Apartments Wakamatsu-Kawada	Shinjuku Ward, Tokyo	1,180	412.42	1,858.51
	B-18	■	Venus Hibarigaoka	Sapporo, Hokkaido	1,800	8,595.00	14,976.25
	B-19	■	Residence Charmante Tsukishima	Chuo Ward, Tokyo	5,353	4,252.86	18,115.39
	B-25		Court Shin-Okachimachi	Taito Ward, Tokyo	878	311.22	1,494.55
	B-34		Gradito Kawaguchi	Kawaguchi, Saitama	1,038	423.94	1,705.38
	Residential Subtotal (7 properties)				**12,709**	**16,216.76**	**43,161.29**
C Central Urban Retail	C-1	■	Frame Jinnan-zaka	Shibuya Ward, Tokyo	9,900	1,240.51	6,302.58
	C-2		KDX Yoyogi Building	Shibuya Ward, Tokyo	2,479	228.74	1,269.06
	Central Urban Retail Subtotal (2 properties)				**12,379**	**1,469.25**	**7,571.64**
	TOTAL				**218,999**	**78,660.43**	**421,750.75**

Completion Date	Acquisition Date	Occupancy
Apr. 1974	Aug. 2005	100.0%
Mar. 1988	Aug. 2005	100.0%
Jan. 1987	Aug. 2005	100.0%
Jun. 1993	Aug. 2005	100.0%
Aug. 1992	Aug. 2005	92.3%
Nov. 1985	Aug. 2005	100.0%
Nov. 1988	Aug. 2005	100.0%
May 1993	Aug. 2005	100.0%
Jun. 1992	Aug. 2005	100.0%
Sep. 1993	Sep. 2005	93.4%
May 1994	Nov. 2005	88.6%
Apr. 1989	Mar. 2006	100.0%
Sep. 1993	Mar. 2006	100.0%
Sep. 1984	May 2006	100.0%
Jan. 1992	May 2006	83.4%
Oct. 1990	May 2006	94.5%
Sep. 1999	May 2006	87.7%
Oct. 1987	May 2006	100.0%
Feb. 1992	May 2006	100.0%
Sep. 1990	May 2006	93.1%
Oct. 1989	May 2006	100.0%
Mar. 1993	May 2006	96.9%
Sep. 1993	May 2006	88.1%
Oct. 1992	Jun. 2006	100.0%
Mar. 1990	Jul. 2006	100.0%
May 1991	Jul. 2006	87.7%
Jan. 1990	Sep. 2006	97.0%
Nov. 1992	Dec. 2006	91.9%
Sep. 1986	Jan. 2007	100.0%
Jul. 1986	Mar. 2007	100.0%
Jun. 1988	Mar. 2007	100.0%
May 1995	Mar. 2007	100.0%
Dec. 1985	Mar. 2007	85.6%
Jul. 1983	Mar. 2007	73.2%
Aug. 1982	Apr. 2007	100.0%
Oct. 1992	Apr. 2007	100.0%
Apr. 1988	Apr. 2007	78.6%
Aug. 1962	Jun. 2007	100.0%
Aug. 1989	Jun. 2007	100.0%
Oct. 1982	Jun. 2007	93.0%
Feb. 1984	Jun. 2007	91.2%
Apr. 1989	Jan. 2008	65.2%
Mar. 1988	Feb. 2008	100.0%
Mar. 1988	Feb. 2008	92.1%
Feb. 1985	Feb. 2008	100.0%
Jul. 1991	Feb. 2008	100.0%
Sep. 1988	Feb. 2008	82.6%
Sep. 1988	Feb. 2008	100.0%
Oct. 1992	Feb. 2008	100.0%
Jun. 1973	Feb. 2008	95.8%
Jul. 1994	Feb. 2008	100.0%
Jul. 1990	Feb. 2008	64.3%
May 1994	Mar. 2008	100.0%
Aug. 2000	Mar. 2008	100.0%
–	Apr. 2008	–
Mar. 2008	May 2008	100.0%
Feb. 2008	Jun. 2008	100.0%
Apr. 1992	Sep. 2008	100.0%
Mar. 1997	Aug. 2005	96.1%
Jan. 2004	Aug. 2005	84.6%
Feb. 2004	Aug. 2005	85.1%
Mar. 1989	Dec. 2005	98.9%
Jan. 2004	May 2006	100.0%
Oct. 2005	May 2006	96.5%
Feb. 2006	Jun. 2006	100.0%
Mar. 2005	Aug. 2005	96.0%
Aug. 1991	Sep. 2005	75.9%

RENTAL NOI RETURNS (annualized)

KENEDIX-REIT maintains steady performance over multiple fiscal periods through proactive portfolio management.

	5th Period	6th Period	7th Period	8th Period	8th Period before Adjustment for Property and City Taxes
Office	5.5%	5.6%	5.3%	**5.5%**	5.6%
Central Urban Retail	5.1%	4.3%	4.8%	**4.7%**	4.7%
Residential	5.3%	5.3%	5.3%	**5.2%**	5.2%
Total	5.4%	5.5%	5.3%	**5.4%**	5.5%

Note: Each of the figures represent the values after adjustment of property and city taxes

COMPOSITION OF OFFICE PORTFOLIO (by acquisition price)

Note: The chart above is for 57 office buildings excluding the KDX Nagoya Sakae Building

SUMMARY OF APPRAISED VALUES AT END OF EIGHTH FISCAL PERIOD

The realignment of the KENEDIX-REIT portfolio to office buildings has proven to be a prudent decision with appraisal declines less than those of residential properties.

(million yen)

	Office	Central Urban Retail	Residential	Total
①Acquisition Price	193,911	12,379	12,709	218,999
②Book Value	196,934	12,620	12,627	222,182
③End of Period Appraised Value	192,295	12,880	11,278	216,453
④Difference from Acquisition Price (③-①)	-1,616	501	-1,431	-2,546
Percentage ④/①	-0.8%	4.0%	-11.3%	-1.2%
⑤Difference from Book Value (③-②)	-4,639	259	-1,349	-5,729
Percentage ⑤/②	-2.4%	2.1%	-10.7%	-2.6%

Notes: 1. We acquired the building portion of KDX Nagoya Sakae Building (A-58) on July 1, 2009
2. We sold Apartments Motoazabu (B-4) on June 23, 2009
3. Amounts indicated have been rounded down

FINANCIAL SUMMARY

Historical Operating Trends for the Fourth – Eighth Fiscal Periods

Period	unit	4th Period (as of Apr. 30, 2007)	5th Period (as of Oct. 31, 2007)	6th Period (as of Apr. 30, 2008)	7th Period (as of Oct. 31, 2008)	8th Period (as of Apr. 30, 2009)
Operating revenues	mn yen	5,778	7,208	8,582	8,456	8,204
(Rental revenues)	mn yen	5,647	7,208	7,630	8,156	8,204
Operating expenses	mn yen	3,091	3,737	4,517	4,311	4,740
(Property-related expenses)	mn yen	2,607	3,205	3,447	3,678	3,603
Operating income	mn yen	2,686	3,470	4,065	4,144	3,463
Ordinary income	mn yen	2,148	2,793	3,343	3,124	2,435
Net income (a)	mn yen	2,148	2,792	3,342	3,123	2,434
Total assets (b)	mn yen	188,400	213,763	230,520	239,648	238,745
(Period-on-period change)	%	(+17.5)	(+13.5)	(+7.8)	(+4.0)	(-0.4)
Interest-bearing debt (c)	mn yen	88,500	75,500	89,750	98,750	98,750
(Period-on-period change)	%	(+42.7)	(-14.7)	(+18.9)	(+10.0)	(0.0)
Unitholders' equity (d)	mn yen	90,877	127,761	128,314	128,087	127,398
(Period-on-period change)	%	(-0.1)	(+40.6)	(+0.4)	(-0.2)	(-0.5)
Unitholders' capital	mn yen	88,729	124,973	124,973	124,973	124,973
(Period-on-period change)	%	(0.0)	(+40.8)	(0.0)	(0.0)	(0.0)
Number of investment units issued and outstanding (e)	unit	157,000	200,000	200,000	200,000	200,000
Unitholders' equity per unit (d)/(e)	yen	578,839	638,809	641,570	640,437	636,990
Total distribution (f)	mn yen	2,148	2,792	3,342	3,123	2,434
Distribution per unit (f)/(e)	yen	13,682	13,960	16,711	15,618	12,172
(Earnings distributed per unit)	yen	13,682	13,960	16,711	15,618	12,172
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.2 (2.5)	1.4 (2.8)	1.5 (3.0)	1.3 (2.6)	1.0 (2.1)
Return on unitholders' equity (annualized) (Notes 2 and 3)	%	2.4 (4.8)	2.6 (5.1)	2.6 (5.2)	2.4 (4.8)	1.9 (3.8)
Unitholders' equity ratio at end of period (d)/(b)	%	48.2	59.8	55.7	53.4	53.4
(Period-on-period change)		(-8.5)	(+11.5)	(-4.1)	(-2.2)	(-0.1)
Interest-bearing debt ratio at end of period (c)/(b)	%	47.0	35.3	38.9	41.2	41.4
(Period-on-period change)		(+8.3)	(-11.7)	(+3.6)	(+2.3)	(+0.2)
Payout ratio (Note 4) (f)/(a)	%	100.0	99.9	99.9	99.9	100.0
Other reference						
Number of properties	Properties	72	77	68	69	67
Total leasable floor area	m^2	223,322.77	248,653.07	248,625.52	256,214.30	250,364.42
Occupancy at end of period	%	95.9	96.9	95.9	95.6	95.7
Depreciation expenses for the period	mn yen	1,243	1,392	1,430	1,445	1,429
Capital expenditures for the period	mn yen	1,132	1,238	1,152	1,105	891
Leasing NOI (net operating income) (Note 5)	mn yen	4,283	5,394	5,612	5,923	6,030
FFO (funds from operation) (Note 6)	mn yen	3,261	4,184	4,259	4,269	4,356
FFO per unit (Note 7)	yen	20,772	20,920	21,297	21,345	21,780

Notes:
1. Return on assets = Ordinary income/(Total assets at beginning of period + Total assets at end of period)/2 x 100
2. Annualized values for the Fourth Fiscal Period are calculated based on a period of 181 days, 184 days for the Fifth Fiscal Period, 182 days for the Sixth Fiscal Period, 184 days for the Seventh Fiscal Period and 181 days for the Eighth Fiscal Period
3. Return on unitholders' equity = Net income/(Total unitholders' equity at beginning of period + Total unitholders' equity at end of period)/2 x 100
4. Payout ratio is rounded down to the first decimal
5. Leasing NOI = Rental revenues – Rental expenses + Depreciation expenses for the period
6. FFO = Net income + Depreciation expenses for the period – Profit on sale of trust beneficiary interests in real estate or real estate + Loss on sale of trust beneficiary interests in real estate or real estate
7. FFO per unit = FFO/Number of investment units issued and outstanding (figures below ¥1 rounded down)

FINANCIAL STATEMENTS

8th Fiscal Period

From November 1, 2008 to April 30, 2009

- Report of Independent Auditors
- Balance Sheets
- Statements of Income and Retained Earnings
- Statements of Changes of Unitholders' Equity
- Notes to Financial Statements

Statements of Cash Flows and Related Notes (Unaudited)

Report of Independent Auditors

To the Board of Directors and Unitholders of
Kenedix Realty Investment Corporation

We have audited the accompanying balance sheets of Kenedix Realty Investment Corporation as of April 30, 2009 and October 31, 2008, and the related statements of income and retained earnings and changes in unitholders' equity for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Realty Investment Corporation at April 30, 2009 and October 31, 2008, and the results of its operations for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

June 10, 2009

BALANCE SHEETS

AS OF APRIL 30, 2009 AND OCTOBER 31, 2008

	In thousands of yen	
	As of April 30, 2009	As of October 31, 2008
ASSETS		
Current assets:		
Cash and bank deposits	¥ 15,608,085	¥ 13,029,801
Rental receivables	260,568	187,278
Consumption tax refundable	—	180,365
Other current assets	73,324	67,696
Total current assets	15,941,977	13,465,141
Property and equipment, at cost:		
Land	153,829,839	155,906,794
Buildings and structures	74,328,940	74,546,241
Machinery and equipment	901,145	905,705
Tools, furniture and fixtures	379,847	382,011
Less-accumulated depreciation	(7,543,943)	(6,230,362)
Net property and equipment	221,895,828	225,510,389
Other assets:		
Ground leasehold	285,350	285,350
Organization costs	10,179	15,269
Corporate bond issuance costs	45,525	51,306
Unit issuance costs	47,368	88,837
Other assets	518,783	232,306
Total assets	**¥ 238,745,010**	**¥ 239,648,598**
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities		
Current liabilities:		
Trade and other payables	¥ 614,834	¥ 728,711
Short-term debt	19,000,000	24,000,000
Deposits received	68,644	6,411
Rents received in advance	1,173,618	1,238,195
Other current liabilities	416,183	177,809
Total current liabilities	21,273,279	26,151,126
Corporate bonds	12,000,000	12,000,000
Long-term debt	67,750,000	62,750,000
Leasehold and security deposits received	10,306,968	10,643,623
Other liabilities	16,665	16,272
Total liabilities	**¥ 111,346,912**	**¥ 111,561,020**
Unitholders' equity		
Unitholders' capital	¥ 124,973,750	¥ 124,973,750
Units authorized:2,000,000units		
Units issued and outstanding:200,000units		
As of April 30, 2009 and October 31, 2008, respectively		
Retained earnings	2,434,458	3,123,699
Unrealized gain from deferred hedge transactions	(10,110)	(9,872)
Total unitholders' equity	127,398,098	128,087,577
Total liabilities and unitholders' equity	**¥ 238,745,010**	**¥ 239,648,598**

See notes to financial statements

STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE PERIOD FROM MAY 1, 2008 TO OCTOBER 31, 2008, AND THE PERIOD FROM NOVEMBER 1, 2008 TO APRIL 30, 2009

	In thousands of yen	
	From November 1, 2008 to April 30, 2009	From May 1, 2008 to October 31, 2008
Operating Revenues:		
Rental revenues	¥ 8,204,122	¥ 8,156,517
Profit on sale of real estate	—	299,717
Total operating revenues	8,204,122	8,456,234
Operating Expenses:		
Property-related expenses	3,603,207	3,678,720
Loss on sale of real estate	492,463	—
Asset management fees	434,811	442,470
Administrative service and custodian fees	78,432	74,276
Other operating expenses	132,023	116,030
Total operating expenses	4,740,936	4,311,495
Operating income	**¥ 3,463,186**	**¥ 4,144,738**
Non-Operating Expenses:		
Interest expense	¥ 858,419	¥ 803,790
Financing related expense	107,828	145,680
Amortization of organization costs	5,089	5,090
Amortization of unit issuance costs	41,469	41,469
Amortization of corporate bond issuance costs	5,782	5,878
Others, net	9,270	18,425
Income before income taxes	2,435,329	3,124,407
Income taxes	970	793
Net income	2,434,359	3,123,614
Retained earnings at the beginning of period	99	85
Retained earnings at the end of period	**¥ 2,434,458**	**¥ 3,123,699**

See notes to financial statements

STATEMENTS OF CHANGES OF UNITHOLDERS' EQUITY

FOR THE PERIOD FROM MAY 1, 2008 TO OCTOBER 31, 2008 AND THE PERIOD FROM NOVEMBER 1, 2008 TO APRIL 30, 2009

In thousands of yen

	Unitholders' Equity			
	Unitholders' capital	Retained earnings	Unrealized gain from deferred hedge transactions	Total
Balance as of May 1, 2008	**¥ 124,973,750**	**¥ 3,342,285**	**¥ (1,873)**	**¥ 128,314,162**
Changes during the fiscal period				
New unit issuance	—	—	—	—
Payment of dividends	—	(3,342,200)	—	(3,342,200)
Net income	—	3,123,614	—	3,123,614
Interest-rate swap	—	—	(7,998)	(7,998)
Total changes during the fiscal period	—	(218,586)	(7,998)	(226,584)
Balance as of October 31, 2008	**¥ 124,973,750**	**¥ 3,123,699**	**¥ (9,872)**	**¥ 128,087,577**
Changes during the fiscal period				
New unit issuance	—	—	—	—
Payment of dividends	—	(3,123,600)	—	(3,123,600)
Net income	—	2,434,359	—	2,434,359
Interest-rate swap	—	—	(238)	(238)
Total changes during the fiscal period	—	(689,241)	(238)	(689,479)
Balance as of April 30, 2009	**¥ 124,973,750**	**¥ 2,434,458**	**¥ (10,110)**	**¥ 127,398,098**

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD FROM MAY 1, 2008 TO OCTOBER 31, 2008, AND THE PERIOD FROM NOVEMBER 1, 2008 TO APRIL 30, 2009

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Kenedix Realty Investment Corporation ("the Investment Corporation") is a real estate investment corporation whose units are listed on the Tokyo Stock Exchange. The Investment Corporation is engaged in ownership and operation of selected office buildings, residential and retail properties in Japan. The Investment Corporation was incorporated as an investment corporation under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. Pursuant to this law, the Investment Corporation is externally managed by a registered asset management company, Kenedix REIT Management, Inc. ("the Asset Management Company"), a subsidiary of Kenedix, Inc. ("Kenedix").

On May 6, 2005, the Investment Corporation was originally formed with ¥200 million of initial capital contributions from Kenedix, the Asset Management Company and their executives and employees. On July 20, 2005, the Investment Corporation raised ¥41,869 million of equity capital through an initial public offering of 75,000 investment units and was listed on the J-REIT section of the Tokyo Stock Exchange on the following day.

On August 1, 2005, 29 properties with an aggregate purchase price of ¥61,083 million were acquired with additional debt proceeds of ¥23,000 million and substantial operations of the Investment Corporation were commenced from that date.

On August 16, 2005, the Investment Corporation completed third-party allotment of 3,970 investment units, generating an additional ¥2,216 million. Subsequent to that, the Investment Corporation acquired 2 additional properties in September, 2005. During the period ended April 30, 2006, the Investment Corporation acquired 4 additional properties by utilizing internal cash and bank borrowings.

On May 1, 2006, the Investment Corporation raised ¥42,172 million of equity capital through a public offering of 73,660 investment units and 26 properties with an aggregate purchase price of ¥58,033 million were acquired with additional debt proceeds of ¥16,000 million.

On May 26, 2006, the Investment Corporation completed third-party allotment of 3,970 investment units, generating an additional ¥2,273 million. During the period ended October 31, 2006, the Investment Corporation sold 2 properties and acquired 5 properties.

On March 15, 2007, the Investment Corporation issued corporate bonds. Their total amount is ¥12,000 million and terms are five years and ten years.

On February 1, 2008, the Investment Corporation sold 23 residential properties (initial total acquisition price of ¥30,343 million) to a wholly owned subsidiary of Kenedix and acquired 9 office buildings (total acquisition price of ¥31,980 million) from a wholly owned subsidiary of Kenedix. In addition, the Investment Corporation acquired 5 office buildings (total acquisition price of ¥14,121 million), during the period ended April 30, 2008.

During the period ended October 31, 2008, the Investment Corporation acquired 3 properties by utilizing internal cash and bank borrowings, and sold 2 properties.

During the period ended April 30, 2009, the Investment Corporation sold 2 properties. As of April 30, 2009, the Investment Corporation had total unitholders' capital of ¥124,974 million with 200,000 investment units outstanding. The Investment Corporation owned a portfolio of 67 properties with total acquisition price of ¥218,999 million containing total leasable area of 250,364m^2. The occupancy ratio was 95.7%. The portfolio of 67 properties consists of 58 office buildings, 7 residential properties and 2 central urban retail properties; 57 properties are located in the Tokyo Metropolitan Area and 10 properties are located in Other Regional Areas.

BASIS OF PRESENTATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

	From November 1, 2008 to April 30, 2009	From May 1, 2008 to October 31, 2008
Buildings and structures	2-49 years	2-49 years
Machinery and equipment	3-17 years	3-17 years
Tools, furniture and fixtures	3-20years	3-20 years

(B) ORGANIZATION COSTS

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

(C) UNIT ISSUANCE COSTS

Unit issuance costs are amortized over a period of three years under the straight-line method.

(D) CORPORATE BOND ISSUANCE COSTS

Corporate bond issuance costs are amortized over a loan period under the straight-line method.

(E) ACCOUNTING TREATMENT OF TRUST BENEFICIARY INTERESTS IN REAL ESTATE

For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan, all assets and liabilities within trust are recorded in the relevant balance sheet and income statement accounts.

(F) REVENUE RECOGNITION

Operating revenues consist of rental revenues including base rents and common area charges, and other operating revenues including utility charge reimbursements, parking space rental revenues and other miscellaneous revenues. Rental revenues are generally recognized on an accrual basis over the life of each lease. Utility charge reimbursements are recognized when earned and their amounts can be reasonably estimated. Reimbursements from tenants including utility charge reimbursements are recorded on a gross basis and such amounts are recorded both as revenue and expense during the fiscal period, respectively.

(G) TAXES ON PROPERTY AND EQUIPMENT

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. Under the Japanese tax rule, the seller of the property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued property-related tax liabilities.

When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period in which the installments of such taxes are paid to the relevant tax authorities.

(H) INCOME TAXES

Deferred tax assets and liabilities are computed based on the difference between the financial statements and income tax bases of assets and liabilities using the statutory tax rates.

(I) DERIVATIVE FINANCIAL INSTRUMENTS

The Investment Corporation utilizes interest-rate swap agreements as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. The Investment Corporation deferred recognition of gains or losses resulting from changes in fair value of interest-rate swap agreements because its interest-rate swap agreements met the criteria for deferral hedging accounting. But, the Investment Corporation adopted special treatment for interest-swap agreements if its interest-rate swap agreements met the criteria for hedging accounting under this treatment, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(J) ROUNDING OF AMOUNTS PRESENTED

Amounts have been truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan, whereas amounts have been rounded to the nearest million in the accompanying financial statements. Totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

3. SCHEDULE OF PROPERTY

	In millions of yen					
	As of April 30, 2009			As of October 31, 2008		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥153,830	–	¥ 153,830	¥155,907	-	¥ 155,907
Buildings and structures	74,329	¥7,133	67,196	74,546	¥5,890	68,656
Machinery and equipment	901	290	611	906	241	665
Tools, furniture and fixtures	380	121	259	382	100	282
Total	**¥ 229,440**	**¥ 7,544**	**¥ 221,896**	**¥ 231,740**	**¥ 6,230**	**¥ 225,510**

4. SHORT-TERM AND LONG-TERM DEBTS

The following summarizes short-term and long term debt outstanding as of April 30, 2009:

(As of April 30, 2009)

Classification	Drawdown date	Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	October 31, 2008	October 30, 2009	1.16%	¥ 1,500
	October 31, 2008	October 31, 2009	1.52%	1,000
	November 4, 2008	November 2, 2009	1.16%	1,000
	December 8, 2008	December 8, 2009	1.52%	500
	January 13, 2009	January 13, 2010	1.38%	1,000
	February 27, 2009	February 26, 2010	1.12%	500
	April 30, 2009	October 30, 2009	1.91%	2,500
	April 30, 2009	April 30, 2010	1.91%	2,000
Current portion of long-term debt	October 31, 2007	October 31, 2009	1.34%	2,000
	April 25, 2008	October 25, 2009	1.56%	1,000
	April 25, 2008	October 25, 2009	1.46%	1,500
	April 2, 2007	April 2, 2010	1.57%	2,000
	July 31, 2008	January 31, 2010	1.68%	2,500
Subtotal				**¥ 19,000**
Long-term debt	August 1, 2005	July 31 ,2010	1.29%	¥ 9,500
	May 1, 2006	April 30, 2011	2.20%	2,500
	May 1, 2006	April 30, 2016	2.73%	5,000
	July 14, 2006	July 13, 2011	2.15%	1,000
	September 1, 2006	August 31, 2013	2.12%	3,000
	December 1, 2006	November 30, 2011	1.96%	2,500
	April 2, 2007	April 2, 2012	1.88%	2,000
	April 17, 2007	April 16, 2011	1.65%	1,500
	January 10, 2008	January 10, 2012	1.50%	2,500
	February 29, 2008	February 28, 2011	1.37%	2,000
	February 29, 2008	August 31, 2011	1.43%	1,500
	March 31, 2008	September 30, 2011	1.61%	3,000
	March 31, 2008	September 30, 2011	1.56%	2,000
	May 1, 2008	November 1, 2011	1.91%	1,000
	June 30, 2008	February 28, 2011	1.99%	1,000
	June 30, 2008	June 30, 2012	2.15%	1,500
	June 30, 2008	December 28, 2012	2.26%	3,000
	July 15, 2008	March 31, 2011	1.87%	2,000
	July 31, 2008	January 31, 2011	1.87%	3,500
	July 31, 2008	July 31, 2011	1.99%	3,500
	September 1, 2008	September 1, 2011	1.78%	1,000
	September 22, 2008	March 22, 2011	1.71%	1,250
	September 30, 2008	March 31, 2011	1.82%	2,000
	October 31, 2008	October 31, 2010	1.57%	500
	February 27, 2009	February 29, 2012	2.07%	500
	February 27, 2009	August 31, 2012	2.04%	1,000
	April 30, 2009	April 28, 2011	2.23%	1,500
	April 30, 2009	April 28, 2011	2.23%	1,000

(As of April 30, 2009)

Classification	Drawdown date	Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	April 30, 2009	October 31, 2011	2.51%	3,500
	April 30, 2009	April 27, 2012	2.51%	2,000
Subtotal				**¥ 67,750**
Corporate bonds	March 15, 2007	March 15, 2012	1.74%	¥ 9,000
	March 15, 2007	March 15, 2017	2.37%	3,000
Subtotal				**¥ 12,000**
Total				**¥ 98,750**

5. LINE OF CREDIT

The Investment Corporation established credit commitment lines with two lenders. The total available borrowings under the commitment line agreements are ¥5 billion yen. The Investment Corporation had an outstanding balance of ¥5 billion yen as of April 30, 2009 and therefore fully utilized the maximum amount of the commitment lines.

The commitment period with The Bank of Tokyo-Mitsubishi UFJ, Ltd. under the ¥2.5 billion commitment line agreement has already expired and it matures March 31, 2011 in accordance with the memorandum of understanding executed on September 26, 2008.

The commitment period with Citibank Japan, Ltd. under the ¥2.5 billion commitment line agreement has expired and the maturity date has already passed without any renewal.

6. ASSETS PLEDGED AS COLLATERAL AND SECURED LOANS PAYABLE

(As of April 30, 2009)

Assets pledged as collateral	In thousands of yen
Cash and bank deposits	¥4,821,046
Land	¥105,959,738
Buildings and structures	¥49,913,721
Machinery and equipment	¥548,396
Tools, furniture and fixtures	¥138,626
Other assets	¥1,383
Total	**¥161,382,910**
Secured loans payable	
Short-term loans debt	¥19,000,000
Long-term loans debt	¥67,750,000
Total	**¥86,750,000**

7. PER UNIT INFORMATION

The net asset value per unit as of April 30, 2009 and October 31, 2008 was ¥636,990 and ¥640,437. Net income per unit as of April 30, 2009 and October 31, 2008 was ¥12,171 and ¥15,618.

The number of units outstanding at end of period of 200,000 was used for the computation of the amount of net asset value per unit as of April 30, 2009 and October 31, 2008.

The weighted average number of units outstanding of 200,000 was used for the computation of the amount of net income per unit as of April 30, 2009 and October 31, 2008.

8. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 40%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measure Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement it currently distribute in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. Since the Investment Corporation distributed approximately 100% of its distributable income in the form of cash distributions totaling ¥2,434 million and ¥3,124 million for the periods ended April 30, 2009 and October 31, 2008. Such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.04% and 0.03% for the periods ended April 30, 2009 and October 31, 2008. The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	From November 1, 2008 to April 30, 2009	From May 1, 2008 to October 31, 2008
Statutory tax rate	39.33%	39.39%
Deductible cash distributions	(39.31%)	(39.38%)
Other	0.02%	0.02%
Effective tax rate	0.04%	0.03%

9. UNITHOLDERS' EQUITY

The Investment Corporation issues only non-par value units in accordance with the Investment Trust Law. The entire amount of the issue price of new units is designated as stated capital. The Investment Corporation is required to maintain net assets of at least ¥50 million as required by the Investment Trust Law.

10. RELATED-PARTY TRANSACTIONS

TRANSACTIONS WITH KENEDIX REIT MANAGEMENT, INC.

Kenedix REIT Management, Inc., subsidiary of Kenedix, provides the Investment Corporation with property management services and related services. For these services, the Investment Corporation pays Kenedix REIT Management, Inc. property management fees in accordance with the terms of its Property Management Agreements. For these services, The Investment Corporation paid ¥324 million to Kenedix REIT Management, Inc.

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

Rental and other operating revenues and property-related expenses for the periods from November 1, 2008 to April 30, 2009 and from May 1, 2008 to October 31, 2008 consist of the following:

	In thousands of yen	
	From November 1, 2008 to April 30, 2009	From May 1, 2008 to October 31, 2008
Rental and other operating revenues:		
Rental revenues	¥ 5,985,836	¥ 5,847,510
Common area charges	1,246,786	1,263,583
Subtotal	7,232,622	7,111,093
Others:		

Parking space rental revenues	241,962	250,006
Utility charge reimbursement	559,130	668,719
Miscellaneous	170,408	126,700
Subtotal	971,500	1,045,424
Total rental and other operating revenues	**¥ 8,204,122**	**¥ 8,156,517**

Property management fees and facility management fees	¥ 799,004	¥ 792,077
Depreciation	1,429,329	1,445,267
Utilities	578,389	611,722
Taxes	494,867	406,439
Insurance	16,533	17,035
Repairs and maintenance	138,371	188,401
Trust fees	45,274	46,904
Others	101,440	163,023
Loss on retirement of fixed assets	—	7,853
Total property-related expenses	**¥ 3,603,207**	**¥ 3,678,720**
Profit on sale of real estate:		
Revenue from sale of investment properties		¥ 5,578,810
Cost of investment properties	—	5,100,280
Other sales expenses		178,813
Profit on sale of real estate		**¥ 299,717**

Loss on sale of real estate		
Revenue from sale of investment properties	¥ 2,670,000	
Cost of investment properties	3,108,892	—
Other sales expenses	53,571	
Loss on sale of real estate	**¥ 492,463**	

12. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease term of generally two years for office buildings and residential properties and with lease term ranging from two to ten years for retail properties. The future minimum rental revenues under existing non-cancelable operating leases as of April 30, 2009 and October 31, 2008 are as follows:

	In thousands of yen	
	As of April 30, 2009	As of October 31, 2008
Due within one year	¥ 1,314,069	¥ 1,493,056
Due after one year	7,930,499	8,487,580
Total	**¥ 9,244,568**	**¥ 9,980,637**

13. DERIVATIVES AND HEDGE ACCOUNTING

The Investment Corporation has entered into interest-rate swap agreements with several Japanese financial institutions to hedge its variable rate long-term debt obligations. The Investment Corporation utilizes interest-rate swap agreements, which are derivative financial instruments, only for the purpose of mitigating future risks of fluctuations of interest rates, but does not enter into such transactions for speculative or trading purposes. The Investment Corporation entered into such derivative transactions to hedge risk in accordance with its Articles of Incorporation and the established risk management policies of the Asset Management Company.

The following summarizes the notional principal amounts and the estimated unrealized loss from interest rate swap contracts as of April 30, 2009:

The estimated unrealized loss does not include the interest rate swap contracts that met the criteria for the special treatment.

(As of April 30, 2009)

Type	Notional amount	Unrealized loss
Interest-rate swap: **Fixed rate payable and floating rate receivable**	¥29,500 million	¥(17 million)

14. PROPERTY INFORMATION

Details of the property portfolio as of April 30, 2009 were as follows:

Type	Office Buildings		Residential Properties		Central Urban Retail Properties
Location	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area
Number of properties	49	9	6	1	2

Property information (In millions of yen)					
Acquisition price	¥165,246	¥28,665	¥10,909	¥1,800	¥12,380
Percentage of total acquisition costs	75.45%	13.09%	4.98%	0.82%	5.65%
Net book value	168,354	28,581	10,751	1,877	12,620
Appraisal value at year end	166,451	25,844	9,768	1,510	12,880
Percentage of total appraisal value	76.90%	11.94%	4.51%	0.70%	5.95%

Financial results for the period ended April 30, 2009 (In thousands of yen)					
Rental and other operating revenues	¥ 6,134,879	¥ 1,269,712	¥ 348,922	¥ 91,072	¥ 359,536
Rental revenues	5,430,893	1,080,028	316,503	80,092	325,106
Other revenues	703,986	189,685	32,420	10,980	34,430

Type	Office Buildings		Residential Properties		Central Urban Retail Properties
Location	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area
Property-related expenses	1,555,055	433,303	66,108	47,248	72,166
Property management fees	561,043	175,068	30,917	7,927	24,049
Taxes	343,707	107,240	16,030	8,516	19,373
Utilities	446,068	105,311	4,173	2,202	20,635
Repairs and maintenance	95,432	21,650	6,288	13,626	1,375
Insurance	10,038	4,808	858	496	333
Trust fees and other expenses	98,766	19,226	7,842	14,481	6,401
NOI (Net Operating Income)	4,579,825	836,410	282,814	43,824	287,370
Depreciation expenses	964,821	281,524	94,405	22,652	65,926
Operating income from property leasing activities	3,615,003	554,886	188,409	21,172	221,445
Capital expenditures	838,487	45,629	578	838	6,440
NCF (Net Cash Flow)	3,741,337	790,781	282,237	42,986	280,930

A breakdown of property-type as of April 30, 2009 was as follows:

Class of assets	Property type	Area	Balance at the end of period (In millions of yen)	Percentage of total assets
Property and equipment	Office Buildings	Tokyo Metropolitan Area	¥168,354	70.5%
		Other Regional Areas	28,581	12.0%
	Subtotal		196,935	82.5%
	Residential Properties	Tokyo Metropolitan Area	10,751	4.5%
		Other Regional Areas	1,877	0.8%
	Subtotal		12,627	5.3%
	Central Urban Retail Properties	Tokyo Metropolitan Area	12,620	5.3%
	Total		¥222,183	93.1%
Bank deposits and other assets			¥ 16,562	6.9%
Total assets			238,745	100.0%
Total liabilities			111,347	46.6%
Net assets			¥127,398	53.4%

STATEMENTS OF CASH FLOWS (Unaudited)

FOR THE PERIOD FROM MAY 1, 2008 TO OCTOBER 31, 2008 AND THE PERIOD FROM NOVEMBER 1, 2008 TO APRIL 30, 2009

	In thousands of yen	
	From November 1, 2008 to April 30, 2009	From November 1, 2007 to April 30, 2008
Cash Flows from Operating Activities:		
Income before income taxes	¥ 2,435,329	¥ 3,124,407
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	1,571,996	1,535,995
Interest expense	858,419	803,790
Interest expense	–	7,853
Changes in assets and liabilities:		
Rental receivables	(73,290)	(28,275)
Consumption tax refundable	180,365	(180,365)
Accrued consumption tax	252,054	(179,988)
Trade and other payables	(114,984)	(66,480)
Rents received in advance	(64,577)	65,520
Property and equipment due to sale	3,108,890	5,100,280
Others, net	(320,267)	(151,165)
Subtotal	7,833,935	10,031,573
Cash payments of interest expense	(872,143)	(751,791)
Cash payments of income taxes	(605)	(769)
Net cash provided by operating activities	**6,961,187**	**9,279,013**
Cash Flow from Investing Activities:		
Purchases of property and equipment	(923,618)	(15,579,837)
Proceeds from leasehold and security deposits received	441,191	1,147,506
Payments of leasehold and security deposits received	(777,846)	(680,726)
Payments of time deposits	(1,390,000)	–
Payments of restricted bank deposits	(563)	(574,468)
Proceeds from restricted bank deposits	820,124	1,299,219
Others, net	(1,178)	11,100
Net cash used in investing activities	**(1,831,890)**	**(14,377,206)**
Cash Flows from Financing Activities:		
Proceeds from short-term debt	12,000,000	5,500,000
Payment of short-term debt	(7,000,000)	(6,250,000)
Proceeds from long-term debt	9,500,000	22,750,000
Payment of long-term debt	(14,500,000)	(13,000,000)
Payment of dividends	(3,121,451)	(3,340,016)
Net cash (used in) provided by financing activities	**(3,121,451)**	**5,659,984**
Net change in cash and cash equivalents	2,007,846	561,791
Cash and cash equivalents at the beginning of period	11,703,649	11,141,858
Cash and cash equivalents at the end of period	**¥ 13,711,495**	**¥ 11,703,649**

See related notes

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Unaudited)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, deposits placed with banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of purchase.

CASH AND CASH EQUIVALENTS (Unaudited)

Cash and cash equivalents consisted of the following as of April 30, 2009 and October 31, 2008:

	In thousands of yen	
	As of April 30, 2009	As of October 31, 2008
Cash and bank deposits	¥ 15,608,085	¥ 13,029,801
Restricted bank deposits held in trust (Note 1)	(506,590)	(1,326,152)
More than 3 months fixed deposits (Note 2)	(1,390,000)	–
Cash and cash equivalents	¥ 13,711,495	¥ 11,703,649

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

General Breakdown of Unitholders

Note: Figures are rounded to the first decimal place.

Top Ten Unitholders (as of April 30, 2009)

Name	Units Held	Share of Outstanding Units
Goldman Sachs International	25,317	12.65%
NikkoCiti Trust and Banking Corporation (investment trust account)	17,023	8.51%
The Master Trust Bank of Japan, Ltd. (trust account)	15,769	7.88%
Japan Trustee Services Bank, Ltd. (trust account)	15,386	7.69%
The Nomura Trust and Banking Co., Ltd. (investment trust account)	10,698	5.34%
Trust & Custody Services Bank, Ltd. (securities investment trust account)	9,344	4.67%
Deutsche Bank AG London-PB Non-Treaty Clients 613	8,431	4.21%
Morgan Stanley & Company, Inc.	5,339	2.66%
The Chase Manhattan Bank N.A. London Secs Lending Omnibus Account	3,388	1.69%
Sumitomo Mitsui Banking Corporation	3,002	1.50%
Total	113,697	56.84%

Note: Ratios are rounded down to the second decimal place.

IR Schedule

Information is regularly disclosed throughout the year via press releases and the website at www.kdx-reit.com/eng.

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