Kenedix Realty Investment Corporation (KRI)

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

December 2006
Kenedix REIT Management, Inc.

Disclaimer

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

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

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

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

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

Change in portfolio construction policy

<table>
<thead>
<tr>
<th>Sector</th>
<th>Usage</th>
<th>After Change</th>
<th>Before Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Buildings</td>
<td>Office buildings for rent</td>
<td>50–100%</td>
<td>50% or more</td>
</tr>
<tr>
<td>Residential</td>
<td>Rental housing</td>
<td>0–30%</td>
<td>20% or more</td>
</tr>
<tr>
<td>Commercial Facilities</td>
<td>Urban-type retail properties</td>
<td>0–20%</td>
<td>30% or less</td>
</tr>
<tr>
<td>Others</td>
<td>Business hotels, Education facilities</td>
<td>0% for time being</td>
<td></td>
</tr>
</tbody>
</table>

Overview of current portfolio (As at 11 December 2006)

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

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

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

- Residential c. 25%
- Urban-type retail properties c. 8-10%
- Office buildings c. 65-67%

New investments in office buildings c. 75%

Kenedix Realty Investment Corporation’s basic strategy (Investment policy):
♦ Flexible and dynamic investment with accurate timing, based on grasp of market trends
♦ Stress on three-point investment criteria (property type, area, and size)
♦ Construct diversified asset portfolio
## Highlights in the 3rd Period

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

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

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

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

### Future management policies & targets
- Invest mainly in office buildings
- Asset size of ¥200bn by end-2007
- Focus on portfolio NOI yield
- Increases in new and existing rents
- Corporate bond issues
- Diversified maturity dates
- Extend duration
- Stable growth in distribution per unit
# Overview in the 3rd Period financial results—Performance highlights

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

<table>
<thead>
<tr>
<th>Financial Ratios</th>
<th>2nd period</th>
<th>3rd period</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing Debt Ratio</td>
<td>45.6%</td>
<td>38.7%</td>
<td>Decreased by approx. 6.9%</td>
</tr>
<tr>
<td>Equity Ratio</td>
<td>49.3%</td>
<td>56.7%</td>
<td>-</td>
</tr>
<tr>
<td>NOI from leasing business</td>
<td>¥2,256m</td>
<td>¥3,869m</td>
<td>Rental business revenue - Property-related expense + Depreciation for the period</td>
</tr>
<tr>
<td>FFO</td>
<td>¥1,752m</td>
<td>¥3,102m</td>
<td>Net Income + Depreciation for the period - Profit on sale of properties</td>
</tr>
<tr>
<td>FFO pay-out ratio</td>
<td>62.9%</td>
<td>68.5%</td>
<td>Distribution/FFO</td>
</tr>
<tr>
<td>FFO per unit</td>
<td>¥22,076</td>
<td>¥19,759</td>
<td>-</td>
</tr>
</tbody>
</table>

* Relationship between property revenue, leverage effects, and distribution (Illustrated 3rd period results)

1. Annual rate calculations based on 179-day average management period of assets acquired, weighted by acquisition cost
2. Ratios are percentages of total liabilities + market capitalization (excluding Leverage effects and Total)
   - Rental NOI yield (rental business revenue - property-related expense) of c. 5.4% on acquisition price basis
3. Leverage effects calculated based on rental business profit margin \( (1 \text{- debt ratio}) \)
   - Used monthly average debt ratio for current period of c. 36%
4. Reference \( \times \) Earnings yield level based on unit price as of the end of the period
   - Unit price as of the end of 3rd period (Oct. 31. 2006): ¥628,000
   - Actual days under management: 179 days
   - Distribution per unit ¥13,529 \( \times \) approx. 4.4%
4th Period Earnings Forecasts

Operating forecasts for 4th Period (to April 2007)

<table>
<thead>
<tr>
<th></th>
<th>2nd period results (to April 2006)</th>
<th>3rd period results (to October 2006)</th>
<th>4th period forecasts (to April 2007)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>2,871 (-)</td>
<td>5,288 (-)</td>
<td>5,542 (-)</td>
<td>¥57m profit booked on sale of residential properties in the 3rd period</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>1,527 (-)</td>
<td>2,723 (-)</td>
<td>2,973 (-)</td>
<td>Management fees up ¥01m because of expansion in asset size in the 3rd period</td>
</tr>
<tr>
<td>Property-related expenses (excl. depreciation)</td>
<td>615 (-)</td>
<td>1,261 (-)</td>
<td>1,309 (-)</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>650 (-)</td>
<td>1,135 (-)</td>
<td>1,199 (-)</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>1,343 (-)</td>
<td>2,565 (-)</td>
<td>2,568 (-)</td>
<td></td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td>246 (-)</td>
<td>442 (-)</td>
<td>493 (-)</td>
<td>Both the 3rd period and the 4th period, ¥8m amortisation of investment unit issue expenses</td>
</tr>
<tr>
<td>Interest expense</td>
<td>164 (-)</td>
<td>375 (-)</td>
<td>431 (-)</td>
<td>The 4th period borrowings ¥6.0bn</td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>1,103 (-)</td>
<td>2,125 (-)</td>
<td>2,075 (-)</td>
<td></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>1,101 (-)</td>
<td>2,124 (-)</td>
<td>2,074 (-)</td>
<td></td>
</tr>
<tr>
<td>Number of units outstanding</td>
<td>79,370 (-)</td>
<td>157,000 (-)</td>
<td>157,000 (-)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Distribution per unit (Yen)</strong></td>
<td>13,884 (-)</td>
<td>13,529 (-)</td>
<td>13,200 (-)</td>
<td></td>
</tr>
<tr>
<td>NOI</td>
<td>2,256 (-)</td>
<td>3,869 (-)</td>
<td>4,232 (-)</td>
<td>Rental business revenue ¥Property-related expenses + depreciation</td>
</tr>
<tr>
<td>FFO</td>
<td>1,752 (-)</td>
<td>3,102 (-)</td>
<td>3,274 (-)</td>
<td>Net Income + depreciation for the period ¥Profit on sale of properties</td>
</tr>
</tbody>
</table>

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

Major changes in Term 5 (to October 2007)
- Expected Fixed Asset Tax & Urban Planning Tax costs: + ¥123m compared with 4th period

Disclosure policies for profit forecasts
- Disclose if DPU changes by 5% or more
- Disclose in principle if Operating revenues or Net income change by 15% or more
Turn-over ratio for office building and newly-contracted rental levels

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

<table>
<thead>
<tr>
<th>Period</th>
<th>1st Period</th>
<th>2nd Period</th>
<th>3rd Period</th>
<th>4th Period (Estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12.2%</td>
<td>2.7%</td>
<td>6.1%</td>
<td>12.3%</td>
</tr>
</tbody>
</table>

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

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

- **30% or more increase:** 8.7%
- **0–5% increase:** 25.4%
- **20–30% increase:** 20.2%
- **10–20% increase:** 32.4%
- **5–10% increase:** 13.3%

### Newly-contracted rental levels (Leased floor space basis)

- **Rental increase:** 79%
- **Rental decline:** 21%

### Special features of medium-sized office buildings

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

### Distribution of increases in newly-contracted rental levels

- **Tokyo economic area:**
  - Rental increase: 9 cases
  - Rental decline: 1 case
- **Regional economic areas:**
  - Rental increase: 4 cases
  - Rental decline: 4 cases
- **Total:**
  - Rental increase: 13 cases
  - Rental decline: 5 cases

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

Largest increase 39% (+¥9,000/tsubo)
Average increase (number of cases basis) 16%
## Results of increase in office building NOI levels

### Office portfolio internal growth performance

<table>
<thead>
<tr>
<th>Activity and results</th>
<th>Supplementary notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Increase in ongoing rental levels</strong></td>
<td>Of buildings in the Tokyo metropolitan area, we chose to negotiate rental increases unrelated to contract renewal date at the beginning of 3rd Period (20% of total office tenant rental floor space in the Tokyo metropolitan area)</td>
</tr>
<tr>
<td>Of buildings for which we asked for rental increases, <strong>rental increases were successfully negotiated for c. 38%</strong></td>
<td></td>
</tr>
<tr>
<td><strong>2. Reduction in BM costs</strong></td>
<td>Of 25 properties owned at the beginning of the 3rd Period, 23 properties are under review (2 properties already reduced in the 2nd Period)</td>
</tr>
<tr>
<td>Succeeded in reductions on 15 of 23 properties under review (reductions total around ¥5m per month)</td>
<td></td>
</tr>
<tr>
<td>Average reduction of c. 20%</td>
<td></td>
</tr>
<tr>
<td><strong>3. Increase in occupancy rates</strong></td>
<td>New contracts during the 3rd Period for space vacant at the start of the period or when acquired</td>
</tr>
<tr>
<td>Office building occupancy rate 97.3% (15 properties) 97.7% (29 properties)</td>
<td></td>
</tr>
<tr>
<td><strong>4. Other</strong></td>
<td></td>
</tr>
<tr>
<td>Reduced electricity charges, 14 properties</td>
<td></td>
</tr>
<tr>
<td>Reduced Fixed Asset Tax, 2 properties</td>
<td></td>
</tr>
<tr>
<td>Parking revenue, vending machine installations, antenna installations etc.</td>
<td></td>
</tr>
<tr>
<td>Reduction resulting from change of plan (applies from the 4th period)</td>
<td></td>
</tr>
<tr>
<td>Utilized Fixed Asset Tax reduction consultant</td>
<td></td>
</tr>
</tbody>
</table>

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

- Focus on **medium-scale office buildings in Tokyo economic area** aiming for rises in CF
“KENEDIX Selection”—External Growth and Target Asset Size

Initial target ¥200bn by the end of 2008

Current target ¥200bn by the end of 2007

Growth in asset size

- Just after IPO (2005/8/1): 29 properties, ¥61.0bn
- 1st Period (2005/10/31): 31 properties, ¥69.1bn
- 2nd Period (2006/4/30): 35 properties, ¥81.4bn
- 3rd Period (2006/10/31): 64 properties, ¥146.7bn
- Current (2006/12/11): 65 properties, ¥150.9bn

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

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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Infos from Asset manager’s proprietary network</td>
<td>179</td>
<td>409</td>
<td>318</td>
</tr>
<tr>
<td>Infos from Kenedix Group</td>
<td>30</td>
<td>76</td>
<td>111</td>
</tr>
<tr>
<td>Total</td>
<td>209</td>
<td>485</td>
<td>428</td>
</tr>
</tbody>
</table>

Note: figures shown are rounded down to nearest ¥100m, or 1 decimal place for ratios.
External growth strategy—properties acquired using multi-pipeline approach

<table>
<thead>
<tr>
<th>1st Period Just after IPO (2005/8/1)</th>
<th>1st Period (exd. Just after IPO) and 2nd Period</th>
<th>PO (2006/5/1)</th>
<th>3rd and 4th Periods (exd. PO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proprietary network</td>
<td>Direct acquisition</td>
<td>4 properties (c.8.8bn)</td>
<td>1 properties (c.1.2bn)</td>
</tr>
<tr>
<td></td>
<td>Warehousing</td>
<td>1 properties (c.6.0bn)</td>
<td>8 properties (c.16.3bn)</td>
</tr>
<tr>
<td></td>
<td>Support line</td>
<td>29 properties (c.61.0bn)</td>
<td>1 properties (c.5.6bn)</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>29 properties (c.61.0bn)</td>
<td>6 properties (c.20.4bn)</td>
</tr>
</tbody>
</table>

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

Strong record of acquisitions through asset manager's proprietary network

Proportion of new acquisitions by pipeline

- Support line
- Proprietary network

At time of IPO/PO
- 9 properties

During the 1st-4th periods
- 11 properties

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

Apart from one property, all property purchases during the each period have been via the proprietary network.
Financial strategies (raising funds through debt)

Credit ratings obtained

<table>
<thead>
<tr>
<th>Japan Credit Rating Agency (JCR)</th>
<th>Long-term preferential debt credit: A+</th>
<th>11 Dec 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody’s Investors Service, Inc.</td>
<td>Issuer credit: A3</td>
<td>28 Feb 2006</td>
</tr>
</tbody>
</table>

Total unsecured borrowings since IPO

Flexible fund-raising

Outstanding debt (¥bn)

Just after IPO 1st Period (2005/10) 1st Period (2005/10)

2nd Period (2006/4) 2nd Period (2006/10)

3rd Period (2006/10) 3rd Period (2006/10)

Current (2006/12) Current (2006/12)

Just after IPO 1st Period (2005/10) 1st Period (2005/10)

2nd Period (2006/4) 2nd Period (2006/10)

3rd Period (2006/10) 3rd Period (2006/10)

Current (2006/12) Current (2006/12)

Note: Amount of unsecured loans outstanding

Shifting towards Fixed Interest Debt

Avoiding risk of interest rate rises

Proportions at variable / fixed rates

Variable Interest Debt

15bn 22.7%

Fixed Interest Debt

51bn 77.2%

Notes:

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

Diversified maturity dates on borrowings

Debt outstanding by maturity date (¥bn)


16.5 15 11 9.5 6 3 5

Reduction in refinancing risks

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

Prolonged debt average maturity

Stable debt financing strategy

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