

# 7<sup>th</sup> Fiscal Period

May 1, 2008 - October 31, 2008

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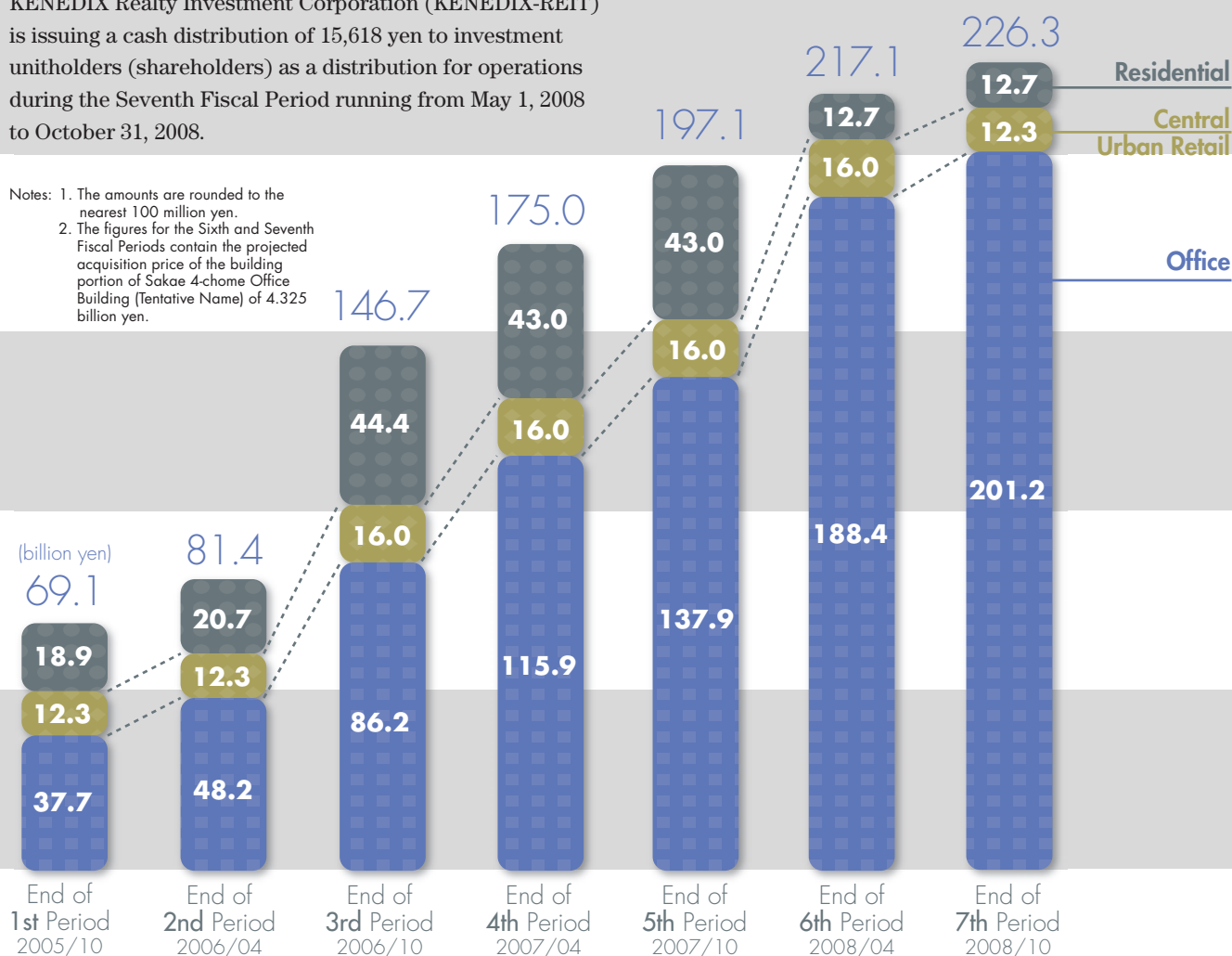
## SEMIANNUAL REPORT

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# INVESTMENT HIGHLIGHTS FOR SEVENTH FISCAL PERIOD

KENEDIX Realty Investment Corporation (KENEDIX-REIT) is issuing a cash distribution of 15,618 yen to investment unitholders (shareholders) as a distribution for operations during the Seventh Fiscal Period running from May 1, 2008 to October 31, 2008.

Notes: 1. The amounts are rounded to the nearest 100 million yen.  
2. The figures for the Sixth and Seventh Fiscal Periods contain the projected acquisition price of the building portion of Sakae 4-chome Office Building (Tentative Name) of 4.325 billion yen.



## Operating Revenues

7th Period  
**8,456** mn yen

Period-on-period decrease of 652 million yen in capital gains from sales

## Net Income

7th Period  
**3,123** mn yen

Adjusted total without property sales would be 2,823 million yen for the Seventh Fiscal Period and 2,829 million yen for the Sixth Fiscal Period

## Distribution

**15,618** yen

per Unit

## Unitholders' Equity

**640,437** yen

per Unit

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# Speaking to You

A Letter from the CEO

## Never Drive in Neutral Manual Steering, Not Automatic Drive

**Q** How have the global trends impacted your business model and results?

**A** I am not a person who gives in easily and blames results on external forces. It is irrefutable that the global recession has now encroached upon Japan and Asia, but to say this has destroyed us would be rash. The fact is that we continue to maintain an occupancy in the mid-90% range and we have just announced another strong dividend. The impact of global markets has been the cost of financing – driving up fees – and is one excuse for the present malaise in the stock market, but we have continued to perform and are not just standing by and watching. These factors, if anything, have forced us to become more unique and flexible in measures to raise funds for new acquisitions. Our dynamic approach to management has enabled a shift in strategies employed for raising capital from follow-on offerings to investment corporation bonds and finally a combination of financing and sales. We are keen to drive external growth, internal growth and financial strategies half a step ahead of the market as this would provide us with a greater competitive advantage.

**Q** You must prefer manual drive to automatic?

**A** You are right. It is important to not just sit back and do nothing because of the “times” or external factors. This is the time to prepare for future growth. We are preparing the foundation for future growth so when the time comes we can apply our independent and speedy decision making to stay half a step ahead.

**Q** Right now in the market we often hear that banks are showing preferential treatment to J-REITs with major sponsors and are “excessively” demanding of J-REITs that lack such major sponsors. What are your thoughts concerning this?

**A** First, one cannot blame others for one's difficulties. It would be easy to blame banks but that doesn't lead to any resolution. That being said, we enjoy good relationships with our banks centered on mega banks but also have extensively developed relationships with several institutions to promote diversification. This is a direct reflection of the fact that we have never taken our financial support for granted. It is also a result of our dynamic but prudent investment and management strategy.

It is only natural for a J-REIT with good sponsors to be preferentially treated in any economic climate – whether good or bad – as J-REITs themselves have less credit. It is important for us to realize and maintain a certain asset size because that will enable greater profits and “secure” an even stronger standing among banks.

Furthermore, despite Kenedix, Inc. being an excellent sponsor and firm that has set the benchmark in real estate asset management in Japan, we have added ITOCHU Corporation, a leading trading company with annual sales of 12,412.5 billion yen, to the shareholders in our asset manager in December 2008. ITOCHU, an active player in real estate with phenomenal sourcing capabilities, has taken a 10% share in our asset manager. We anticipate a broad reinforcement of our property information sources and increasingly favorable view of KENEDIX-REIT as we prepare for our next round of external growth.

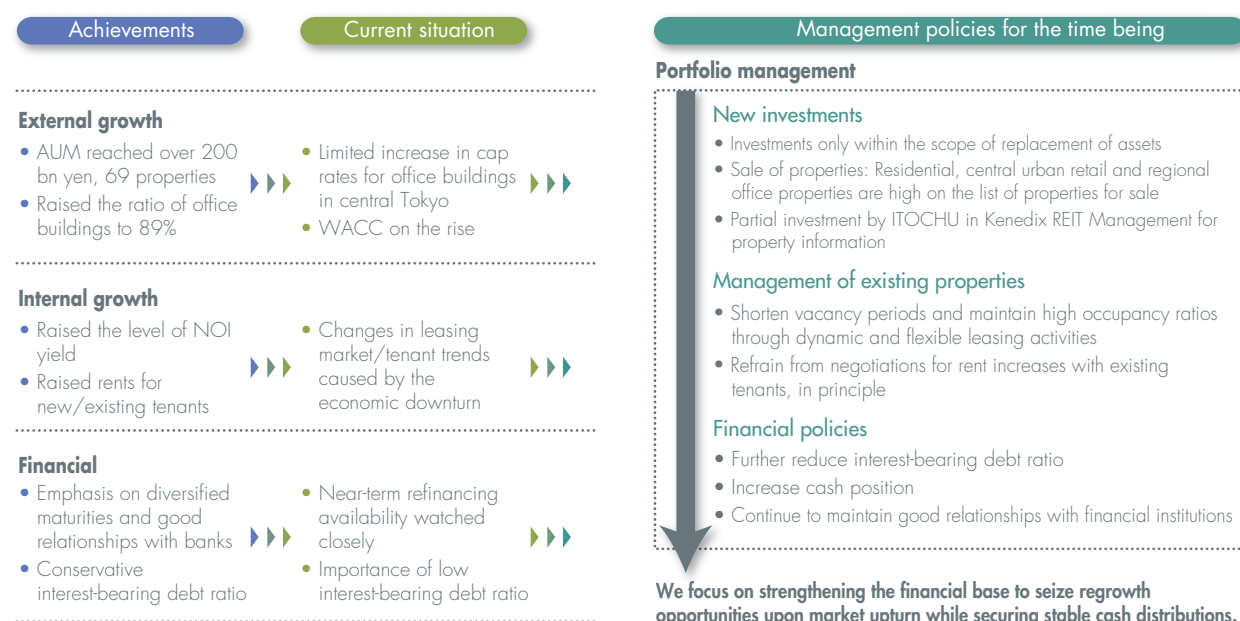
**Q** Will you maintain your strategy of investing solely in mid-sized office buildings? Are they not regarded a high-risk property group?

**A** Some investors question this strategy in a bad market. They claim that the successful tenants of mid-sized offices would switch to Class A space in these times because of the possibility of falling rents, thus creating vacancies. KENEDIX-REIT has studied this market to grasp a better understanding of this phenomenon. Interestingly, we have found no cases of this trend or the reverse of this trend occurring. The reality is that Class A and Class B, or large and mid-sized, office markets are distinctly different.

Statistics released by the Tokyo government show that 94% of offices in Tokyo have 29 or less staff. Thus we first and foremost enjoy the support of volume. If we provide good products and are known for providing them at a fair price, tenants will come and stay. That is one reason why we were the first J-REIT to announce we would

“  
It is  
important  
to remain  
half a step  
ahead.”

## MANAGEMENT POLICIES BASED ON J-REIT MARKET ENVIRONMENT



not recklessly pursue rent increases but would extend leases at appropriate rates. Though initially misinterpreted by some, this was very well received in the market. The fact is that in a difficult economy we value high occupancy much more than rent increases. Remember also that while rents were constantly pushed up over the past several years in the U.S., rents in Tokyo only bottomed out in 2005 after years of decline. Thus they are technically affordable and, more importantly, dependable. It is also vital to note that though our clients are small- and medium-sized enterprises (SMEs), they are predominantly members of major corporate groups and larger SMEs. Additionally, we are not solely dependent upon only a few number of tenants. We have more than 600 tenants in our office buildings and the top three tenants combined only account for 5.4% of the total. We are protected by a high volume market and tenant diversification. Note that we have terminated contracts on two of our tenants over the past year but the deposits that were collected more than covered their outstanding rents and thus our deposits also provide a strong protective hedge in this market.

**Q** What are the strengths of KENEDIX-REIT?

**A** In addition to our portfolio mentioned above, I would have to say it is our quick independent decision making. We are ceaselessly striving to be half a step ahead of the market. When the trend among J-REITs was to muddle their investment focus, we sharpened ours to mid-sized office buildings predominantly in Tokyo. This potentially lowered the “cost of funds” provided by banks with an easy to understand product in the well-known market of Tokyo. When the focus has been on how to raise rents, we were the first to incorporate a no-increase policy to reduce the stress on our tenants and shift the focus to occupancy and cash flow. We did our most recent PO at what proved to be the last “best timing” in the market. We are able to take such actions because we have investment professionals, financing professionals and property management professionals that are independent of obligations to sponsors – allowing us to stay ahead while maintaining strict compliance standards. In bad times it is important not to become unrealistically pessimistic and static, and in good times it is crucial not to disregard the “rules” and go all out. We are not an all powerful company. We need to precisely interpret the present, keep our eye on the future and maintain our half a step advantage as we continue to deliver to the market a good product that retains tenants, maintains rents and is trusted by financial institutions and investors alike. This will enable us to meet targets and finish laying the foundation for future growth as opportunities arise.

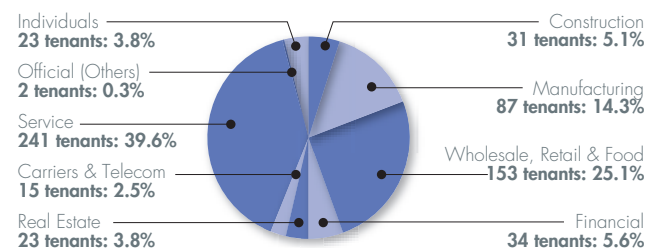


**Taisuke Miyajima**  
CEO and President  
Kenedix REIT Management, Inc.

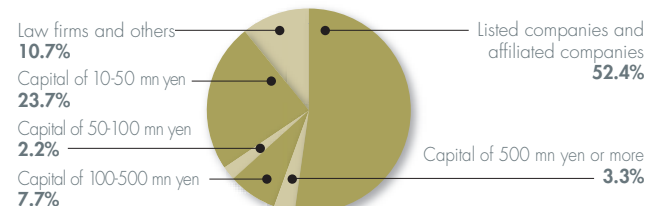
Miyajima entered Kenedix, Inc. after serving in the Capital Markets Department of Mitsubishi UFJ Trust and Banking in the U.S. (Los Angeles Agency) and Japan. He worked in real estate investment advisory for seven years, after which he transferred employment to serve as CEO and President of Kenedix REIT Management and executive officer of KENEDIX-REIT.

## BREAKDOWN OF END-TENANTS BY SECTOR FOR OFFICE BUILDINGS

(END OF 7TH PERIOD)



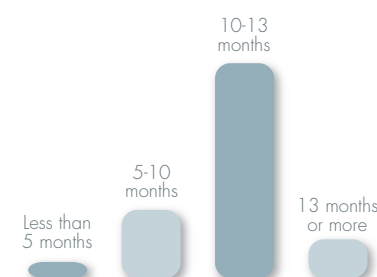
## TENANT ATTRIBUTES INCLUDING CAPITAL POSITION (Note)



Note: For 5 properties acquired after Feb. 29, 2008 (excluding KDX Jimbocho Building, which was acquired at 0% occupancy)

## STATUS OF RENTAL DEPOSITS

(END OF 7TH PERIOD)



# S Speaking to You

A Letter from the General Manager  
of the Financial Planning Division

## Prudent Financial Strategy

Key to Refinancing Success and Dynamic Management

**Q** The importance of the General Manager of the Financial Planning Division tends to increase in difficult times. With J-REITs and real estate firms in Japan confronting full-blown refinancing risk, how do you lessen and overcome this risk?

**A** Actually overcoming the refinancing risk is often singled out by the press as a key issue, but I don't perceive it in the same way. Part of the job of a CFO, which is similar to my position, is to arrange financing structures in a manner that enables their company to acquire properties and operate with little concern over the source of capital and with as little risk as possible. Thus, overcoming this risk is a natural part of my comprehensive duties, but it is not something that stands alone. We achieve this by consistently executing a strategy of diversifying debt maturities (see page 6), fixing interest rates and diversifying capital sourcing and debt structures (short-term borrowings, long-term borrowings and investment corporation bonds).

**Q** Do these three strategies always maintain the same level of importance?

**A** We cannot afford to be overcommitted to a single source of funds. For example, when the economy was strong and the market was performing solidly, KENEDIX-REIT proactively raised funds on the equity market and by issuing bonds. The former, in theory, carries no repayment risk and the latter gave us access to funds at a fixed interest and with a distant payment (see below). Of course, today both of these sources are near comatose and can't be touched for funds. We must thus use bank borrowings and other means to finance any moves we make. In the Sixth Fiscal Period, we announced the investment strategy of focusing almost exclusively on mid-sized office buildings. In implementation, we sourced the funds for these acquisitions primarily by divesting most of our residential portfolio. During the current fiscal period, we sold outlying properties at a capital gain and arranged new financing to acquire centrally located office properties.

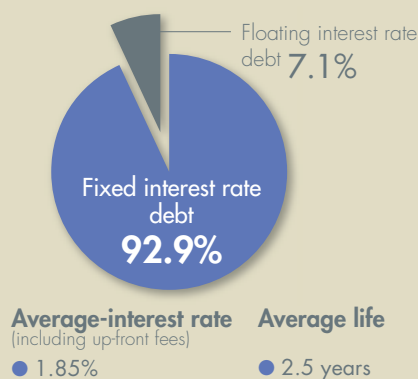
### DEBT PROVIDERS AND BALANCE OF DEBTS (as of Dec. 11, 2008)

Constructing strong relationships with multiple banks with the focus on mega banks

	6th period	7th period	Difference
Sumitomo Mitsui Banking Company	15.25	18.95	+3.7
The Chuo Mitsui Trust and Banking Co., Ltd.	12.5	14.5	+2.0
Aozora Bank, Ltd.	11.0	12.0	+1.0
Development Bank of Japan	8.0	11.0	+3.0
The Bank of Tokyo-Mitsubishi UFJ	7.8	9.8	+2.0
Mitsubishi UFJ Trust and Banking Corporation	7.2	7.2	0.0
Resona Bank, Ltd.	2.8	4.3	+1.5
The Norinchukin Bank	9.5	4.0	-5.5
Citibank Japan, Ltd.	0.0	2.5	+2.5
Mitsui Sumitomo Insurance Company	1.7	1.7	0.0
The Chiba Bank, Ltd.	2.0	0.8	-1.2
Investment Corporation Bonds	12.0	12.0	0.0
<b>Total</b>	<b>897.5</b>	<b>987.5</b>	<b>+90</b>

### FIXED DEBT INTEREST RATES (as of Dec. 11, 2008)

Proportion of debts at fixed interest rate vs. floating interest rates



Note: "Fixed interest rate debt" includes borrowings that were converted to fixed from floating through interest rate swaps



“We must continue to dynamically respond to the market while maintaining our core strategies.”

**Q** Why are you able to make such fluid shifts in strategies?

**A** This is possible due to the agglomeration of multiple factors:

1) Our team of phenomenal professionals enabling realistic and smooth implementation, 2) A prudent and diligently built relationship with our supporting financial institutions, 3) The excellent ratings (see page 7) awarded due to our prudent yet dynamic investment policy, 4) A commitment to understanding where the market is and where it is going, and 5) Strong belief in ourselves, meaning we take heed of strategies by others but do not let these excessively color our judgment. But don't misunderstand this, we believe in our three guiding strategies.

**Q** Do you see any shift in strategies in the coming Eighth Fiscal Period?

**A** A clear shift is that we will mainly focus on sales of properties, if desired prices can be obtained to finance office property acquisitions, as well as repayments and obtaining cash on hand. With the return of near “zero” interest rates, we may want to consider floating interest rates for their potentially lower interest payments and terms. However, no distinct shift in strategy of this nature will occur without proper deliberation within the established decision-making structures of Kenedix REIT Management. It is important to note that we must continue to dynamically respond to the market while maintaining our core strategies.



**Masahiko Tajima**

Director and General Manager  
Financial Planning Division



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

#### DIVERSIFICATION OF DEBT MATURITIES (as of Dec. 11, 2008)



Note 1: Shows the amount of debt maturing in each Half.

Note 2: 1H is from Apr. 1 to Sep. 30, 2H is from Oct. 1 to Mar. 31 of the following year and not identical with the fiscal period of KENEDIX-REIT (e.g. 2008 2H is from Oct. 1 2008 to Mar. 31, 2009)

# FINANCIAL OVERVIEW AND STRATEGY

## Engineering a Dynamic Yet Conservative Strategy

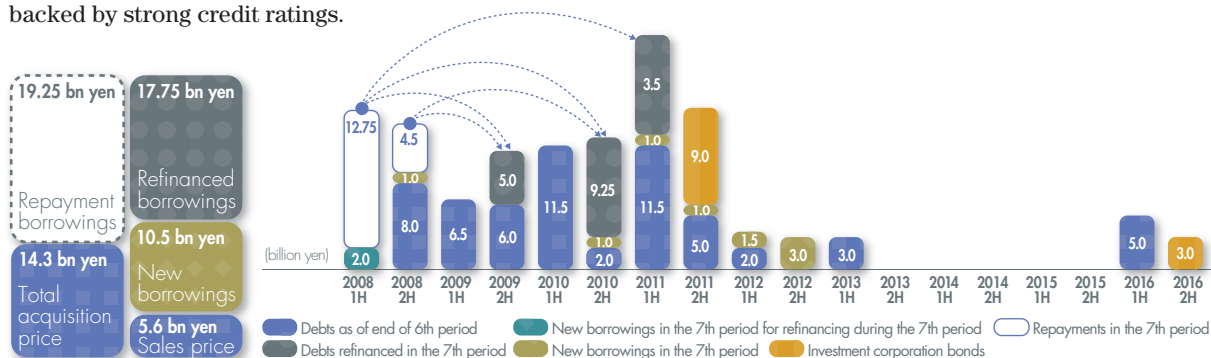
KENEDIX-REIT is committed to a conservative yet dynamic financing policy. The debt taken out by KENEDIX-REIT is unsecured and unguaranteed as long as its financial covenants are not violated for two consecutive fiscal periods. KENEDIX-REIT has outstanding interest-bearing debt of 98.75 billion yen as of December 11, 2008 (announcement date for KENEDIX-REIT's Seventh Fiscal Period results), which breaks down into 81.75 billion yen in long-term borrowings, 5.0 billion yen in short-term borrowings and 12.0 billion yen in bonds.

In a period when J-REITs are struggling to refinance, KENEDIX-REIT has proactively and successfully refinanced, and in the process has diversified maturities to prevent an over-concentration of payment deadlines at specific periods.

This is best shown in the chart below that portrays the combination of refinancing, new borrowings and proceeds from sales used to cover loan payment obligations and funds for acquiring new properties. The successful spreading of payment maturities is also shown in the chart.

### BORROWINGS IN THE 7TH PERIOD AND PROPERTY TRADING

This financing strategy and the exemplary terms of KENEDIX-REIT's investment corporation bonds are backed by strong credit ratings.



### CREDIT RATING (as of Jan. 15, 2009)

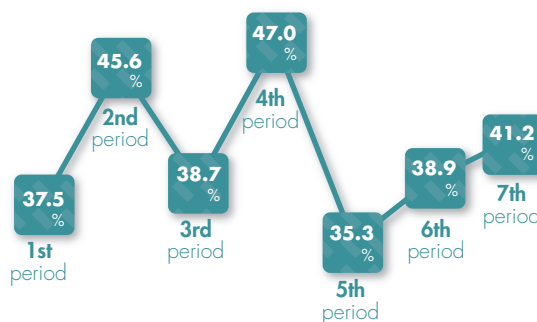
Rating agency	Rating	Rating acquired
Moody's Investors Services	Baa1 ↓ (-)	Feb. 2006
Japan Credit Rating Agency (JCR)	A+ (stable)	Dec. 2006

### INVESTMENT CORPORATION BONDS (as of Dec. 11, 2008)

Name	Size	Interest rate	Maturity	Maturity date
1st Bond	9 bn yen	1.74%	5 years	Mar. 15, 2012
2nd Bond	3 bn yen	2.37%	10 years	Mar. 15, 2017

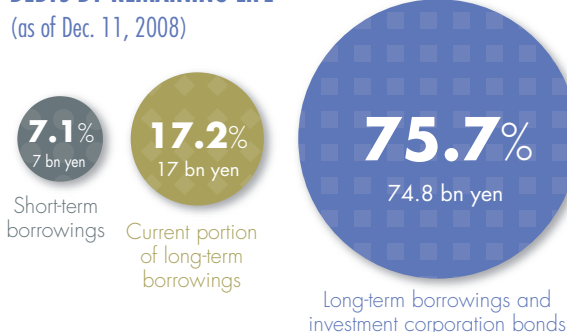
### CHANGES IN LTV

Loan-to-value kept low for prudence and flexibility.



Note: LTV=Interest-bearing debt at end of period ÷ Total assets

### OUTSTANDING AMOUNT OF INTEREST BEARING DEBTS BY REMAINING LIFE (as of Dec. 11, 2008)





## SPONSOR SUPPORT

### Achieving an Even Greater Sponsorship Team

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KENEDIX-REIT has been consistently supported by Kenedix, Inc. as its sole sponsor through the Seventh Fiscal Period. Kenedix, Inc. was originally formed in April 1995 as Kennedy-Wilson Japan and managed the real estate operations of Kennedy-Wilson, a U.S. investor. Eventually the company expanded into non-performing loan investment support and evolved into a major real estate asset manager. In May 2005, the corporate name was changed to the present name and Kenedix, Inc. continues to be a trusted real estate manager for pension funds and other domestic and overseas institutional investors, and as a first-tier company on the Tokyo Stock Exchange boasts 844 billion yen in assets under management as of September 2008. The Kenedix Group invests in and manages a diverse group of assets with the central focus on office buildings. Kenedix, Inc. also sponsors Japan Logistics Fund, Inc., the only dedicated logistics J-REIT.

However, as still another sign of the dynamic, flexible management strategy of President Miyajima, Kenedix REIT Management concluded that the severity of economic times and the need for a broader realty network

meant that a greater diversity in sponsors was essential. On December 19, 2008, ITOCHU Corporation, one of Japan's leading trading companies, acquired a 10% stake in Kenedix REIT Management. ITOCHU boasts a rich history of investing in real estate. Kenedix REIT Management is convinced that ITOCHU strengthens KENEDIX-REIT in its business network.

The asset management prowess of Kenedix, Inc. combined with the business scope and broad breadth of experience of ITOCHU Corporation ensures that KENEDIX-REIT will continue to be a leader among J-REITs.



Name	ITOCHU Corporation
Established	December 1949
Representative	President: Eizo Kobayashi
Paid-in Capital	202,241 million yen
Annual Sales	12,412.5 billion yen (Fiscal 2008)

# BASIC INVESTMENT STRATEGY

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## Our Basic Investment and Management Policy

- Focus investment on mid-sized office properties in the Tokyo Metropolitan Area
- Further raise proportion of office properties
- Heighten portfolio quality by enhancing the value of assets and replacing portfolio properties

## Market Environment and Kenedix Expertise

- Steady, positive results generated by increasing rents and lower vacancy ratio due to the favorable leasing market for office properties in the Tokyo Metropolitan Area
- Many years of experience and know-how possessed by the Kenedix Group in mid-sized office properties
- Our proven ability to spot highly competitive properties and handle leasing and management of these properties

## Mid-Sized Office Properties: Our Characteristics and Forte

- The mid-sized office real estate market in Japan offers an overwhelming abundance of properties and therefore acquisition opportunities compared with large-scale office properties
- An affordable range for selling prices and rent levels enables high property liquidity
- An expansive tenant stream fuels active demand from small and mid-sized companies as well as tenant diversity

KENEDIX-REIT is aiming to achieve

total asset value of **400 billion yen**  
to become the leading J-REIT specializing in  
mid-sized office properties.

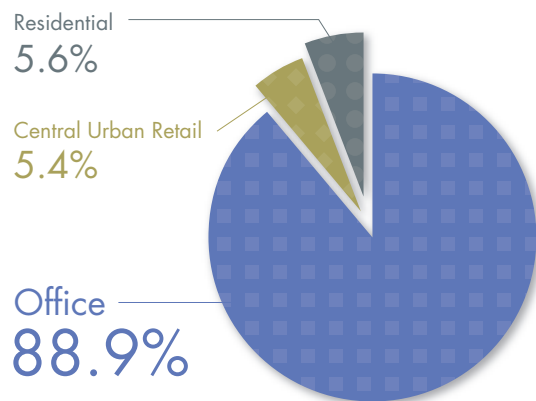
# STRATEGIC PORTFOLIO FOCUS

KENEDIX-REIT is focused on constructing an optimal portfolio for our investors that is almost exclusively focused on mid-sized office properties. These properties, as discussed in the Letter from the CEO, are well positioned to robustly weather a recession.

## PORTFOLIO BREAKDOWN BY USAGE

(as of end of 7th period)

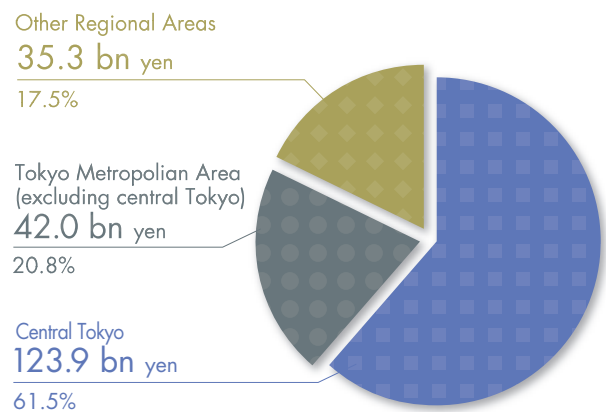
KENEDIX-REIT focuses on mid-sized offices.



## GEOGRAPHIC CONCENTRATION OF PORTFOLIO

(as of end of 7th period)

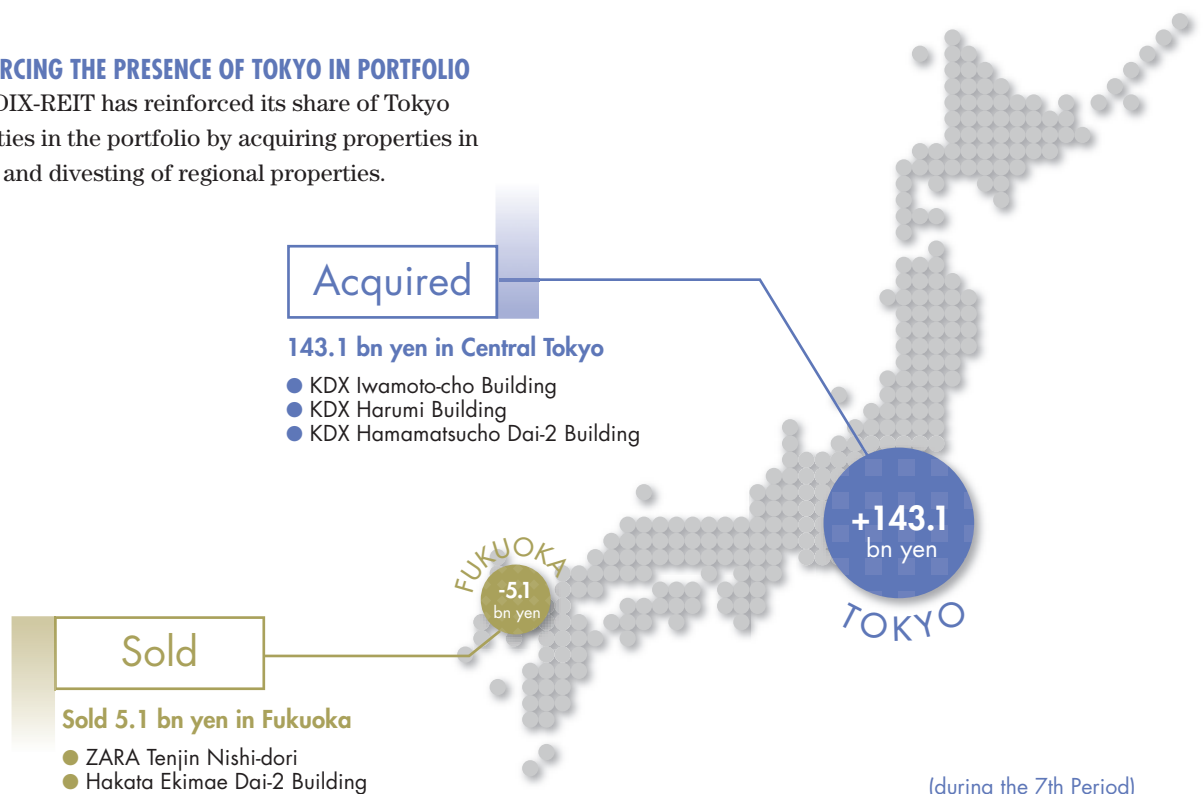
By focusing on Tokyo, KENEDIX-REIT eliminates economic risks tied to poor economic performance outside Tokyo.



Note: Central Tokyo = Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards

## REINFORCING THE PRESENCE OF TOKYO IN PORTFOLIO

KENEDIX-REIT has reinforced its share of Tokyo properties in the portfolio by acquiring properties in Tokyo and divesting of regional properties.



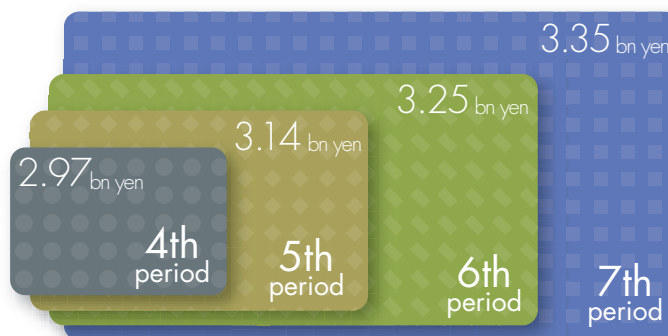
# PORTFOLIO EVOLUTION

KENEDIX-REIT has proactively managed its portfolio to ensure what it perceives to be the optimal investment and management strategy for the economic climate and real estate market.

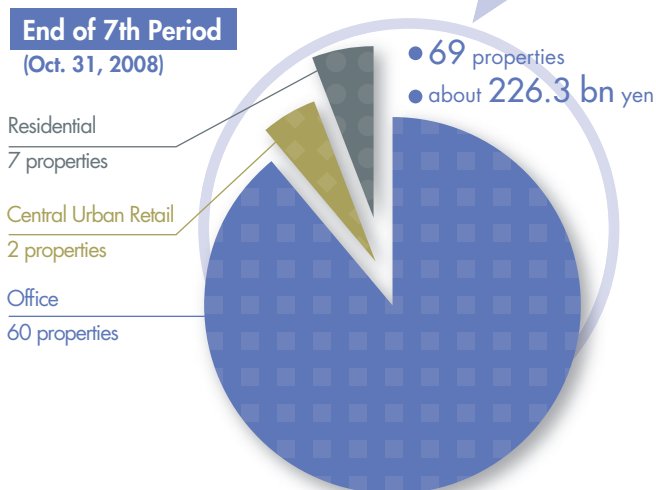
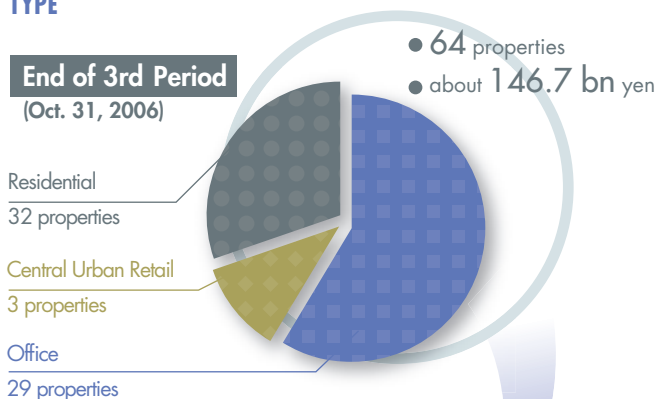
## ACQUIRING LARGER PROPERTIES

The size of properties acquired by KENEDIX-REIT is climbing with larger assets comprising a bigger position in the portfolio.

Note: The figures for the Sixth and Seventh Fiscal Periods contain the projected acquisition price of the building portion of Sakae 4-chome Office Building (Tentative Name) of 4.325 billion yen.



## TYPE

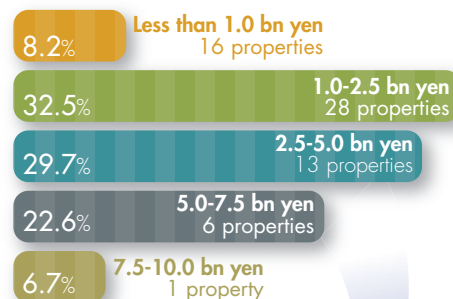


## SIZE

As the portfolio has grown, its construction has transformed to place greater focus on office buildings and size.

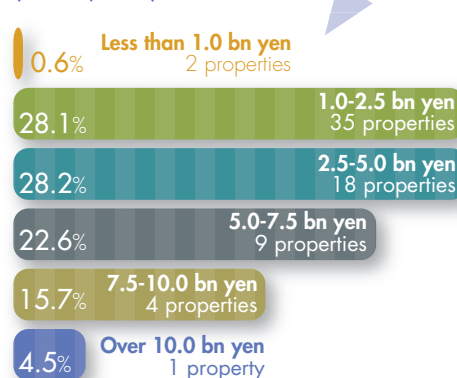
### End of 3rd Period

(Oct. 31, 2006)



### End of 7th Period

(Oct. 31, 2008)



Note: The above charts represent comparisons based on acquisition prices.



#### KDX Harumi Building

**Acquisition date** June 30, 2008  
**Type** Office  
**Location** Chuo-ku, Tokyo  
**Price** 10.25 bn yen  
**Completion** February 2008  
**Occupancy at end of 7th Period** 100.0%



#### KDX Iwamaoto-cho Building

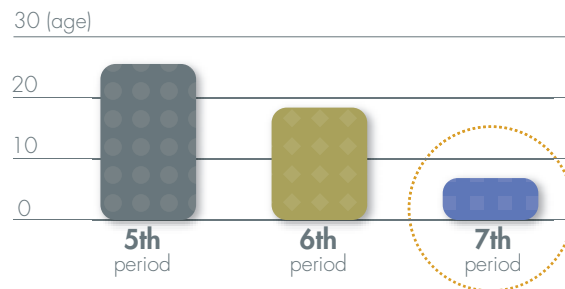
**Acquisition date** May 1, 2008  
**Type** Office  
**Location** Chiyoda-ku, Tokyo  
**Price** 1.86 bn yen  
**Completion** March 2008  
**Occupancy at end of 7th Period** 92.7%

### Seventh Fiscal Period Portfolio Reconstruction

KENEDIX-REIT has further reconstructed its portfolio during the Seventh Fiscal Period with the acquisition of Tokyo Properties and the selling of Fukuoka properties at a profit.

### KENEDIX-REIT is Acquiring Younger Buildings

#### AVERAGE AGE OF OFFICE BUILDINGS ACQUIRED IN EACH PERIOD



\*The table indicates the average age of office buildings acquired in each period as of the end of October 2008.



#### KDX Hamamatsucho Dai-2 Building

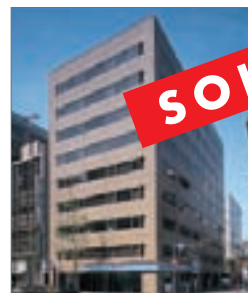
**Acquisition date** September 1, 2008  
**Type** Office  
**Location** Minato-ku, Tokyo  
**Price** 2.2 bn yen  
**Completion** April 1992  
**Occupancy at end of 7th Period** 100.0%

KENEDIX-REIT secured capital gains from selling two regional properties.



#### ZARA Tenjin Nishi-Dori

**Sale date** June 25, 2008  
**Type** Central Urban Retail  
**Area** Other Regional Areas  
**Initial acquisition price** 3.68 bn yen  
**Sale price** 4.1 bn yen  
**Completion** November 2005



#### Hakata Ekimae Dai-2 Building

**Sale date** July 30, 2008  
**Type** Office  
**Area** Other Regional Areas  
**Initial acquisition price** 1.43 bn yen  
**Sale price** 1.47 bn yen  
**Completion** September 1984

# INTERNAL GROWTH

## Reinforcing the Portfolio from Within

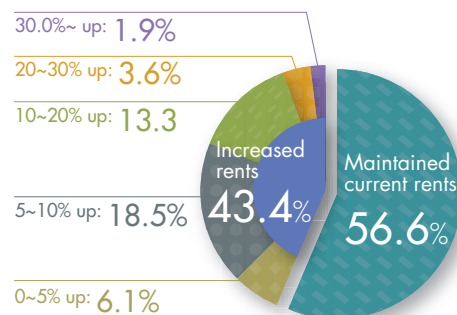
KENEDIX-REIT is committed to achieving growth and upgrading the efficiency of its portfolio through a variety of measures.

- Reducing costs
  - KENEDIX-REIT has utilized the strength and network of the Kenedix Group to reduce costs through the following two measures
    - a Consolidated building maintenance firms from eighteen to three for 25 Tokyo buildings to improve quality, service and efficiency
    - b Use of a bid system for maintenance and repairs. This has generated reductions of more than 100 million yen in each of the past three fiscal periods.
  - KENEDIX-REIT also strategically decided to not negotiate for rent increases but to cooperate with tenants and maintain occupancy. This contributes to shortening or eliminating vacancies and heightening the efficiency of operations.

### COST REDUCTIONS THROUGH AIR CONDITIONING WORK BIDS

5th Period	190 mn yen (24.4% reduction)
6th Period	174 mn yen (39.3% reduction)
7th Period	132 mn yen (31.6% reduction)

### LEASE RENEWAL RESULTS DURING 7TH PERIOD

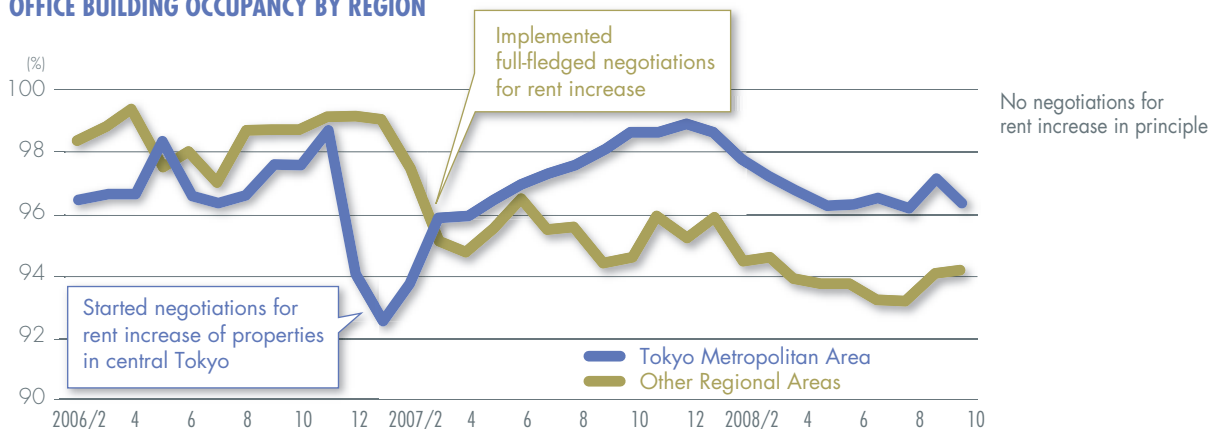


### Proactive Asset Management Leads to Positive Growth

- Diversified acquisition strategies contribute to ideal strategies for market and property conditions
  - a Use of right of first refusal with Kenedix Group to acquire the KDX Harumi Building
  - b Renovate buildings with low occupancy prior to leasing activities to ultimately speed up leasing
  - c Acquire superior, benchmark properties through pre-completion acquisition: Sakae 4-chome Office Building (Tentative Name)

The dynamic, flexible stance of KENEDIX-REIT is clear in the history of its leasing strategy and occupancy.

### OFFICE BUILDING OCCUPANCY BY REGION





KENEDIX-REIT also believes that a proactive IR strategy and strict compliance adherence are vital elements of asset management.

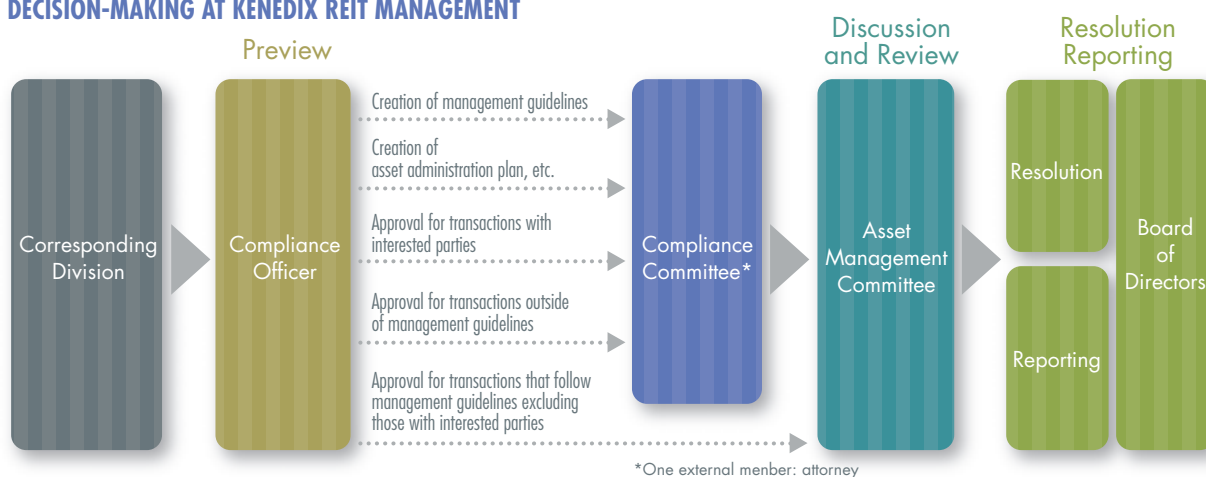
- Active disclosure through information dissemination: Press releases, actively updated both English and Japanese websites, TDNet
- Active disclosure through face-to-face meetings: 828 meetings (including conference calls) with domestic and foreign investors between June 21, 2005 and December 1, 2008
- Compliance is ensured through a strict decision-making flow and is led by a qualified compliance officer

**Yuuji Kamimura**  
Compliance Officer

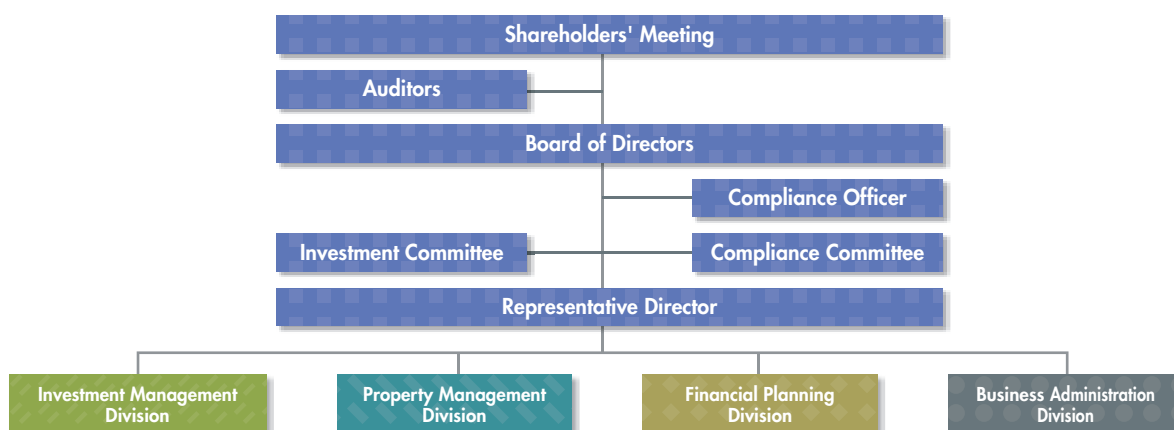


- 27 years at Shinsei Bank
- Served as compliance officer in the compliance division of Shinsei Bank for eight years before transferring to KENEDIX REIT Management, Inc.

## DECISION-MAKING AT KENEDIX REIT MANAGEMENT



## KENEDIX REIT MANAGEMENT, INC. ORGANIZATIONAL CHART



# KENEDIX-REIT PORTFOLIO TABLE (End of Seventh Fiscal Period)

No.	Property Name		Location	Acquisition Price (mn yen)	Site Area (m <sup>2</sup> )	Floor Area (m <sup>2</sup> )	
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-10	KDX Koishikawa Building	Bunkyo Ward, Tokyo	704	404.89	1,866.58	
	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-43	KDX Hakata Building	Fukuoka, Fukuoka	2,350	1,130.86	6,537.33	
	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-Ohashi 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	Sakae 4-chome Office Building (Tentative Name)	Nagoya, Aichi	8,325	1,192.22	10,848.45
		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 (60 Properties)			201,290	62,510.17	380,676.18
B Residential	B-3	Court Mejiro	Shinjuku Ward, Tokyo	1,250	1,581.91	3,326.07	
	B-4	Apartments Motoazabu	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				226,378	80,196.18	431,409.11	

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	96.5%
Nov. 1985	Aug. 2005	100.0%
Nov. 1988	Aug. 2005	100.0%
May 1993	Aug. 2005	100.0%
Jun. 1992	Aug. 2005	100.0%
Oct. 1992	Aug. 2005	100.0%
Sep. 1993	Sep. 2005	100.0%
May 1994	Nov. 2005	98.2%
Apr. 1989	Mar. 2006	98.4%
Sep. 1993	Mar. 2006	100.0%
Sep. 1984	May 2006	100.0%
Jan. 1992	May 2006	100.0%
Oct. 1990	May 2006	100.0%
Sep. 1999	May 2006	75.4%
Oct. 1987	May 2006	100.0%
Feb. 1992	May 2006	100.0%
Sep. 1990	May 2006	83.2%
Oct. 1989	May 2006	100.0%
Mar. 1993	May 2006	91.6%
Sep. 1993	May 2006	91.2%
Oct. 1992	Jun. 2006	100.0%
Mar. 1990	Jul. 2006	100.0%
May 1991	Jul. 2006	100.0%
Jan. 1990	Sep. 2006	86.2%
Nov. 1992	Dec. 2006	100.0%
Sep. 1986	Jan. 2007	100.0%
Jul. 1986	Mar. 2007	100.0%
Jun. 1998	Mar. 2007	100.0%
May 1995	Mar. 2007	88.6%
Dec. 1985	Mar. 2007	85.6%
Jul. 1983	Mar. 2007	76.2%
Aug. 1982	Apr. 2007	90.2%
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	98.1%
Jul. 1982	Jun. 2007	100.0%
Feb. 1984	Jun. 2007	86.2%
Apr. 1989	Jan. 2008	78.0%
Mar. 1988	Feb. 2008	100.0%
Mar. 1988	Feb. 2008	97.5%
Feb. 1985	Feb. 2008	100.0%
Jul. 1991	Feb. 2008	100.0%
Sep. 1988	Feb. 2008	100.0%
Sep. 1988	Feb. 2008	100.0%
Oct. 1992	Feb. 2008	100.0%
Jun. 1973	Feb. 2008	95.4%
Jul. 1994	Feb. 2008	88.1%
Jul. 1990	Feb. 2008	80.9%
May 1994	Mar. 2008	59.8%
Aug. 2000	Mar. 2008	85.7%
Jun. 2009	Land: Apr. 2008 Building: Jul. 2009 (as scheduled)	NA
Mar. 2008	May 2008	92.7%
Feb. 2008	Jun. 2008	100.0%
Apr. 1992	Sep. 2008	100.0%
Mar. 1997	Aug. 2005	100.0%
Jan. 2004	Aug. 2005	94.6%
Feb. 2004	Aug. 2005	100.0%
Mar. 1989	Dec. 2005	88.7%
Jan. 2004	May 2006	100.0%
Oct. 2005	May 2006	100.0%
Feb. 2006	Jun. 2006	100.0%
Mar. 2005	Aug. 2005	97.9%
Aug. 1991	Sep. 2005	91.7%

## RENTAL NOI RETURNS (ANNUALIZED)

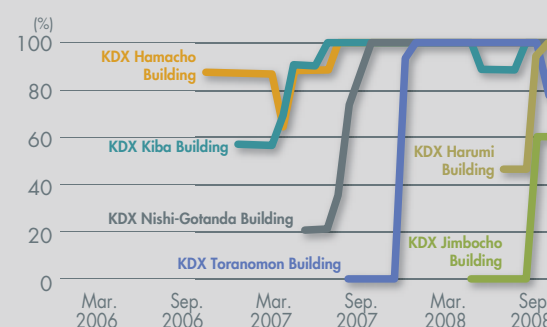
KENEDIX-REIT maintains steady performance over multiple fiscal periods through proactive portfolio management.

	4th Period	5th Period	6th Period	7th Period	7th Period before Adjustment for Real Property and City Taxes
Office	5.3%	5.5%	5.6%	<b>5.3%</b>	5.4%
Central Urban Retail	5.2%	5.1%	4.3%	<b>4.8%</b>	4.8%
Residential	5.4%	5.3%	5.3%	<b>5.3%</b>	5.2%
Total	5.3%	5.4%	5.5%	<b>5.3%</b>	5.4%

Note: Each of the figures represent the values after subtraction of real property and city taxes. The real property taxes for the new properties – KDX Harumi Building and KDX Iwamoto-cho Building – only reflect the land portion of the real property taxes.

## LEASING OF OFFICE BUILDINGS WITH INITIALLY LOW OCCUPANCIES

Strong relationships with leasing managers translates into solid leasing performance.



## SUMMARY OF APPRAISED VALUES AT END OF SEVENTH FISCAL PERIOD

The KENEDIX-REIT portfolio as a whole, despite appraisal values being lower than acquisition prices and book values for residential properties, maintains a strong appraisal value relative to acquisition price and book value.

(million yen)

	Office	Central Urban Retail	Residential	Total
① Acquisition Price	196,965	12,379	12,709	222,053
② Book Value	200,372	12,679	12,742	225,795
③ End of Period Appraised Value	211,106	14,210	12,090	237,406
④ Difference from Acquisition Price (③-①)	14,141	1,831	-619	15,353
Percentage ④/①	7.2%	14.8%	-4.9%	6.9%
⑤ Difference from Book Value (③-②)	10,734	1,531	-652	11,613
Percentage ⑤/②	5.4%	12.1%	-5.1%	5.1%

Note: The property name for Sakae 4-chome Office Building (Tentative Name)[A-58] has not yet been decided as of today, as the building is still under construction. The property name will be decided by the date KENEDIX-REIT acquires the building. In addition, the acquisition price of 8,325 mn yen is the total of the land acquired on April 25, 2008 (4,000 mn yen) and the building planned to be acquired on July 1, 2009 (4,325 mn yen). The total leasable area is based on the present design and specifications. The completion date is the planned date.

# FINANCIAL SUMMARY

## Historical Operating Trends for the Third – Seventh Fiscal Periods

Period	unit	3rd Period (as of Oct. 31, 2006)	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)
Operating revenues	mn yen	5,288	5,778	7,208	8,582	8,456
(Rental revenues)	mn yen	5,131	5,647	7,208	7,630	8,156
Operating expenses	mn yen	2,723	3,091	3,737	4,517	4,311
(Property-related expenses)	mn yen	2,397	2,607	3,205	3,447	3,678
Operating income	mn yen	2,565	2,686	3,470	4,065	4,144
Ordinary income	mn yen	2,125	2,148	2,793	3,343	3,124
Net income (a)	mn yen	2,124	2,148	2,792	3,342	3,123
Total assets (b)	mn yen	160,314	188,400	213,763	230,520	239,648
Interest-bearing debt (c)	mn yen	62,000	88,500	75,500	89,750	98,750
Unitholders' equity (d)	mn yen	90,933	90,877	127,761	128,314	128,087
Unitholders' capital	mn yen	88,729	88,729	124,973	124,973	124,973
Number of investment units issued and outstanding (e)	unit	157,000	157,000	200,000	200,000	200,000
Unitholders' equity per unit (d)/(e)	yen	579,192	578,839	638,809	641,570	640,437
Total distribution (f)	mn yen	2,124	2,148	2,792	3,342	3,123
Distribution per unit (f)/(e)	yen	13,529	13,682	13,960	16,711	15,618
(Earnings distributed per unit)	yen	13,529	13,682	13,960	16,711	15,618
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.7 (3.3)	1.2 (2.5)	1.4 (2.8)	1.5 (3.0)	1.3 (2.6)
Return on unitholders' equity (annualized) (Notes 2 and 3)	%	3.1 (6.2)	2.4 (4.8)	2.6 (5.1)	2.6 (5.2)	2.4 (4.8)
Unitholders' equity ratio at end of period (d)/(b)	%	56.7	48.2	59.8	55.7	53.4
Interest-bearing debt ratio at end of period (c)/(b)	%	38.7	47.0	35.3	38.9	41.2
Payout ratio (Note 4) (f)/(a)	%	99.9	100.0	99.9	99.9	99.9
■ Other reference						
Number of properties	Properties	64	72	77	68	69
Total leasable floor area	m <sup>2</sup>	192,085.34	223,322.77	248,653.07	248,625.52	256,214.30
Occupancy at end of period	%	95.3	95.9	96.9	95.9	95.6
Depreciation expenses for the period	mn yen	1,135	1,243	1,392	1,430	1,445
Capital expenditures for the period	mn yen	655	1,132	1,238	1,152	1,105
Leasing NOI (net operating income) (Note 5)	mn yen	3,869	4,283	5,394	5,612	5,923
FFO (funds from operation) (Note 6)	mn yen	3,102	3,261	4,184	4,259	4,269
FFO per unit (Note 7)	yen	19,759	20,772	20,920	21,297	21,345

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 Third Fiscal Period are calculated based on a period of 184 days, 181 days for the Fourth Fiscal Period, 184 days for the Fifth Fiscal Period, 182 days for the Sixth Fiscal Period and 184 days for the Seventh 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

## **7th Fiscal Period**

**From May 1, 2008 to October 31, 2008**

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

## 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 October 31, 2008 and April 30, 2008, and the related statements of income and retained earnings, changes in unitholders' equity, and cash flows 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 October 31, 2008 and April 30, 2008, and the results of its operations and its cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

A handwritten signature in black ink, reading "Ernst & Young Shin Nihon LLC". The signature is written in a cursive, flowing style.

December 8, 2008



**BALANCE SHEET**

AS OF OCTOBER 31, 2008 AND APRIL 30, 2008

		In thousands of yen	
		As of October 31, 2008	As of April 30, 2008
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and bank deposits	¥	13,029,801	¥ 13,192,761
Rental receivables		187,278	159,004
Consumption tax refundable		180,365	—
Other current assets		67,696	45,262
<b>Total current assets</b>		<b>13,465,141</b>	<b>13,397,027</b>
<b>Property and equipment, at cost:</b>			
Land		155,906,794	150,671,196
Buildings and structures		74,546,241	69,663,667
Machinery and equipment		905,705	787,653
Tools, furniture and fixtures		382,011	314,867
Less-accumulated depreciation		(6,230,362)	(4,953,431)
<b>Net property and equipment</b>		<b>225,510,389</b>	<b>216,483,952</b>
<b>Other assets:</b>			
Ground leasehold		285,350	285,350
Organization costs		15,269	20,359
Corporate bond issuance costs		51,306	57,184
Unit issuance costs		88,837	130,306
Other assets		232,306	146,065
<b>■ Total assets</b>	<b>¥</b>	<b>239,648,598</b>	<b>¥ 230,520,243</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Trade and other payables	¥	728,711	¥ 793,006
Short-term debt		24,000,000	31,750,000
Deposits received		6,411	4,504
Rents received in advance		1,238,195	1,172,675
Other current liabilities		177,809	305,962
<b>Total current liabilities</b>		<b>26,151,126</b>	<b>34,026,147</b>
Corporate bonds		12,000,000	12,000,000
Long-term debt		62,750,000	46,000,000
Leasehold and security deposits received		10,643,623	10,176,842
Other liabilities		16,272	3,092
<b>■ Total liabilities</b>	<b>¥</b>	<b>111,561,020</b>	<b>¥ 102,206,081</b>
<b>Unitholders' equity</b>			
Unitholders' capital	¥	124,973,750	¥ 124,973,750
Units authorized:2,000,000units			
Units issued and outstanding:200,000units			
As of October 31, 2008 and April 30, 2008, respectively			
Retained earnings		3,123,699	3,342,285
Unrealized gain from deferred hedge transactions		(9,872)	(1,873)
<b>Total unitholders' equity</b>		<b>128,087,577</b>	<b>128,314,162</b>
<b>■ Total liabilities and unitholders' equity</b>	<b>¥</b>	<b>239,648,598</b>	<b>¥ 230,520,243</b>

See notes to financial statements

# STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE PERIOD FROM NOVEMBER 1, 2007 TO APRIL 30, 2008, AND THE PERIOD FROM MAY 1, 2008 TO OCTOBER 31, 2008

	In thousands of yen			
	From May 1, 2008 to October 31, 2008		From November 1, 2007 to April 30, 2008	
<b>Operating Revenues:</b>				
Rental revenues	¥	8,156,517	¥	7,630,465
Profit on sale of real estate		299,717		952,230
<b>Total operating revenues</b>		<b>8,456,234</b>		<b>8,582,695</b>
<b>Operating Expenses:</b>				
Property-related expenses		3,678,720		3,447,634
Loss on sale of real estate		—		439,333
Asset management fees		442,470		424,142
Administrative service and custodian fees		74,276		75,148
Other operating expenses		116,030		130,783
<b>Total operating expenses</b>		<b>4,311,495</b>		<b>4,517,040</b>
<b>Operating income</b>	<b>¥</b>	<b>4,144,738</b>	<b>¥</b>	<b>4,065,655</b>
<b>Non-Operating Expenses:</b>				
Interest expense	¥	803,790	¥	618,126
Financing related expense		145,680		28,471
Amortization of organization costs		5,090		5,090
Amortization of unit issuance costs		41,469		41,469
Amortization of corporate bond issuance costs		5,878		5,814
Others, net		18,425		22,928
<b>Income before income taxes</b>		<b>3,124,407</b>		<b>3,343,757</b>
<b>Income taxes</b>		<b>793</b>		<b>1,556</b>
<b>Net income</b>		<b>3,123,614</b>		<b>3,342,201</b>
<b>Retained earnings at the beginning of period</b>		<b>85</b>		<b>84</b>
<b>Retained earnings at the end of period</b>	<b>¥</b>	<b>3,123,699</b>	<b>¥</b>	<b>3,342,285</b>

See notes to financial statements

# STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE PERIOD FROM NOVEMBER 1, 2007 TO APRIL 30, 2008 AND THE PERIOD FROM MAY 1, 2008 TO OCTOBER 31, 2008

In thousands of yen				
	Unitholders' Equity			
	Unitholders' capital	Retained earnings	Unrealized gain from deferred hedge transactions	Total
<b>■ Balance as of November 1, 2007</b>	<b>¥ 124,973,750</b>	<b>¥ 2,792,084</b>	<b>¥ (3,899)</b>	<b>¥ 127,761,935</b>
<b>Changes during the fiscal period</b>				
New unit issuance	—	—	—	—
Payment of dividends	—	(2,792,000)	—	(2,792,000)
Net income	—	3,342,201	—	3,342,201
Interest-rate swap	—	—	2,026	2,026
<b>Total changes during the fiscal period</b>	<b>—</b>	<b>550,201</b>	<b>(1,873)</b>	<b>548,327</b>
<b>■ Balance as of April 30, 2008</b>	<b>¥ 124,973,750</b>	<b>¥ 3,342,285</b>	<b>¥ (1,873)</b>	<b>¥ 127,314,162</b>
<b>Changes during the fiscal period</b>				
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)
<b>Total changes during the fiscal period</b>	<b>—</b>	<b>(218,586)</b>	<b>(7,998)</b>	<b>(226,584)</b>
<b>■ Balance as of October 31, 2008</b>	<b>¥ 124,973,750</b>	<b>¥ 3,123,699</b>	<b>¥ (9,872)</b>	<b>¥ 128,087,577</b>

See notes to financial statements

# STATEMENTS OF CASH FLOWS

FOR THE PERIOD FROM NOVEMBER 1, 2007 TO APRIL 30, 2008, AND THE PERIOD FROM MAY 1, 2008 TO OCTOBER 31, 2008

	In thousands of yen	
	From May 1, 2008 to October 31, 2008	From November 1, 2007 to April 30, 2008
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	¥ 3,124,407	¥ 3,343,757
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	1,535,995	1,509,898
Interest expense	803,790	618,126
Loss on retirement of fixed assets	7,853	45,289
Changes in assets and liabilities:		
Rental receivables	(28,275)	(17,093)
Consumption tax refundable	(180,365)	47,552
Accrued consumption tax	(179,988)	215,992
Trade and other payables	(66,480)	263,920
Rents received in advance	65,520	31,342
Property and equipment due to sale	5,100,280	30,755,698
Others, net	(151,165)	(66,119)
<b>Subtotal</b>	<b>10,031,573</b>	<b>36,748,362</b>
Cash payments of interest expense	(751,791)	(603,866)
Cash payments of income taxes	(769)	(659)
<b>■ Net cash provided by operating activities</b>	<b>¥ 9,279,013</b>	<b>¥ 36,143,837</b>
<b>Cash Flow from Investing Activities:</b>		
Purchases of property and equipment	¥ (15,579,837)	¥ (48,150,727)
Proceeds from leasehold and security deposits received	1,147,506	2,132,300
Payments of leasehold and security deposits received	(680,726)	(705,167)
Payments of restricted bank deposits	(574,468)	(1,130,321)
Proceeds from restricted bank deposits	1,299,219	71,434
Others, net	11,100	(10,915)
<b>■ Net cash used in investing activities</b>	<b>¥ (14,377,206)</b>	<b>¥ (47,793,396)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term debt	¥ 5,500,000	¥ 1,500,000
Payment of short-term debt	(6,250,000)	(2,250,000)
Proceeds from long-term debt	22,750,000	15,000,000
Payment of long-term debt	(13,000,000)	—
Payment of dividends	(3,340,016)	(2,789,908)
Net cash provided by financing activities	5,659,984	11,460,092
Net change in cash and cash equivalents	561,791	(189,467)
Cash and cash equivalents at the beginning of period	11,141,858	11,331,325
<b>■ Cash and cash equivalents at the end of period</b>	<b>¥ 11,703,649</b>	<b>¥ 11,141,858</b>

See notes to financial statements

# NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD FROM NOVEMBER 1, 2007 TO APRIL 30, 2008, AND THE PERIOD FROM MAY 1, 2008 TO OCTOBER 31, 2008

## 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 wholly-owned 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 borrowing.

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 the investment corporation 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, Inc. and acquired 9 office buildings (total acquisition price of ¥31,980 million) from a wholly owned subsidiary of Kenedix, Inc. 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 borrowing, and sold 2 properties.

At October 31, 2008, the Investment Corporation had total unitholders' capital of ¥124,974 million with 200,000 investment units outstanding. The Investment Corporation owned a portfolio of 69 properties with total acquisition price of ¥222,053 million containing total leasable area of 256,214m<sup>2</sup>. The occupancy ratio was approximately 95.6%. A portfolio of 69 properties consists of 60 office buildings, 7 residential properties and 2 central urban retail properties. 58 properties are located in the Tokyo metropolitan area and 11 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 a basically translation of the audited financial statements that were prepared for Japanese domestic purposes from the accounts and records maintained by the Investment Corporation and filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. 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) 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.

### (B) PROPERTY AND EQUIPMENT

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

	From May 1, 2008 to October 31, 2008	From November 1, 2007 to April 30, 2008
<b>Buildings and structures</b> .....	2-49 years	2-46 years
<b>Machinery and equipment</b> .....	3-17 years	3-17 years
<b>Tools, furniture and fixtures</b> .....	3-20years	3-20 years

### (C) 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.

### (D) UNIT ISSUANCE COSTS

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

### (E) CORPORATE BOND ISSUANCE COSTS

Investment corporation bonds issuance costs are amortized over a loan period under the straight-line method.

### (F) 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 and through which the Investment Corporation holds all of its real property, all assets and liabilities within trust are recorded in the relevant balance sheet and income statement accounts.



## **(G) 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.

## **(H) 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. Capitalized property-related taxes amounted to ¥11 million and ¥174 million as of October 31, 2008 and April 30, 2008. 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.

## **(I) 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.

## **(J) 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.

## **(K) 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. CASH AND CASH EQUIVALENTS

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

	In thousands of yen	
	As of October 31, 2008	As of April 30, 2008
Cash and bank deposits	¥ 13,029,801	¥ 13,192,761
Restricted bank deposits held in trust	(1,326,152)	(2,050,903)
Cash and cash equivalents	¥ 11,703,649	¥ 11,141,858

Restricted bank deposits held in trust are retained for repayment of tenant leasehold and security deposits.

### 4. SCHEDULE OF PROPERTY

	In millions of yen					
	As of October 31, 2008			As of April 30, 2008		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥155,907	-	¥ 155,907	¥150,671	-	¥ 150,671
Buildings and structures	74,546	¥5,890	68,656	69,664	¥ 4,678	64,986
Machinery and equipment	906	241	665	788	198	589
Tools, furniture and fixtures	382	100	282	315	77	237
<b>■ Total</b>	<b>¥ 231,740</b>	<b>¥ 6,230</b>	<b>¥ 225,510</b>	<b>¥ 221,437</b>	<b>¥ 4,953</b>	<b>¥ 216,484</b>

### 5. SHORT-TERM AND LONG-TERM DEBTS

The following summarizes short-term and long-term debt outstanding as of October 31, 2008:

					(As of October 31, 2008)
Classification	Drawdown date	Repayment date	Weighted-average interest rate	Balance (In millions of yen)	
Unsecured short-term debt	January 10, 2008	January 10, 2009	1.15%	¥ 1,000	
	February 29, 2008	February 28, 2009	1.20%	500	
	May 1, 2008	November 1, 2008	1.20%	1,000	
	October 31, 2008	October 30, 2009	1.24%	1,500	
	October 31, 2008	October 31, 2009	1.52%	1,000	
Unsecured current portion of long-term debt	December 8, 2005	December 7, 2008	1.10%	2,000	
	March 1, 2006	February 28, 2009	1.45%	2,000	
	March 16, 2006	March 16, 2009	1.48%	2,500	
	May 1, 2006	April 30, 2009	1.63%	6,500	
	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%	3,000	
<b>Subtotal</b>				<b>¥ 24,000</b>	

Classification	Drawdown date	Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Unsecured 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, 2010	1.57%	2,000
	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, 2010	1.68%	2,500
	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
Subtotal				¥ 62,750
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

## 6. UNSECURED LINE OF CREDIT

The Investment Corporation established a credit commitment line with two lenders. The total borrowings available under the commitment line agreements are ¥5 billion. Currently, the Investment Corporation has a balance of ¥5 billion based on the concerted agreements. The unused borrowings under the commitment line agreement are ¥0.

## 7. PER UNIT INFORMATION

The net asset value per unit as of October 31, 2008 and April 30, 2008 was ¥640,437 and ¥641,571. Net income per unit as of October 31, 2008 and April 30, 2008 was ¥15,618 and ¥16,711.

The weighted average number of units outstanding of 200,000 and 200,000 was used for the computation of the amount of net income per unit as of October 31, 2008 and April 30, 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 taxable 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 ¥3,124 million and ¥3,342 million for the periods ended October 31, 2008 and April 30, 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 0.03% and 0.05% for the periods ended October 31, 2008 and April 30, 2008. The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	From May 1, 2008 to October 31, 2008	From November 1, 2007 to April 30, 2008
<b>Statutory tax rate</b> .....	39.39%	39.39%
<b>Deductible cash distributions</b> .....	(39.38)	(39.37)
<b>Other</b> .....	0.02	0.03
<b>Effective tax rate</b> .....	0.03%	0.05%

## 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

### (A) TRANSACTIONS WITH Y.K. KW PROPERTY 11

Y.K. KW Property 11 is a wholly owned subsidiary of Kenedix. On June 30, 2008, the Investment Corporation acquired 1 property from Y.K. KW Property 11 for ¥10,250 million. The purchase price of this property was determined based on an independently appraised value at the time of acquisition.

## 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 May 1, 2008 to October 31, 2008 and from November 1, 2007 to April 30, 2008 consist of the following:

	In thousands of yen	
	From May 1, 2008 to October 31, 2008	From November 1, 2007 to April 30, 2008
<b>Rental and other operating revenues:</b>		
Rental revenues	¥ 5,847,510	¥ 5,626,515
Common area charges	1,263,583	1,144,196
Subtotal	7,111,093	6,770,711
<b>Others:</b>		
Parking space rental revenues	250,006	240,631
Utility charge reimbursement	668,719	458,128
Miscellaneous	126,700	160,995
Subtotal	1,045,424	859,754
<b>■ Total rental and other operating revenues</b>	<b>¥ 8,156,517</b>	<b>¥ 7,630,465</b>
<b>Property management fees and facility management fees</b>	<b>¥ 792,077</b>	<b>¥ 750,333</b>
Depreciation	1,445,267	1,430,126
Utilities	611,722	450,237
Taxes	406,439	395,277
Insurance	17,035	16,806
Repairs and maintenance	188,401	149,231
Trust fees	46,904	57,312
Others	163,023	149,083
Loss on retirement of fixed assets	7,853	49,229
<b>■ Total property-related expenses</b>	<b>¥ 3,678,720</b>	<b>¥ 3,447,634</b>
<b>Profit on sale of real estate:</b>		
Revenue from sale of investment properties	¥ 5,578,810	¥18,788,000
Cost of investment properties	5,100,280	17,705,426
Other sales expenses	178,813	130,344
<b>■ Profit on sale of real estate</b>	<b>¥ 299,717</b>	<b>¥ 952,230</b>
<b>Loss on sale of real estate:</b>		
Revenue from sale of investment properties	—	¥12,702,000
Cost of investment properties	—	13,050,272
Other sales expenses	—	91,061
<b>■ Loss on sale of real estate</b>		<b>¥ 439,333</b>

## 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 October 31, 2008 and April 30, 2008 are as follows:

	In thousands of yen	
	As of October 31, 2008	As of April 30, 2008
<b>Due within one year</b>	¥ 1,493,056	¥ 1,689,845
<b>Due after one year</b>	8,487,580	9,711,097
<b>■ Total</b>	<b>¥ 9,980,637</b>	<b>¥ 11,400,942</b>

## 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 October 31, 2008:

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

Type	Notional amount	(As of October 31, 2008)
		Unrealized loss
<b>Interest-rate swap: Fixed rate payable and floating rate receivable</b>	¥41,800 million	¥(16 million)



## 14. PROPERTY INFORMATION

Details of the property portfolio as of October 31, 2008 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	50	10	6	1	2

### Property information (In millions of yen)

Acquisition price	¥165,950	¥31,015	¥10,909	¥1,800	¥12,380
Percentage of total acquisition costs	74.73%	13.97%	4.91%	0.81%	5.58%
Net book value	169,136	31,237	10,845	1,898	12,680
Appraisal value at year end	180,675	30,431	10,430	1,660	14,210
Percentage of total appraisal value	76.10%	12.82%	4.39%	0.70%	5.99%

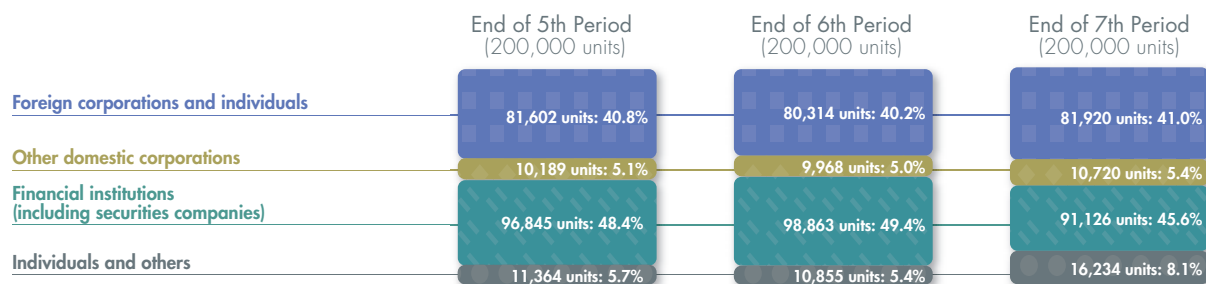
### Financial results for the period ended October 31, 2008 (In thousands of yen)

Rental and other operating revenues	¥ 5,983,457	¥ 1,289,908	¥ 349,584	¥ 88,302	¥ 369,747
Rental revenues	5,233,886	1,076,943	317,166	78,889	333,570
Other revenues	749,571	212,965	32,417	9,412	36,177
Property-related expenses	1,627,615	409,102	67,493	37,729	76,756
Property management fees	542,021	179,377	30,744	8,797	24,475
Taxes	301,875	56,902	16,029	8,576	19,563
Utilities	461,387	117,167	4,034	2,067	23,871
Repairs and maintenance	136,033	28,921	6,046	10,972	5,458
Insurance	10,186	4,952	891	512	357
Trust fees and other expenses	176,112	21,783	9,749	6,805	3,032
NOI (Net Operating Income)	4,355,842	880,806	282,091	50,572	292,991
Depreciation expenses	965,635	277,005	94,391	22,973	71,258
Operating income from property leasing activities	3,390,207	603,801	187,700	27,599	221,733
Capital expenditures	788,901	312,298	—	—	4,470
NCF (Net Cash Flow)	3,566,942	568,508	282,091	50,572	288,521

A breakdown of property-type as of October 31, 2008 was as follows:

Property type	Area	Balance at the end of period (In millions of yen)	Percentage of total assets
<b>Office Buildings</b>	Tokyo Metropolitan Area	¥169,136	70.6%
	Other Regional Areas	31,237	13.0%
<b>Subtotal</b>		200,373	83.6%
<b>Residential Properties</b>	Tokyo Metropolitan Area	10,845	4.5%
	Other Regional Areas	1,898	0.8%
<b>Subtotal</b>		12,743	5.3%
<b>Central Urban Retail Properties</b>	Tokyo Metropolitan Area	12,680	5.3%
	Other Regional Areas	—	—
<b>Subtotal</b>		12,680	5.3%
<b>■ Total</b>		<b>225,796</b>	<b>94.2%</b>
<b>Bank deposits and other assets</b>		13,852	5.8%
<b>Total assets</b>		239,649	100.0%
<b>Total liabilities</b>		111,561	46.6%
<b>Net assets</b>		¥128,088	53.5%

## General Breakdown of Unitholders



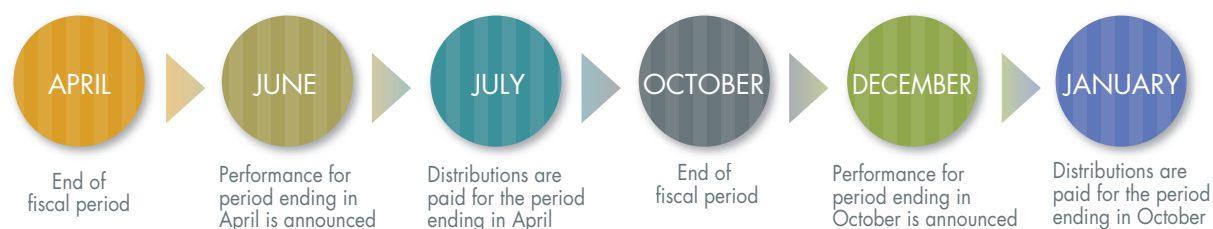
Note: Figures are rounded to the first decimal place.

## Top Ten Unitholders (as of October 31, 2008)

Name	Units Held	Share of Outstanding Units
NikkoCiti Trust and Banking Corporation (investment trust account)	17,903	8.95%
The Master Trust Bank of Japan, Ltd. (trust account)	15,597	7.79%
Japan Trustee Services Bank, Ltd. (trust account)	13,076	6.53%
Goldman Sachs International	12,025	6.01%
The Nomura Trust and Banking Co., Ltd. (investment trust account)	11,478	5.73%
Kenedix, Inc.	7,850	3.92%
Trust & Custody Services Bank, Ltd. (securities investment trust account)	7,147	3.57%
Goldman Sachs and Company Regular Account	6,512	3.25%
State Street Bank and Trust Company	5,763	2.88%
The Bank of New York Treaty JASDEC Account	4,384	2.19%
Total	101,735	50.86%

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](http://www.kdx-reit.com/eng).

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