KENEDIX REIT

10th Fiscal Period
November 1, 2009 - April 30, 2010

Semiannual Report

Tokyo can't sustain an attractive ROI!

No, Tokyo has the largest urban economy by GMP and is projected to remain the leader through 2025!

Tokyo's population is shrinking!

No, Tokyo's population is growing and projected to grow well into the future!

Tokyo is a has-been!

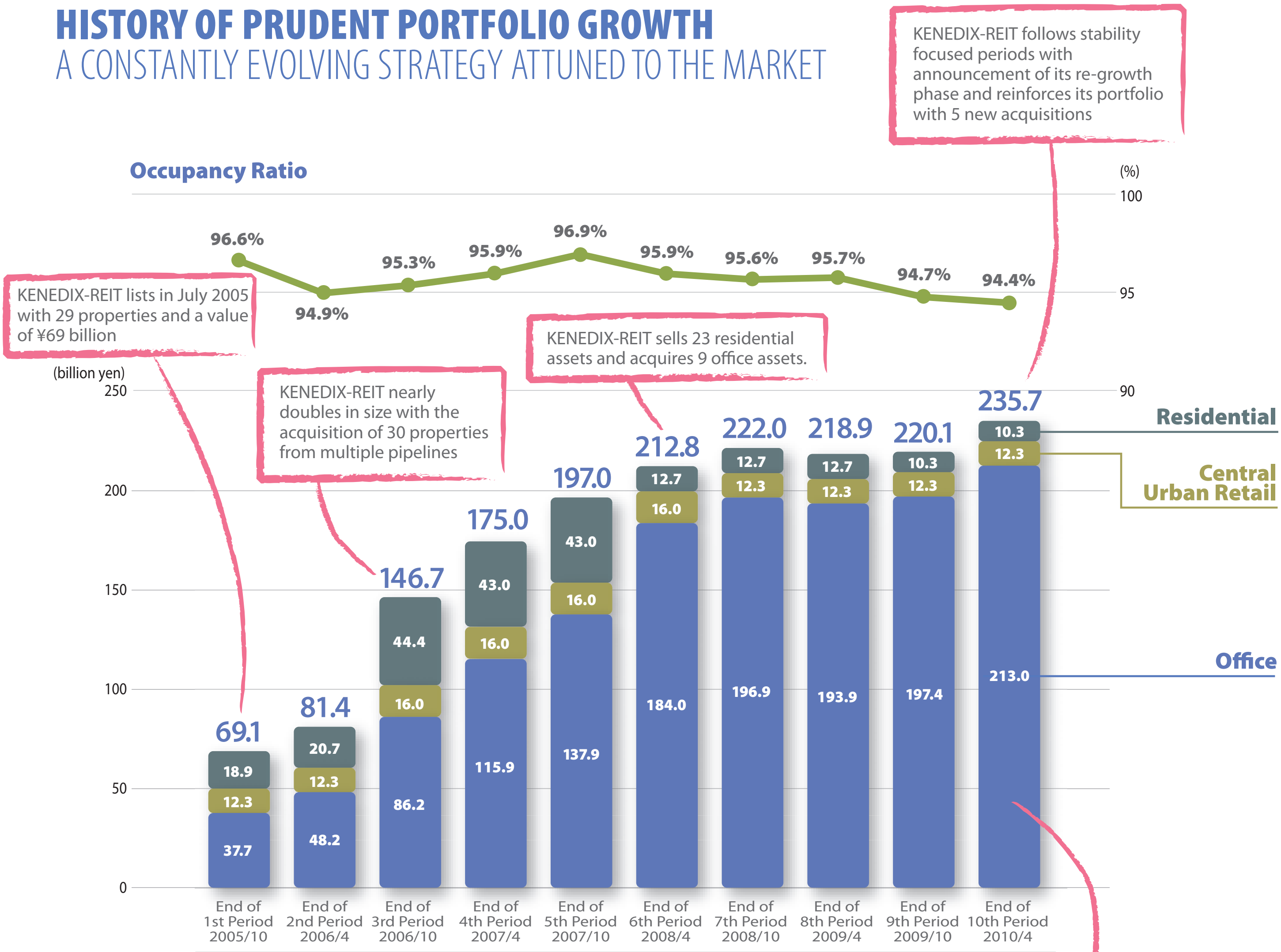
No, Tokyo is home to the global headquarters of twice as many Global 500 firms as the next metropolis!

BEST INVEST
KENEDIX
Realty Investment Corporation

KENEDIX-REIT
A DYNAMIC, MARKET LEADING J-REIT

Kenedix Realty Investment Corporation (KENEDIX-REIT; Securities Code: 8972) is a proactively managed Japanese real estate investment trust (J-REIT) that principally invests in mid-sized office buildings and is managed by Kenedix REIT Management (KRM). KENEDIX-REIT is known to lead the market, rather than follow, and to be proactively managed to prevent itself from ever being caught unawares. KENEDIX-REIT recently ended its Tenth Fiscal Period with a portfolio of 70 assets and an acquisition-based value of 235.7 billion yen.

HISTORY OF PRUDENT PORTFOLIO GROWTH
A CONSTANTLY EVOLVING STRATEGY ATTUNED TO THE MARKET



Distribution per unit (yen)	3,052	13,884	13,529	13,682	13,960	16,711	15,618	12,172	10,511	10,993

KENEDIX-REIT has consistently paid a robust distribution to its shareholders as it stays a half-step ahead of the market

KENEDIX-REIT remains in pursuit of its ideal – a primarily mid-sized office building portfolio of 100 office buildings and a value of ¥400 billion

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

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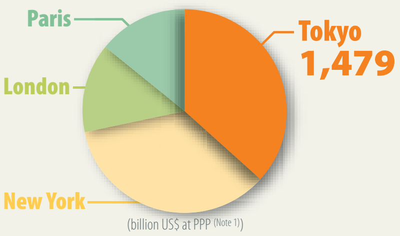
Have you wondered if Tokyo's days are over? Like the press your eyes are not on Japan. Why? Many seem to believe that Tokyo is aging. Well the demographics and bottom lines appear to be different. Let's take a look.

TOKYO REPORT

EVEN A FAIR FIGHT?

ESTIMATED GMP (GROSS METROPOLITAN PRODUCT) IN 2008



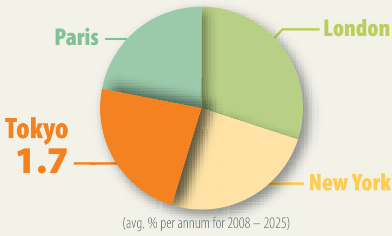
Q Is Tokyo's economy large enough to sustain an attractive ROI?

A Yes, Tokyo remains the largest urban economy by GMP. In fact, Tokyo is projected to retain its top position through 2025. (Note 2)

Source: UK Economic Outlook November 2009, PricewaterhouseCoopers

Notes: 1. Figures are calculated by PricewaterhouseCoopers at purchasing power parity (PPP) to correct for differences in prices among economies, based on data from the UN, World Bank, OECD and national data sources.
2. According to data published in UK Economic Outlook November 2009.

PROJECTED REAL GMP GROWTH

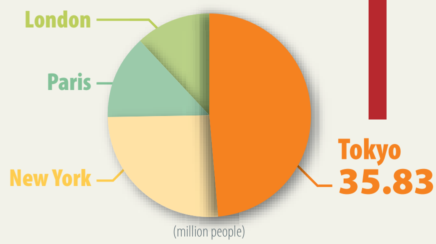


Q Aren't Tokyo's prospects for economic growth dim?

A No, despite its current size, Tokyo's growth in real GMP is projected to be competitive in the long run with the world's leading urban areas.

Source: UK Economic Outlook November 2009, PricewaterhouseCoopers

POPULATION SIZE IN 2008



Q Is Tokyo's population large enough to sustain an attractive ROI?

A Yes, greater Tokyo is the largest metropolitan area in the world, eclipsing the next largest metropolitan area by several million people.

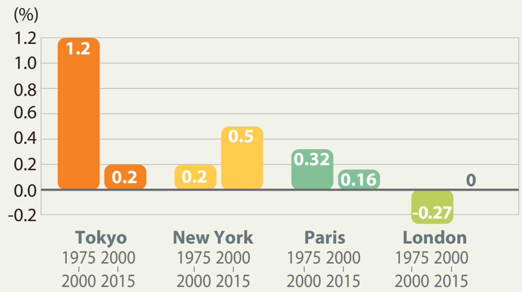
Source: UK Economic Outlook November 2009, PricewaterhouseCoopers

POPULATION GROWTH

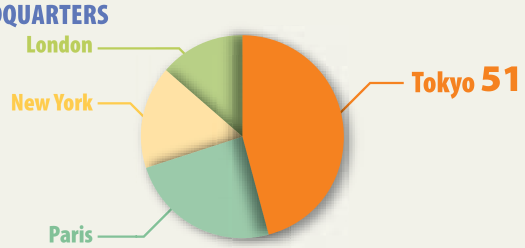
Q Isn't Tokyo's population shrinking?

A No, unlike the rest of Japan, Tokyo's population is actually growing, and is projected to continue growing well into the future.

Source: World Urbanization Prospects: The 2001 Revision, United Nations



NUMBER OF 2009 FORTUNE 500 COMPANY GLOBAL HEADQUARTERS

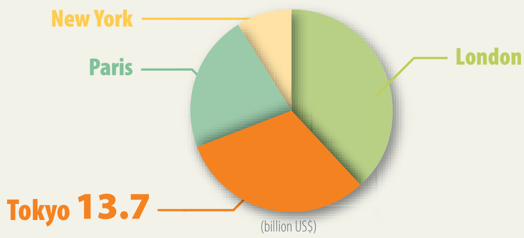


Q Is Tokyo strongly represented by industry leaders?

A An emphatic yes. Tokyo overwhelms other mega cities in this regard, with industry leaders from a broad range of industries calling Tokyo home.

Source: Fortune Global 500, 2009, Fortune Magazine

OFFICE MARKET BY DEAL VOLUME



Q Is Tokyo's office market dead?

A On the contrary, Tokyo's office market was the second most active over the past 12 months, behind only London.

Source: Real Capital Analytics for May 26, 2009 through May 25, 2010.

JAPAN REPORT THE COMEBACK OF STRATEGIC PRAGMATISM

Renowned Japan specialist Jesper Koll tells it like it is.

In the summer of 2010, there are plenty of reasons to be optimistic about Japan's economic future. For the first time in almost a decade, all the major forces that determine economic fortunes point towards a sustainable up-cycle. Against super-low expectations, the possibility of major upside surprises is high and, in my personal opinion, the current cycle has the potential to surprise not just in terms of headline growth but, more importantly, in duration.

Why the optimism? Let's start with the cyclical position, which, for an economist, means a look at inventories. Here the evidence is overwhelmingly positive: almost no industry sub-sector shows any sign of excessive stockpiling. Quite the contrary - whether cars, construction machinery, steel, electronic components or digital cameras and cement, wherever you look you find very low inventory levels. In the aftermath of the unprecedented global financial crisis, corporate leaders are primed to err on the side of caution. This, in turn, actually raises the potential for up-side surprises as any incremental demand growth will feed right through to increased production. Also, the record-low inventory levels limit the risk of deflation. If anything, inflation risks are rising at the current cyclical juncture.

But why should demand grow? Simple answer - focus on the basics and don't fight the cycle. Since the summer of 2009, Japan has gone through a very strong export-led recovery cycle. In fact, in most industries, Japan has gained, not lost, global market share. More importantly, the spill-over from exports to domestic demand is beginning to take hold. Clearspeak - wages and incomes are beginning to rise for the first positive growth in over three years: base pay is rising at a rate of almost 2%, summer bonus pay is up almost five percent. Net net, household incomes are rising at almost 3% in nominal terms as the spoils from the export-led recovery are being distributed throughout the system. Add to this the fact that former Prime Minister Hatoyama's child-benefit policy boosts aggregate disposable income by another one percent, and you realize that household incomes are now rising at a rate of just about four percent. By any account, this is a powerful underpinning for consumer-led growth on the home front. Watch for housing and real estate to show further signs of recovery between now and the end of 2010, and keep a careful eye on consumption of white-goods and other higher-priced items. When rising incomes combine with 'austerity fatigue' after years of frugal living, domestic demand is poised to surprise on the up-side.

Interestingly, economic policy is also much more supportive and constructive than commonly perceived. Indeed, for the first time since the Koizumi administration, the Bank of Japan is going out of its way to be supportive, to signal loud and clear that they are in no rush to "exit" or tighten. Aux contraire, since December 2009, three new quantitative easing initiatives have been announced, the last of which came in early June. Even more important is the fact that the Bank of Japan is not acting alone. Both the new government of Prime Minister Naoto Kan as well as the bureaucracy have published fairly comprehensive and detailed economic growth strategies. Japan has not had this degree of policy coordination in almost a decade: the industries and sectors the Bank of Japan seeks to support with its special lending facilities match line-by-line the government's newfound growth strategy. It is clear in my mind that a decade of policy complacency has come to an end. A new Japanese strategic pragmatism is on the rise.

Under Prime Minister Hatoyama, Japan was preoccupied with social policy issues. Now economic and financial policy is back at the center. Specifically, Prime Minister Kan has presented a clear-cut growth target: between now and 2020, nominal growth of three percent and real growth of two percent is the goal. How to achieve it? First and foremost, Kan is not afraid to be pro-business - despite his strong dependence on the labor unions for his political machine. A cut in corporate taxes is now a virtual certainty. And this is the right thing to do - Japan simply cannot compete against Asian competitors who pay barely one-third or even one-fourth of the tax burden.

Of course, lower corporate taxes in Japan alone won't turn Japan into an economic powerhouse. But the long overdue corporate tax cut will, at the margin, make Japan a more attractive destination for capital spending and future investment. If followed up by structural policy initiatives to boost entrepreneurship, Japan Inc. has a fair shot of re-inventing herself as a new center of excellence and innovation.

To be sure, not all is good. First of all, Japan remains a huge *free rider* on global economic fortunes. When the world sneezes, Japan catches a cold. Remember that a one percentage point change in global growth lifts or cuts corporate profits by almost 20 percent, while a similar change in domestic demand boosts or cuts profits by only about five percent. With global fortunes about four times as important as domestic ones, Japan remains essentially a 'slingshot on global growth'.

The other big negative Japan faces is that its tax system is very inefficient. A rise in national income by 1% only lifts total tax revenues by barely half a percentage point. In other words, it is impossible for Japan to grow her way out of the current fiscal deficit woes. The tax system simply is too inefficient and the tax base is not broad enough. So no matter who is in charge of Japanese policy making, sooner or later, the tax burden on the Japanese will have to go up. Whether this comes through a higher consumption tax, higher incomes taxes, or a combination of both, remains to be seen. Also, the introduction of a true and unified tax-number identification system is poised to come before long. Indeed, in my personal view, the positive up-cycle outlined above - last year's export recovery feeding this year`s income growth - could very well come to an end as soon as the government is forced to raise the tax burden on households. The trick will have to be to raise taxes while a new export up-cycle is on its way. Will the government be lucky enough to get that one right?

From a global perspective, Japan remains an attractive investment story. Ample technology, a diligent workforce, highly educated, as well as a public infrastructure second to none in the world. If I am halfway right, and the combination of private sector initiatives coupled with a newfound strategic pragmatism from policy makers combines, Japan may well become a big positive surprise for global investors. Expectations are low, ultra low, and it will take quite a lot to convince global money that Japan has what it takes to deliver sustainable high returns. All too often the swift, sharp up-cycles were followed by long, drawn-out periods of underperformance. However, conditions are falling into place for a major trend reversal. Japan has got what it takes.

Jesper Koll
Head of Japan Equity Research
J.P. Morgan

Achieving a Sound Balance of Growth

Speaking to You

Dear Investor,

Although the global economy is grappling with the European fallout, it appears to have found the path out of the financial crisis of the past few years recession, unique in that it was the first recession since real estate securitization swept the world. The various corrections in the marketplace caused by this recession and the ensuing attempts out of it have created a strong opportunity to buy real estate. Unfortunately, our investment unit price still bears an implied cap rate over 7%, resulting in the market's reluctance to accept our public offering in November 2009 to acquire properties with around a 6% yield. Nevertheless, it is irrefutably the right time to buy property.

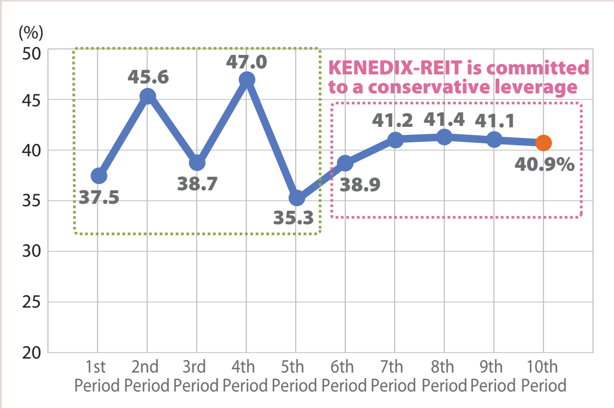
On the industry level, the reorganization of the REIT industry in Japan is still incomplete. Most industry pundits point to 200 - 300 billion yen in funds as being sufficient to secure autonomy and independence, but those REITs far smaller than this are proving difficult to sustain and so a few more mergers between REITs are likely to occur.

This fiscal period we conducted a public offering to acquire four properties and also acquired Pacific Marks Nishi-Shinjuku, thereby realizing our initial plans for the period. The public offering lowered our LTV and further strengthened our relationships with our supporting banks. Pacific Marks Nishi-Shinjuku itself was a result of our team carefully analyzing a property and taking advantage of an opportunity to acquire a property below appraisal value due to the unique situation of the owner, another J-REIT. We are still looking to buy properties, but the rush of potential opportunities present at the end of March due to the close of the corporate fiscal year has passed and we are now in a quiet market period searching for the next opportunity.

NOVEMBER 2009 PUBLIC OFFERING

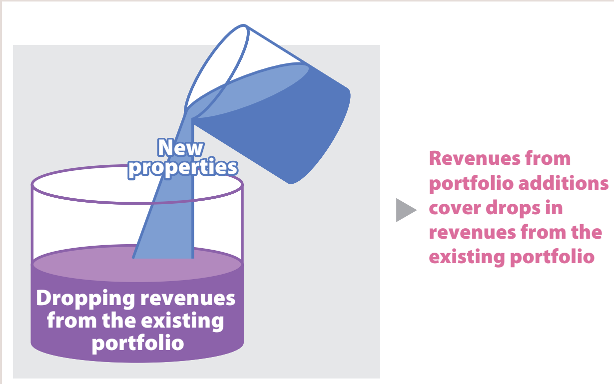
Units offered	Domestic public offering: 33,550 units
Designated buyer of units	Kenedix REIT Management: 1,200 units
Outstanding units after offering	233,550 units
Pricing date	November 9, 2009
Delivery date	November 17, 2009
Discount rate	3.0%
Issue price	¥252,200
Offering size	¥8.4 bn
Bookrunner	Nomura Securities Co., Ltd.

CHANGE IN LTV



Note: LTV = Total debt ÷ Total assets

EXTERNAL GROWTH AS A GENERATOR OF STABLE DISTRIBUTIONS



In hindsight, the public offering was viewed both favorably and unfavorably by the market. On the positive side, it served as a clear announcement that KENEDIX-REIT had moved from restructuring to acquisitions and that we had overcome any financial risk that may have been perceived. Our ability to lower leverage and acquire properties has also enabled us to combat the declining trend in rents and provide our investors with a 10,000 yen plus distribution per unit – a distribution level they desire and we are resolute to provide. The public offering also contributed to improving the risk standing of KENEDIX-REIT among financial institutions. Since peaking early last year, overall the spread on borrowings has dropped between 30 and 50 bps. The public offering and these resulting improvements, along with strong bank relations, are the reasons why we were able to fund our acquisition of Pacific Marks Nishi-Shinjuku with full debt of 7 billion yen.

On the negative side, the next time we consider equity financing, we should pay a little more heed to concerns over value dilution and attempt to make the financing and related acquisitions more accretive for our investors.

We have now demonstrated that we can achieve external growth with strong properties and finance them at enviable rates, both with equity and debt. These, along with our diversified portfolio and staff diligence, have helped us temporarily overcome the market reality of falling occupancies and rents and pay out a robust distribution. KENEDIX-REIT hit a low point in July 2009 when occupancy fell to 92.4%, but it has since risen above the 94% level and is being controlled there. This level, achievable through our active property management and strong tenant relations, is very competitive, even with those REITs specializing in Class S and Class A properties.

Another beneficial factor is that the economy, which drove many restructurings and bankruptcies and thus growing tenant departures, has corrected itself and is generating new tenants. In this state, it is reasonable to assume that the bottoming out of rents is not too distant, if they haven't already done so.

> "Confidence and trust cultivated through strong communication helps us deliver results and deliver on promises"

We will also overcome the slight dip in rents through proactive restructuring of our portfolio where we sell small and buy big. We aim to conduct about 10 - 20 billion yen in acquisitions as a portfolio strengthening measure. We are also considering teaming with Kenedix, Inc. and ITOCHU Corporation to form a bridge fund of slightly higher risk but providing strong distributions to help form a future pipeline for KENEDIX-REIT properties.

This fiscal period we were able to diversify the shareholders of our asset management company with the addition of MAX-REALTY, Inc. to existing shareholders ITOCHU Corporation and Kenedix, Inc. MAX-REALTY is owned by leading property manager XYMAX Corporation and the Sumitomo Mitsui Banking Corporation, which of course provides access to strong property management know-how and strengthens our position with one of the leading mega bank groups.

Naturally, we will also maintain our stance of emphasizing tenant relations. We have conducted several tenant satisfaction surveys and are careful to always prudently act on our findings, as is shown later in this report. This emphasis means we do not have to entirely mark our rents to the market. We are not able to, and do not want to, hike rents exorbitantly during good periods as some REITs are prone to do, and conversely we do not need to lower rents drastically in most cases during bad times. Our close relations also provide us with the knowledge to negotiate with strong comprehension of our tenants' present standing - a distinct advantage.

Another market development that we believe will be to our advantage in the long term is the emergence of the various Green requirements for real estate in Tokyo. Presently most of the requirements are focused on large buildings with annual CO_2 output equivalent to 1,500 kiloliters or more of crude oil. The sum total of our entire portfolio is that large, so we have a reporting requirement but the requirements don't extend beyond this. However, the Energy Conservation Law and other legislation will eventually require owners to provide Green Buildings and both tenants and owners alike to lower CO_2 output. We are planning to invest capital in modernizing air conditioning systems and implementing other measures that save energy and lower costs, and our position as a financially strong owner of 70 buildings means we can implement such measures at a far more advantageous cost than owners of only a few properties, thereby raising our competitiveness. As the buildings are modernized, the ability to maintain and possibly raise rents at these buildings also grows, particularly with new tenants.

The Benefits of Strong Internal Communication

As we discuss later in this report, our strengths in both external and internal growth are driven by Kenedix REIT Management's emphasis on strong internal communication. Our weekly Asset Management Committee meetings feature wide-ranging reports by management on market opportunities, occupancies, rent trends and such, and the respective "C" class executives additionally meet regularly and when necessary to discuss actions and opportunities. This communication enables us to move fast to meet tenant demands and also to achieve inter-divisional cooperation. Confidence and trust in each other cultivated by this communication enables our team to take advantage of opportunities to deliver results and deliver on promises made to KENEDIX-REIT investors.

"We will seek a sound balance in our strategy, always mindful of the interests of KENEDIX-REIT investors."

Delivering Again in the Eleventh Fiscal Period

Our sound and balanced emphasis on both external growth and portfolio management (internal growth) has enabled us to once again deliver solid results, with operating income of 3,738 million yen and a distribution per unit of 10,993 yen. We are committed to delivering a distribution of 10,000 yen in the Eleventh Fiscal Period (ending October 2010) as well. While we have achieved a strong financial standing, cash flow is steady and we can also buy properties, the implied rates for properties on the market generally don't make investment sense and the European situation, though more than overcome by the strength of Asia, is worrisome. One thing is certain – our opportunities and the means available for achieving results are not limited. We may seek an aggressive strategy of acquiring another REIT, we may once again acquire all the properties of a distressed fund at a favorable discount or we may just hold steady. The important thing to note is that we will seek a sound balance in our strategy, always mindful of the interests of KENEDIX-REIT investors, and will continue to work to deliver steady distributions. Thank you again for your continued support.

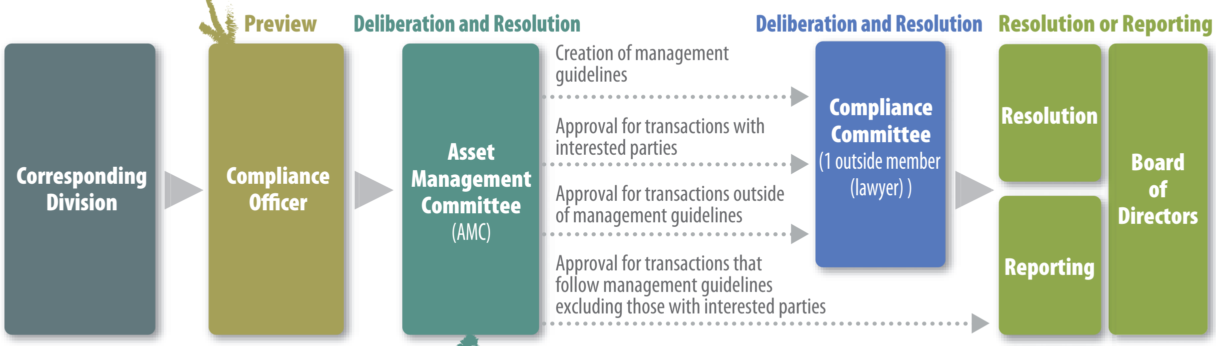
Taisuke Miyajima
CEO and President
Kenedix REIT Management, Inc.

CROSS-ORGANIZATIONAL COOPERATION ENABLES OPTIMAL RESULTS

The J-REIT investment vehicle was constructed to provide nearly complete transparency to investors in the sometimes difficult to comprehend world of real estate investment. Two integral pieces of the decision-making process that bestow legal compliance and organization-wide support and implementation for the decision are the Compliance Officer and the Asset Management Committee (AMC).

DECISION-MAKING AT KENEDIX REIT MANAGEMENT

The Compliance Officer previews major potential decisions of the REIT to ensure no transactions are detrimental to the interests of investors, the rules for deals with interested parties are obeyed and the deals are implemented in accordance with established guidelines. The Compliance Officer also works to ensure that service providers are in compliance with the rules and regulations that govern J-REITs.



AMC is the crux of cross-organizational management and communication. Attendees of the regular weekly meetings consist of the leadership and managers, and meetings affiliated with property or other material decisions are attended by the leadership including the CEO and President of Kenedix REIT Management, the General Manager of the Financial Planning Division (CFO), General Manager of the Investment Management Division (CIO), General Manager of the Property Management Division and Compliance Officer.

THE AMC MEETS FREQUENTLY

	1st Period	2nd Period	3rd Period	4th Period	5th Period	6th Period	7th Period	8th Period	9th Period	10th Period
Asset Management Committee meetings	21	35	39	39	38	38	52	44	36	**39**

AMC members receive weekly reports on tenant movements and intents, discuss countermeasures to negate negative movements, receive proposals on renovations and other improvements as well as discuss and approve property acquisition and disposition measures. Although implementation rests in the hands of each individual responsible division, the discussion and approval process vets issues and ensures a logical, powerful flow of communication in the decision-making process.

PACIFIC MARKS NISHI-SHINJUKU ILLUSTRATES AMC'S POWER

The power and effectiveness of this process is illustrated in the decision to acquire Pacific Marks Nishi-Shinjuku. The CIO brought it up for discussion in late 2009 as a potential acquisition that he was convinced would be beneficial for KENEDIX-REIT. The potential price was far below the appraised value and the strength of the building and its potential positive contribution to cash flow were all viewed favorably by the AMC. The CFO, realizing KENEDIX-REIT lacked the cash, visited relationship banks to discuss financing and eventually raised new debt to cover the entire acquisition.

The head of asset management wanted the property's positive cash flow to positively impact the distribution price. Thus the CIO negotiated a closing in mid-February rather than the end of the month favored by the seller.

KENEDIX-REIT was successful in the negotiations and thus theoretically transferred two weeks of additional rental revenues to its own accounts, which helped raise last fiscal period's distribution. Thus the reporting, discussing and cooperating of AMC members enabled an advantageous acquisition by KENEDIX-REIT.

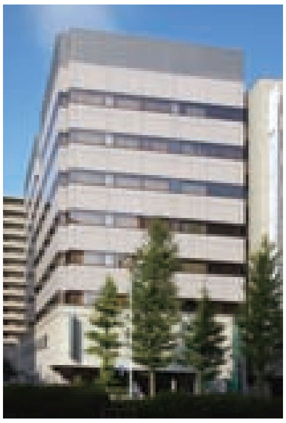
PARLAYING STRATEGY INTO ACTION

FIVE BUILDINGS ACQUIRED IN TENTH PERIOD

Following nearly 15 months of market silence, KENEDIX-REIT put its words into action and became the second J-REIT to conduct a public offering in November 2009. Always, a half-step ahead of the market, KENEDIX-REIT applied the 8.1 billion yen plus in capital that it raised to acquire four buildings: three on November 18 and one on December 1. The public offering served to notify the market that KENEDIX-REIT was growing again and led to many new investment opportunities being presented to the J-REIT.

TOTAL ACQUISITION PRICE 8.8 BN YEN: ACQUIRED VIA PUBLIC OFFERING

NOVEMBER 18, 2009 ACQUISITIONS

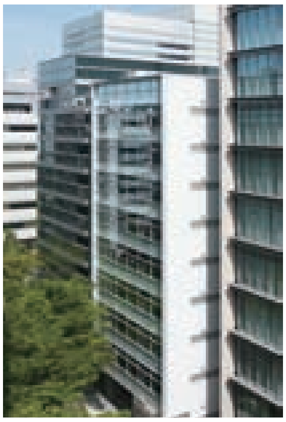


KOISHIKAWA TG BUILDING

Location Bunkyo Ward, Tokyo
Acquisition price 3.08 bn yen

GOTANDA TG BUILDING

Location Shinagawa Ward, Tokyo
Acquisition price 2.62 bn yen



KDX SHIN-YOKOHAMA 381 BUILDING ANNEX TOWER

Location Yokohama, Kanagawa
Acquisition price 1.1 bn yen

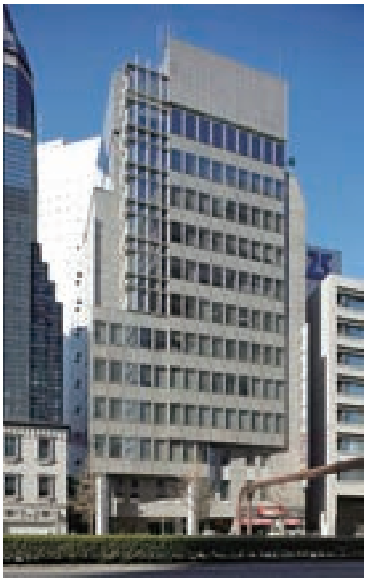
DECEMBER 1, 2009 ACQUISITION

KDX NIHONBASHI 216 BUILDING

Location Chuo Ward, Tokyo
Acquisition price 2.01 bn yen

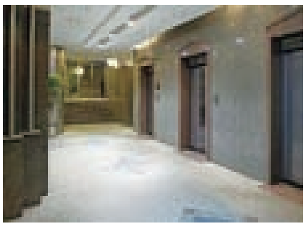
ACQUISITION PRICE 6.8 BN YEN: ACQUIRED WITH NEW BORROWINGS

FEBRUARY 18, 2010 ACQUISITION

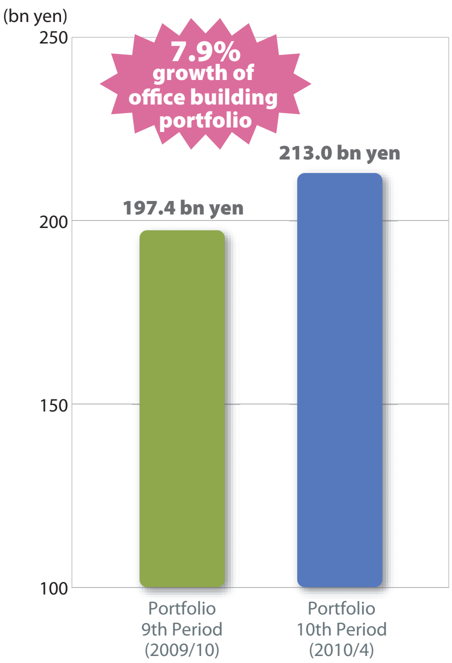


PACIFIC MARKS NISHI-SHINJUKU

Location Shinjuku Ward, Tokyo
Acquisition price 6.8 bn yen



DELIVERING GROWTH



Note: The figures are based on acquisition price.

TAKING ADVANTAGE OF A RARE OPPORTUNITY TO RAISE PORTFOLIO PERFORMANCE

The acquisitions made by KENEDIX-REIT during the Tenth Fiscal Period took advantage of the rare opportunity presented by market confusion to raise the performance of the portfolio. This has been key in ensuring the delivery of a robust dividend.

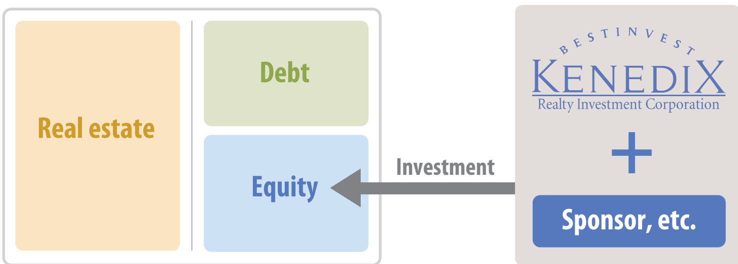
RAISING PORTFOLIO PERFORMANCE THROUGH ACQUISITIONS (OFFICE)

	Portfolio as of 9th Period	Properties Acquired in 10th Period
Acquisition price	¥197.4 bn	¥15.6 bn
Number of properties	58	5
Geographic distribution	Tokyo Metropolitan Area: 83.7% Other Regional Areas: 16.3%	Tokyo Metropolitan Area: 100.0%
Average property age	20.8 years	15.6 years
Unrealized gain or loss (%) (Note 1)	-9.8%	+7.1%
NOI yield (10th Period)	5.1%	6.0% (Note 2)

Notes: 1. Unrealized gain or loss is calculated based on the appraisal value as of the End of the Tenth Fiscal Period and the book value as of the End of the Tenth Fiscal Period.
2. The NOI yield for properties acquired during the Tenth Fiscal Period is calculated based on the premise that real property and city planning taxes are treated as expenses (rounded to the first decimal place).

RAISING RETURNS THROUGH NEW INVESTMENT MODELS

KENEDIX-REIT is actively considering new investment models as a means to heighten overall returns. One method that is being considered actively is the use of silent partnership investment, preferred equity investment and other investment structures with the sponsor of KRM as a means to secure the projects in the future.



Delivering Results

The CIO

Koju Komatsu

General Manager of the Investment Management Division (CIO)
Kenedix REIT Management, Inc.

KENEDIX-REIT is striving to build a portfolio of 400 billion yen in assets centered on mid-sized office buildings in Tokyo Metropolitan Area. We began a renewed pursuit of this target last fiscal period as we aim to build an even more robust portfolio.

Building a robust portfolio requires emphasis on not just cash flow but a balance between location, size, grade and other factors. Of course the perceived balance shifts depending on market characteristics such as now when we are particularly focusing on property returns due to the sizeable gap between current rents and market rents.

The acquisition of Pacific Marks Nishi-Shinjuku is a good example of first buying a property because of its excellent location, grade and size. The building possesses these qualities to the extent it can become a core portfolio asset but we were also able to acquire it at a price that generates a favorable return for KENEDIX-REIT, reflecting the emphasis we place on properties in today's market. It is a key acquisition as we pursue further growth and one more piece of evidence that we deliver results.

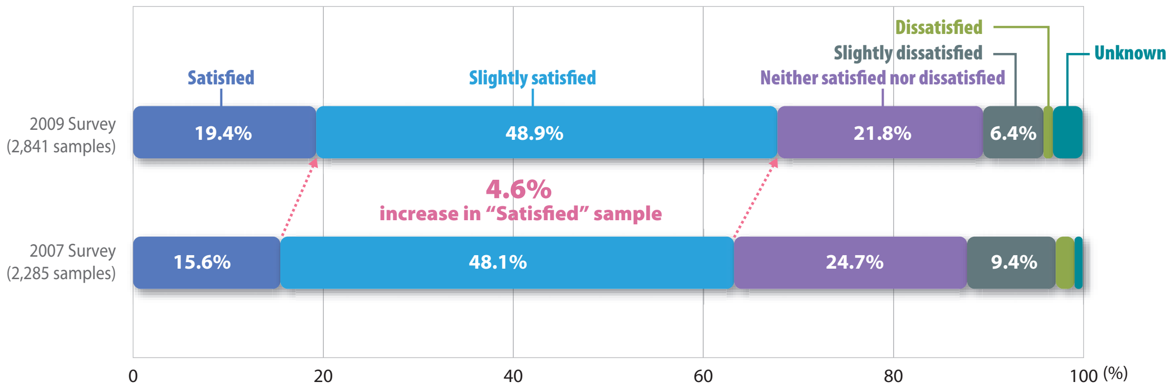
HANDS-ON MANAGEMENT

TENANT SATISFACTION DRIVES SUCCESSFUL PROPERTY MANAGEMENT

KENEDIX-REIT is privy to one of the worst kept secrets in real estate, namely, that real estate is people. The difference is that we apply this principle as the central tenet of our approach to property management. Naturally, cleanliness, working fixtures and other factors are vital to the success of property management, but the true crux is whether the tenants, or customers, are truly satisfied.

KENEDIX-REIT conducted the third customer satisfaction (CS) survey in cooperation with industry leading market research specialists J.D. Power Asia Pacific in the Ninth Fiscal Period with a sample of 58 properties. A team was assembled in the Tenth Fiscal Period to study how to implement the findings as well as report the findings to the various properties. Implementation of the suggested work is to take place in the Eleventh and Twelfth Fiscal Periods. Rather than revel in its "accomplishments," KRM has proactively compiled responses and countermeasures to opinions voiced in the CS survey. As a result, KENEDIX-REIT is installing hand driers in the bathrooms of over ten of its buildings during the Eleventh Fiscal Period.

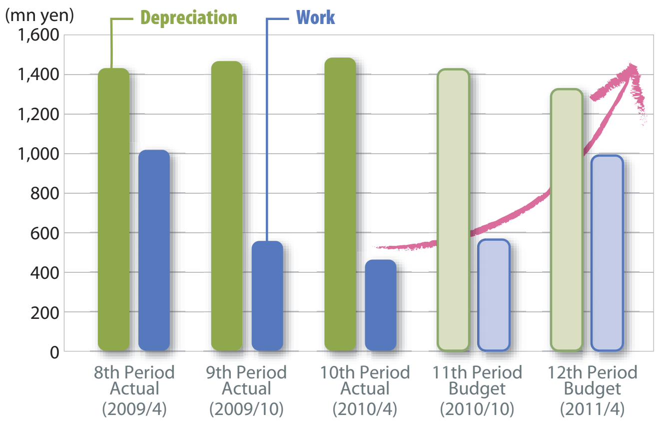
OVERALL CUSTOMER (TENANT) SATISFACTION



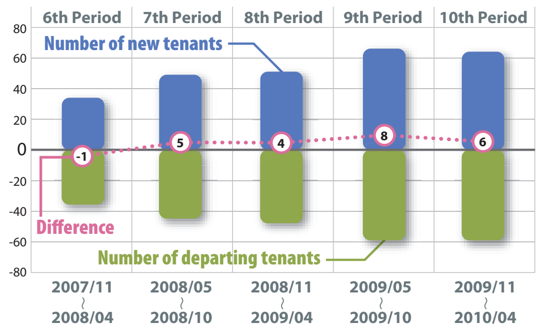
KRM has also revamped its centralized property management operations. This has materialized in the form of eleven on-site open houses at ten properties during the period and reinforced collaboration with leasing agents, which in turn has led to 130 new tenant contracts for a total of 26,461m^2 over the year from May 2009 to April 2010. The sum of these efforts has resulted in a +6 figure for new tenants versus departing tenants.

Hands-on management has allowed KRM to gain greater comprehension of tenant attributes and needs, lower costs, improve value and achieve a positive tenant entry/departure ratio.

RAISING COMPETITIVENESS: DEPRECIATION AND ACTUAL OR BUDGETED WORK (APRIL 30, 2010)



NEW TENANTS AND DEPARTING TENANTS



Note: These numbers are based on floors. Thus if one tenant departs from two floors or contracts for two floors, it is counted as two.

CLEAR MILESTONES SET TONE FOR STRONG FUTURE

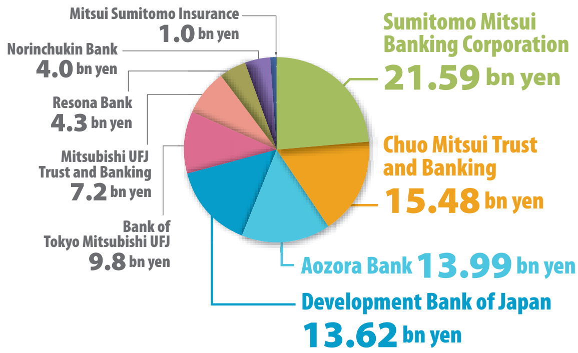
KENEDIX-REIT demonstrated its financial strength in three ways during the Tenth Fiscal Period:

1) Milestone equity financing on November 16, raised roughly 8.1 billion yen and acquired four office buildings, lowered its LTV and strengthened its already strong relationships with financial institutions.

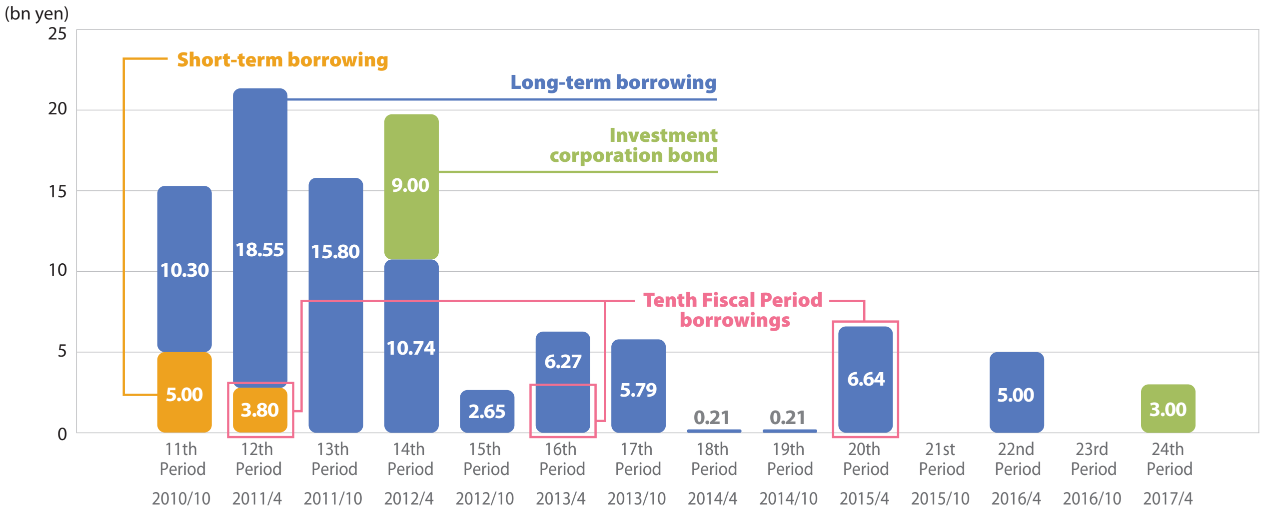
2) Successful refinancing of 8.5 billion yen in maturing debt during the Tenth Fiscal Period with one- to five-year loans.

3) Successful arrangement of 7.0 billion yen in new borrowings from Sumitomo Mitsui Banking Corporation, Development Bank of Japan, Chuo Mitsui Trust and Banking and Aozora Bank to acquire a property.

BREAKDOWN OF LENDERS (AS OF APRIL 30, 2010)



DIVERSIFICATION OF DEBT MATURITIES (AS OF APRIL 30, 2010)



Notes: 1. The debt amounts that mature in each period are shown.
2. Borrowings taken out in the Tenth Fiscal Period are encircled (KENEDIX-REIT has excluded portions of principal that are to be repaid in early installments based on the loan agreements).
3. All figures on this page have been rounded to the decimal place indicated.

Delivering Results

The CFO

Masahiko Tajima

Director and General Manager
Financial Planning Division (CFO)
Kenedix REIT Management, Inc.

My duty as the CFO of Kenedix REIT Management is to support the sound growth of our portfolio by enabling the steady, yet dynamic raising of capital. This requires constantly grasping the situations in the equity and debt markets, and constantly playing out risk scenarios.

KENEDIX-REIT is emerging from these tough times in a favorable position in part because of strong banking relations. The three most vital elements in maintaining banking relations are: 1) Maintain deep communications with banks and notifying them of any policy or other changes in advance (don't surprise them), 2) Prevent yourself from being unilaterally dependent on banks by maintaining a plethora of financing and capital-raising options, and 3) Maintain a balanced exposure to banks.

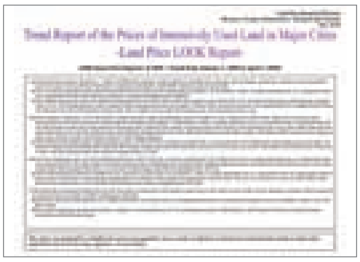
It is also important not to limit the options available to us as a J-REIT. We are striving to build a ideal portfolio of 400 billion yen and as CFO, I must analyze and consider a variety of capital-raising options, including equity, borrowings, bonds and asset-backed financing. This is essential for delivering results.

PROMOTING INVESTMENT IN JAPAN BY ASSISTING THE FOREIGN INVESTOR

If Japan ever had an Achilles' heel, it would be the general inability or lack of good English communication and information in English – the proverbial information gap. The situation, however, is not as dire as many are led to believe. There are now a number of research services and other service providers that can and do provide accurate and significant market research. KENEDIX-REIT would like to introduce the following excellent sources of information to help foreign investors ascertain market conditions. These include a national government source, industry body, foreign company and Japanese firm. These are not the only sources but are sources that many in the local real estate industry depend upon. Our hope is that their introduction here can help bridge the information gap.

THE MINISTRY OF LAND, INFRASTRUCTURE, TRANSPORT AND TOURISM (MLIT)

国土交通省 TOCHI.MLIT.GO.JP/ENGLISH

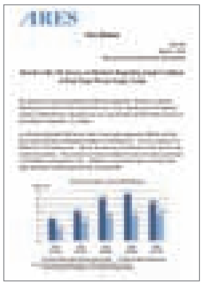


The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) is probably one of the strongest advocates of publishing land prices and other land information in English. The information it provides covers pricing, trends and policies while also including general market data.

THE ASSOCIATION FOR REAL ESTATE SECURITIZATION (ARES)

ARES 社団法人 不動産証券化協会 THE ASSOCIATION FOR REAL ESTATE SECURITIZATION

WWW.ARES.OR.JP/EN/INDEX_EN.HTML

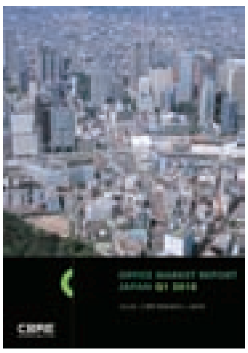


The Association for Real Estate Securitization (ARES) is a leading industry body for real estate securitization in Japan and enjoys broad support among real estate, securities and service firms. The organization was founded in September 1990 as the Council for Real Estate Syndication (CRES) and changed its name to ARES in 2002. The organization has a database on J-REIT deals, a monthly report, a market overview and also publishes a handbook on securitization in Japan.

CBRE JAPAN

GLOBAL PLAYER WITH LOCAL PRESENCE

CBRE CB RICHARD ELLIS WWW.CBRE.CO.JP/EN



CB Richard Ellis (CBRE) is one of the most globally recognized real estate service firms. The company has enjoyed and built a strong market research division in Japan led by Andy Hurfurt. The company provides market reports, tailor-made property reviews, client briefings and expert opinions to its clientele, enjoying robust support among both foreign and domestic clients.

MIKI SHOJI

A STANDOUT PROVIDER OF JAPANESE REAL ESTATE MARKET RESEARCH

e-miki.com WWW.E-MIKI.COM/ENG

Miki Shoji was founded in 1965 and is led by Kiyoshi Iijima. The company issues a quarterly report on the Tokyo office market in English that is widely read by English speaking market professionals in Japan. The company provides comprehensive assistance and research on the Japanese real estate market with particular strengths in the office and warehouse markets.

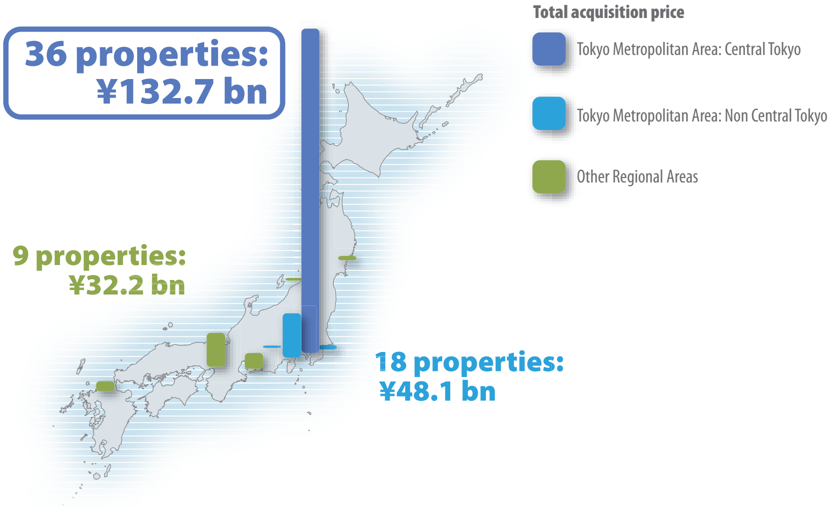
KENEDIX-REIT A STRONG, DIVERSIFIED PORTFOLIO

The following statistics are robust evidence that KENEDIX-REIT has constructed a powerful portfolio.

OFFICE BUILDING PORTFOLIO: 63 PROPERTIES AND TOTAL ACQUISITIONS OF 213.0 BILLION YEN (AS OF APRIL 30, 2010)

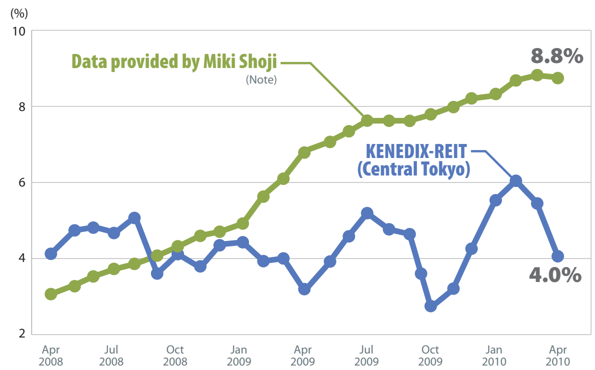
KENEDIX-REIT has constructed a diversified portfolio of 70 properties (63 offices) centered on a good selection of 36 office buildings in Central Tokyo.

Notes: 1. Central Tokyo is comprised of Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards.
2. The amounts are rounded down to the nearest 100 million yen.



MARKET VACANCIES: KENEDIX-REIT VERSUS THE MARKET

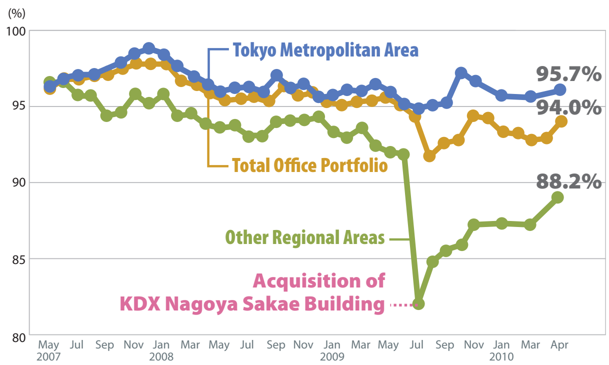
KENEDIX-REIT's strong tenant relations helps it outperform the market.



Note: The vacancies provided by Miki Shoji are the averages for the business district of Tokyo (central 5 wards) and cover both new and existing buildings. This chart was prepared by KENEDIX-REIT using Miki Shoji data.

CHANGES IN OCCUPANCY RATIO FOR OFFICE PORTFOLIO

Placing importance on the relationship with tenants, occupancy has held stable due to considering maintaining occupancy above negotiating for increased rents.



Reference: Occupancy at end of 10th Period (Apr. 30, 2010)
Total portfolio (70 properties) 94.4% (+2.0% compared to Jul. 31, 2009)

RENTAL NOI RETURNS (ANNUALIZED)

KENEDIX-REIT recorded falling returns for both office and retail properties but the overall portfolio performed a strong 5.1%.

	5th Period	6th Period	7th Period	8th Period	9th Period	10th Period
Office	5.5%	5.6%	5.3%	5.5%	5.2%	**5.1%**
Central Urban Retail	5.1%	4.3%	4.8%	4.7%	4.6%	**4.5%**
Residential	5.3%	5.3%	5.3%	5.2%	5.0%	**5.2%**
Total	5.4%	5.5%	5.3%	5.4%	5.2%	**5.1%**

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

SUMMARY OF APPRAISED VALUES AS OF APRIL 30, 2010

The appraised values of the portfolio have dropped but as a whole the portfolio continues to perform strongly with appraisal versus acquisition values falling less than 10% for the portfolio despite the recent economic crisis.

(mn yen)

	Office	Central Urban Retail	Residential	Total
① Acquisition price	213,071	12,379	10,319	235,769
② Book value	214,579	12,506	10,117	237,204
③ Appraisal value	194,765	11,670	8,465	214,900
④ Difference from acquisition price (③ - ①)	-18,306	-709	-1,854	-20,869
Percentage ④ / ①	-8.6%	-5.7%	-18.0%	-8.9%
⑤ Difference from book value (③ - ②)	-19,814	-836	-1,652	-22,304
Percentage ⑤ / ②	-9.2%	-6.7%	-16.3%	-9.4%

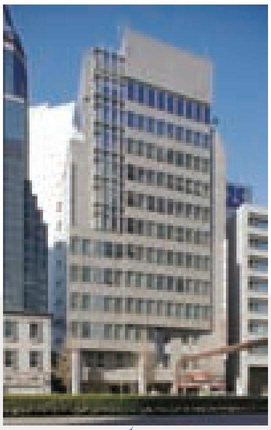
KENEDIX-REIT PORTFOLIO TABLE

END OF 10TH PERIOD (APRIL 30, 2010)

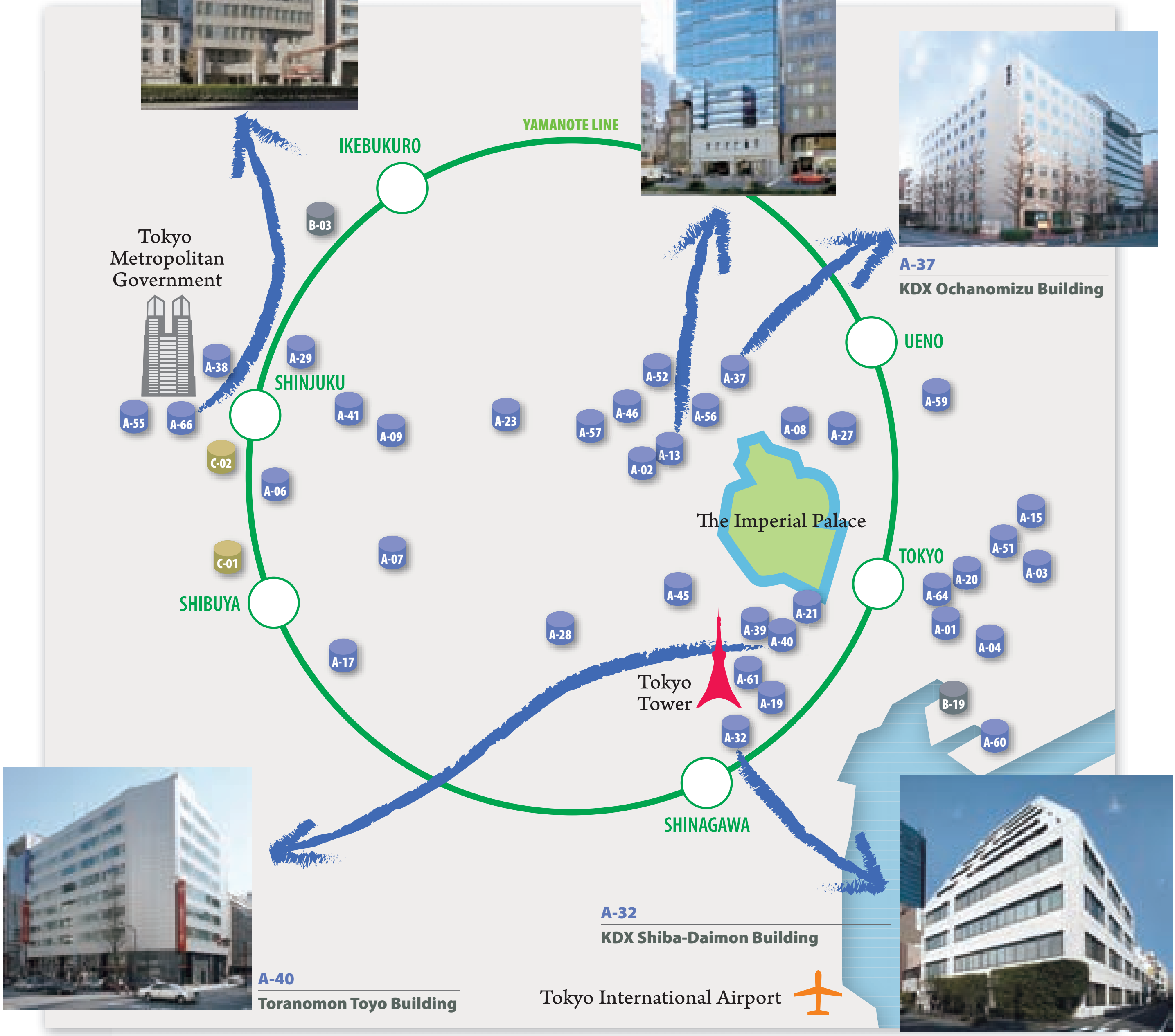
	No.	Collateralized Assets	Property Name	Location	Acquisition Price (mn yen)	Year Built	Occupancy Ratio
A Office	A-1	■	KDX Nihonbashi 313 Building	Chuo Ward, Tokyo	5,940	Apr. 1974	100.0%
	A-2		KDX Hirakawacho Building	Chiyoda Ward, Tokyo	5,180	Mar. 1988	100.0%
	A-3	■	Higashi-Kayabacho Yuraku Building	Chuo Ward, Tokyo	4,450	Jan. 1987	100.0%
	A-4		KDX Hatchobori Building	Chuo Ward, Tokyo	3,680	Jun. 1993	100.0%
	A-5	■	KDX Nakano-Sakaue Building	Nakano Ward, Tokyo	2,533	Aug. 1992	100.0%
	A-6	■	Harajuku F.F. Building	Shibuya Ward, Tokyo	2,450	Nov. 1985	100.0%
	A-7		FIK Minami Aoyama	Minato Ward, Tokyo	2,270	Nov. 1988	77.1%
	A-8	■	Kanda Kihara Building	Chiyoda Ward, Tokyo	1,950	May 1993	100.0%
	A-9		KDX Shinjuku-Gyoen Building	Shinjuku Ward, Tokyo	1,610	Jun. 1992	100.0%
	A-12	■	Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	88.5%
	A-13		KDX Kojimachi Building	Chiyoda Ward, Tokyo	5,950	May 1994	97.1%
	A-14	■	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	100.0%
	A-15	■	KDX Hamacho Building	Chuo Ward, Tokyo	2,300	Sep. 1993	100.0%
	A-16	■	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	84.1%
	A-17		Ebisu East 438 Building	Shibuya Ward, Tokyo	4,640	Jan. 1992	100.0%
	A-18	■	KDX Omori Building	Ota Ward, Tokyo	3,500	Oct. 1990	100.0%
	A-19	■	KDX Hamamatsucho Building	Minato Ward, Tokyo	3,460	Sep. 1999	100.0%
	A-20	■	KDX Kayabacho Building	Chuo Ward, Tokyo	2,780	Oct. 1987	100.0%
	A-21		KDX Shinbashi Building	Minato Ward, Tokyo	2,690	Feb. 1992	100.0%
	A-22	■	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	86.3%
	A-23		KDX Yotsuya Building	Shinjuku Ward, Tokyo	1,950	Oct. 1989	100.0%
	A-24	■	KDX Minami Semba Dai-1 Building	Osaka, Osaka	1,610	Mar. 1993	83.1%
	A-25	■	KDX Minami Semba Dai-2 Building	Osaka, Osaka	1,560	Sep. 1993	94.1%
	A-26	■	KDX Kiba Building	Koto Ward, Tokyo	1,580	Oct. 1992	100.0%
	A-27	■	KDX Kajicho Building	Chiyoda Ward, Tokyo	2,350	Mar. 1990	75.1%
	A-28		KDX Nogizaka Building	Minato Ward, Tokyo	1,065	May 1991	78.1%
	A-29	■	KDX Higashi-Shinjuku Building	Shinjuku Ward, Tokyo	2,950	Jan. 1990	100.0%
	A-30	■	KDX Nishi-Gotanda Building	Shinagawa Ward, Tokyo	4,200	Nov. 1992	100.0%
	A-31	■	KDX Monzen-Nakacho Building	Koto Ward, Tokyo	1,400	Sep. 1986	100.0%
	A-32	■	KDX Shiba-Daimon Building	Minato Ward, Tokyo	6,090	Jul. 1986	97.3%
	A-33		KDX Okachimachi Building	Taito Ward, Tokyo	2,000	Jun. 1988	100.0%
	A-34	■	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May 1995	100.0%
	A-35		KDX Hachioji Building	Hachioji, Tokyo	1,155	Dec. 1985	100.0%
	A-36		KDX Niigata Building	Niigata, Niigata	1,305	Jul. 1983	64.3%
	A-37	■	KDX Ochanomizu Building	Chiyoda Ward, Tokyo	6,400	Aug. 1982	100.0%
	A-38		KDX Nishi-Shinjuku Building	Shinjuku Ward, Tokyo	1,500	Oct. 1992	100.0%
	A-39	■	KDX Toranomon Building	Minato Ward, Tokyo	4,400	Apr. 1988	100.0%
	A-40	■	Toranomon Toyo Building	Minato Ward, Tokyo	9,850	Aug. 1962	93.9%
	A-41	■	KDX Shinjuku 286 Building	Shinjuku Ward, Tokyo	2,300	Aug. 1989	100.0%
	A-42	■	Karasuma Building	Kyoto, Kyoto	5,400	Oct. 1982	93.9%
	A-44	■	KDX Sendai Building	Sendai, Miyagi	2,100	Feb. 1984	92.8%
	A-45		KDX Roppongi 228 Building	Minato Ward, Tokyo	3,300	Apr. 1989	65.1%
	A-46	■	Hiei Kudan-Kita Building	Chiyoda Ward, Tokyo	7,600	Mar. 1988	91.9%
	A-47		KDX Shin-Yokohama 381 Building (Note 1)	Yokohama, Kanagawa	4,700	Mar. 1988	100.0%
	A-65		KDX Shin-Yokohama 381 Building Annex Tower (Note 1)	Yokohama, Kanagawa	1,100	Apr. 2009	100.0%
	A-48	■	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	Feb. 1985	100.0%
	A-49	■	Nissou Dai-17 Building	Yokohama, Kanagawa	2,710	Jul. 1991	94.9%
	A-50	■	Ikejiri-Oohashi Building	Meguro Ward, Tokyo	2,400	Sep. 1988	100.0%
	A-51	■	KDX Hamacho Nakanohashi Building	Chuo Ward, Tokyo	2,310	Sep. 1988	100.0%
	A-52		KDX Kanda Misaki-cho Building	Chiyoda Ward, Tokyo	1,380	Oct. 1992	100.0%
	A-53	■	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun. 1973	86.2%
	A-54		KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	96.4%
	A-55	■	Shin-toshin Maruzen Building	Shinjuku Ward, Tokyo	2,110	Jul. 1990	100.0%
	A-56	■	KDX Jimbocho Building	Chiyoda Ward, Tokyo	2,760	May 1994	85.0%
	A-57		KDX Gobancho Building	Chiyoda Ward, Tokyo	1,951	Aug. 2000	85.7%
	A-58		KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Apr. 2009	90.3%
	A-59		KDX Iwamoto-cho Building	Chiyoda Ward, Tokyo	1,864	Mar. 2008	100.0%
	A-60	■	KDX Harumi Building	Chuo Ward, Tokyo	10,250	Feb. 2008	98.2%
	A-61		KDX Hamamatsucho Dai-2 Building	Minato Ward, Tokyo	2,200	Apr. 1992	87.5%
	A-62	■	Koishikawa TG Building	Bunkyo Ward, Tokyo	3,080	Nov. 1989	100.0%
	A-63	■	Gotanda TG Building	Shinagawa Ward, Tokyo	2,620	Apr. 1988	57.8%
	A-64	■	KDX Nihonbashi 216 Building	Chuo Ward, Tokyo	2,010	Oct. 2006	87.5%
	A-66	■	Pacific Marks Nishi-Shinjuku	Shinjuku Ward, Tokyo	6,800	May 1993	93.8%
			Office Subtotal (63 Properties)		**213,071**	**20.5 yrs**	**94.0%**

PORTFOLIO MAP

THIS PAGE ONLY REPRESENTS PROPERTIES IN CENTRAL TOKYO.



A-66
Pacific Marks Nishi-Shinjuku



	No.	Collateralized Assets	Property Name	Location	Acquisition Price (mn yen)	Year Built	Occupancy Ratio
B Residential	B-3		Court Mejiro	Shinjuku Ward, Tokyo	1,250	Mar. 1997	95.2%
	B-18	■	Venus Hibarigaoka	Sapporo, Hokkaido	1,800	Mar. 1989	96.3%
	B-19	■	Residence Charmante Tsukishima	Chuo Ward, Tokyo	5,353	Jan. 2004	100.0%
	B-25		Court Shin-Okachimachi	Taito Ward, Tokyo	878	Oct. 2005	93.0%
	B-34		Gradito Kawaguchi	Kawaguchi, Saitama	1,038	Feb. 2006	100.0%
	Residential Subtotal (5 properties)				**10,319**	**9.3 yrs**	**97.4%**
C Central Urban Retail	C-1	■	Frame Jinnan-zaka	Shibuya Ward, Tokyo	9,900	Mar. 2005	100.0%
	C-2		KDX Yoyogi Building	Shibuya Ward, Tokyo	2,479	Aug. 1991	87.2%
	Central Urban Retail Subtotal (2 properties)				**12,379**	**7.8 yrs**	**97.4%**
	TOTAL (70 properties)				**235,769**	**19.3 yrs**	**94.4%**

Notes: 1. A-65 KDX Shin-Yokohama 381 Building Annex Tower is an annex tower of the A-47 KDX Shin-Yokohama 381 Building and the Investment Corporation owns the entire compartmentalized ownership building.
2. The completion date is the date of construction completion recorded in the land register. The average age subtotal and total data are calculated using the weighted-average based on acquisition prices as of April 30, 2010, and are rounded down to the first decimal place.
3. Amounts indicated have been rounded down.

FINANCIAL SUMMARY

HISTORICAL OPERATING TRENDS
FOR THE SIXTH – TENTH FISCAL PERIODS

Period	unit	6th Period (as of Apr. 30, 2008)	7th Period (as of Oct. 31, 2008)	8th Period (as of Apr. 30, 2009)	9th Period (as of Oct. 31, 2009)	10th Period (as of Apr. 30, 2010)
Operating revenues	mn yen	8,582	8,456	8,204	7,921	8,067
(Rental revenues)	mn yen	7,630	8,156	8,204	7,921	8,067
Operating expenses	mn yen	4,517	4,311	4,740	4,708	4,329
(Property-related expenses)	mn yen	3,447	3,678	3,603	3,652	3,714
Operating income	mn yen	4,065	4,144	3,463	3,213	3,738
Ordinary income	mn yen	3,343	3,124	2,435	2,103	2,568
Net income (a)	mn yen	3,342	3,123	2,434	2,102	2,567
Total assets (b) (Period-on-period change)	mn yen %	230,520 (+7.8)	239,648 (+4.0)	238,745 (-0.4)	236,320 (-1.0)	251,566 (+6.5)
Interest-bearing debt (c) (Period-on-period change)	mn yen %	89,750 (+18.9)	98,750 (+10.0)	98,750 (0.0)	97,220 (-1.5)	102,968 (+5.9)
Unitholders' equity (d) (Period-on-period change)	mn yen %	128,314 (+0.4)	128,087 (-0.2)	127,398 (-0.5)	127,067 (-0.3)	135,689 (+6.8)
Unitholders' capital (Period-on-period change)	mn yen %	124,973 (0.0)	124,973 (0.0)	124,973 (0.0)	124,973 (0.0)	133,129 (+6.5)
Number of investment units issued and outstanding (e)	unit	200,000	200,000	200,000	200,000	233,550
Unitholders' equity per unit (d)/(e)	yen	641,570	640,437	636,990	635,335	580,987
Total distribution (f)	mn yen	3,342	3,123	2,434	2,102	2,567
Distribution per unit (f)/(e)	yen	16,711	15,618	12,172	10,511	10,993
(Earnings distributed per unit)	yen	16,711	15,618	12,172	10,511	10,993
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.5 (3.0)	1.3 (2.6)	1.0 (2.1)	0.9 (1.8)	1.1 (2.1)
Return on unitholders' equity (annualized) (Notes 2 and 3)	%	2.6 (5.2)	2.4 (4.8)	1.9 (3.8)	1.7 (3.3)	2.0 (3.9)
Unitholders' equity ratio at end of period (d)/(b) (Period-on-period change)	%	55.7 (-4.1)	53.4 (-2.2)	53.4 (-0.1)	53.8 (+0.4)	53.9 (+0.2)
Interest-bearing debt ratio at end of period (c)/(b) (Period-on-period change)	%	38.9 (+3.6)	41.2 (+2.3)	41.4 (+0.2)	41.1 (-0.2)	40.9 (-0.2)
Payout ratio (Note 4) **(f)/(a)**	%	99.9	99.9	100.0	100.0	99.9
Other reference						
Number of properties	properties	68	69	67	65	70
Total leasable floor area	m^2	248,625.52	256,214.30	250,364.42	254,225.04	271,260.81
Occupancy at end of period	%	95.9	95.6	95.7	94.7	94,4
Depreciation expenses for the period	mn yen	1,430	1,445	1,429	1,451	1,477
Capital expenditures for the period	mn yen	1,152	1,105	891	400	330
Leasing NOI (net operating income) (Note 5)	mn yen	5,612	5,923	6,030	5,721	5,830
FFO (funds from operation) (Note 6)	mn yen	4,259	4,269	4,356	3,994	4,044
FFO per unit (Note 7)	yen	21,297	21,345	21,780	19,973	17,318

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 Sixth Fiscal Period are calculated based on a period of 182 days, 184 days for the Seventh Fiscal Period, 181 days for the Eighth Fiscal Period, 184 days for the Ninth Fiscal Period and 181days for the Tenth 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 place.
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

10th Fiscal Period

From November 1, 2009 to April 30, 2010

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

Statements of Cash Flows and Related Notes (Unaudited)

Report of Independent Auditors

The Board of Directors of
Kenedix Realty Investment Corporation

We have audited the accompanying balance sheets of Kenedix Realty Investment Corporation as of April 30, 2010 and October 31, 2009, and the related statements of income and retained earnings and changes in unitholders' equity for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Realty Investment Corporation at April 30, 2010 and October 31, 2009, and the results of its operations for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

June 10, 2010

BALANCE SHEETS

AS OF APRIL 30, 2010 AND OCTOBER 31, 2009

	In thousands of yen			
	As of April 30, 2010		As of October 31, 2009	
ASSETS				
Current assets:				
Cash and bank deposits	¥	13,297,791	¥	12,870,430
Rental receivables		151,363		184,068
Consumption tax refundable		48,308		136,065
Other current assets		83,141		99,296
Total current assets		13,580,603		13,289,859
Property and equipment, at cost:				
Land		164,462,798		152,327,017
Buildings and structures		80,958,715		76,930,254
Machinery and equipment		1,264,468		1,228,084
Tools, furniture and fixtures		340,770		327,711
Less-accumulated depreciation		(10,108,997)		(8,650,220)
Net property and equipment		236,917,754		222,162,846
Other assets:				
Ground leasehold		285,350		285,350
Organization costs		—		5,090
Corporate bond issuance costs		33,865		39,647
Unit issuance costs		41,893		23,684
Other assets		707,019		513,945
Total assets	**¥**	**251,566,484**	**¥**	**236,320,421**

LIABILITIES AND UNITHOLDERS' EQUITY				
Liabilities				
Current liabilities:				
Trade and other payables	¥	549,294	¥	469,905
Short-term debt		37,050,000		24,500,000
Deposits received		17,054		15,105
Rents received in advance		1,245,403		1,133,738
Other current liabilities		179,264		171,408
Total current liabilities		39,041,015		26,290,156
Corporate bonds		12,000,000		12,000,000
Long-term debt		53,918,500		60,720,000
Leasehold and security deposits received		10,917,330		10,228,542
Other liabilities		—		14,554
Total liabilities	¥	115,876,845	¥	109,253,252
Unitholders' equity				
Unitholders' capital	¥	133,129,755	¥	124,973,750
Units authorized: 2,000,000 units				
Units issued and outstanding: 233,550 units				
As of April 30, 2010 and October 31, 2009, respectively				
Retained earnings		2,567,480		2,102,249
Unrealized gain from deferred hedge transactions		(7,596)		(8,830)
Total unitholders' equity		135,689,639		127,067,169
Total liabilities and unitholders' equity	**¥**	**251,566,484**	**¥**	**236,320,421**

See accompanying notes to the financial statements.

STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE PERIOD FROM MAY 1, 2009 TO OCTOBER 31, 2009 AND THE PERIOD FROM NOVEMBER 1, 2009 TO APRIL 30, 2010

	In thousands of yen			
		From November 1, 2009 to April 30, 2010		From May 1, 2009 to October 31, 2009
Operating revenues:				
Rental revenues	¥	8,067,448	¥	7,921,862
Total operating revenues		8,067,448		7,921,862
Operating expenses:				
Property-related expenses		3,714,418		3,652,105
Loss on sale of real estate		—		440,771
Asset management fees		433,915		423,183
Administrative service and custodian fees		77,229		76,727
Other operating expenses		103,530		115,723
Total operating expenses		4,329,092		4,708,509
Operating income	**¥**	**3,738,356**	**¥**	**3,213,353**
Non-operating expenses:				
Interest expense	¥	932,081	¥	907,825
Financing-related expenses		210,091		147,899
Amortization of organization costs		5,090		5,090
Amortization of unit issuance costs		32,063		23,684
Amortization of corporate bond issuance costs		5,782		5,878
Others, net		(15,122)		19,729
Income before income taxes		2,568,371		2,103,248
Income taxes		940		1,057
Net income		2,567,431		2,102,191
Retained earnings at the beginning of period		49		58
Retained earnings at the end of period	**¥**	**2,567,480**	**¥**	**2,102,249**

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE PERIOD FROM MAY 1, 2009 TO OCTOBER 31, 2009 AND THE PERIOD FROM NOVEMBER 1, 2009 TO APRIL 30, 2010

In thousands of yen

	Unitholders' Equity			
	Unitholders' capital	Retained earnings	Unrealized gain from deferred hedge transactions	Total
Balance as of April 30, 2009	**¥ 124,973,750**	**¥ 2,434,458**	**¥ (10,110)**	**¥ 127,398,098**
Changes during the fiscal period				
New unit issuance	—	—	—	—
Payment of dividends	—	(2,434,400)	—	(2,434,400)
Net income	—	2,102,191	—	2,102,191
Interest-rate swap	—	—	1,280	1,280
Total changes during the fiscal period	—	(332,209)	1,280	(330,929)
Balance as of October 31, 2009	**¥ 124,973,750**	**¥ 2,102,249**	**¥ (8,830)**	**¥ 127,067,169**
Changes during the fiscal period				
New unit issuance	8,156,005	—	—	8,156,005
Payment of dividends	—	(2,102,200)	—	(2,102,200)
Net income	—	2,567,431	—	2,567,431
Interest-rate swap	—	—	1,234	1,234
Total changes during the fiscal period	8,156,005	465,231	1,234	8,622,470
Balance as of April 30, 2010	**¥ 133,129,755**	**¥ 2,567,480**	**¥ (7,596)**	**¥ 135,689,639**

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD FROM MAY 1, 2009 TO OCTOBER 31, 2009 AND THE PERIOD FROM NOVEMBER 1, 2009 TO APRIL 30, 2010

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Kenedix Realty Investment Corporation ("the Investment Corporation") was established on May 6, 2005 under the Law concerning Investment Trusts and Investment Corporations of Japan ("the Investment Trust Law"). On July 21, 2005, the Investment Corporation was listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange with a total of 75,400 investment units issued and outstanding (Securities Code: 8972). Subsequently, the Investment Corporation raised funds through public offerings including two global offerings. The Investment Corporation also undertook an additional issue of 33,550 investment units through a public offering in Japan on November 16, 2009. Consequently, as of April 30, 2010, the end of the tenth fiscal period, the number of investment units issued and outstanding totaled 233,550 units.

The Investment Corporation is externally managed by Kenedix REIT Management, Inc. ("the Asset Management Company") as its asset management company. In concert with the Asset Management Company, the Investment Corporation strives to maximize cash distribution to investors by securing stable earnings and sustainable investment growth. To this end, the Investment Corporation adopts a dynamic and flexible investment stance that accurately reflects its environment and market trends, and endeavors to ensure a timely response to each and every opportunity. The Investment Corporation endeavors to develop a diversified investment portfolio named "KENEDIX Selection," adopting a three-point investment criteria based on property type, area and size.

During the period ended April 30, 2010, the Investment Corporation also undertook an additional issue of 33,550 investment units through a public offering in Japan on November 16, 2009, and undertook long-term borrowings of ¥7,000 million. The Investment Corporation acquired five office buildings (total acquisition price of ¥15,610 million) in the Tokyo Metropolitan Area. As of April 30, 2010, the Investment Corporation had total unitholders' capital of ¥133,130 million with 233,550 investment units outstanding. The Investment Corporation owned a portfolio of 70 properties with a total acquisition price of ¥235,769 million containing a total leasable area of 271,260.81m^2. The occupancy ratio was 94.4%. The portfolio of 70 properties consists of 63 office buildings, 5 residential properties and 2 central urban retail properties. 60 properties are located in the Tokyo Metropolitan Area and 10 properties are located in Other Regional Areas.

BASIS OF PRESENTATION

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

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

	From November 1, 2009 to April 30, 2010	From May 1, 2009 to October 31, 2009
Buildings and structures	2-49 years	2-49 years
Machinery and equipment	3-17 years	3-17 years
Tools, furniture and fixtures	3-20 years	3-20 years

(B) ORGANIZATION COSTS

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

(C) UNIT ISSUANCE COSTS

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

Underwriters' commissions in connection with the issuance of unitholders' equity are offset against proceeds raised since the "Spread Method" was used for the unit issuance. Under the Spread Method, securities underwriters underwrite the units at the issue price and offer them to investors at the offer price, which is different from the issue price. The difference between the offer price and the issue price represents the underwriting commission received by the securities underwriters, eliminating the need for the issuer to pay underwriting commissions. If securities underwriters had underwritten the units at the issue price and offered the units to investors at an offer price equal to the issue price (known as the "Conventional Method"), a commission would have been incurred and it would have been expensed as new unit issuance costs. Therefore, the Spread Method understated unit issuance costs by ¥254,421 thousand on the balance sheet and decreased amortization of unit issuance costs by ¥50,884 thousand and increased income before income taxes on the income statement by the same amount compared to the Conventional Method for the period from November 1, 2009 through April 30, 2010.

(D) CORPORATE BOND ISSUANCE COSTS

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

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

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

(F) REVENUE RECOGNITION

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

(G) TAXES ON PROPERTY AND EQUIPMENT

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

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

(H) INCOME TAXES

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

(I) DERIVATIVE FINANCIAL INSTRUMENTS

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

(J) ROUNDING OF AMOUNTS PRESENTED

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

3. SCHEDULE OF PROPERTY

	In millions of yen					
	As of April 30, 2010			As of October 31, 2009		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥ 164,463	—	¥ 164,463	¥ 152,327	—	¥ 152,327
Buildings and structures	80,959	¥ 9,573	71,386	76,930	¥ 8,191	68,739
Machinery and equipment	1,264	399	865	1,228	341	887
Tools, furniture and fixtures	341	137	204	328	118	210
Total	**¥ 247,027**	**¥ 10,109**	**¥ 236,918**	**¥ 230,813**	**¥ 8,650**	**¥ 222,163**

4. SHORT-TERM AND LONG-TERM DEBT

The following summarizes short-term and long-term debt outstanding as of April 30, 2010:

Classification	Drawdown date	Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	October 26, 2009	October 26, 2010	1.79%	¥ 1,500
	October 30, 2009	October 29, 2010	1.80%	3,500
	January 29, 2010	January 31, 2011	1.36%	1,300
	February 26, 2010	February 28, 2011	1.65%	500
	April 30, 2010	April 28, 2011	1.40%	2,000
Current portion of long-term debt	August 1, 2005	July 30 ,2010	1.29%	9,500
	October 31, 2008	October 29, 2010	1.57%	500
	July 31, 2008	January 31, 2011	1.87%	3,500
	February 29, 2008	February 28, 2011	1.37%	2,000
	June 30, 2008	February 28, 2011	1.99%	1,000
	September 22, 2008	March 22, 2011	1.71%	1,250
	July 15, 2008	March 31, 2011	1.87%	2,000
	September 30, 2008	March 31, 2011	1.82%	2,000
	April 17, 2007	April 18, 2011	1.65%	1,500
	May 1, 2006	April 28, 2011	2.20%	2,500
	April 30, 2009	April 28, 2011	2.23%	1,500
	April 30, 2009	April 28, 2011	2.23%	1,000
Subtotal				**¥ 37,050**
Long-term debt	May 1, 2006	April 28, 2016	2.73%	¥ 5,000
	July 14, 2006	July 13, 2011	2.15%	1,000
	September 1, 2006	August 30, 2013	2.12%	3,000
	December 1, 2006	November 30, 2011	1.96%	2,500
	April 2, 2007	April 2, 2012	1.88%	2,000
	January 10, 2008	January 10, 2012	1.50%	2,500
	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	June 29, 2012	2.15%	1,500
	June 30, 2008	December 28, 2012	2.26%	3,000
	July 31, 2008	July 29, 2011	1.99%	3,500
	September 1, 2008	September 1, 2011	1.78%	1,000
	February 27, 2009	February 29, 2012	2.07%	480
	February 27, 2009	August 31, 2012	2.04%	960
	April 30, 2009	October 31, 2011	2.40%	3,500
	April 30, 2009	April 27, 2012	2.40%	2,000
	October 26, 2009	October 28, 2013	2.42%	980
	October 30, 2009	October 30, 2013	2.45%	1,960
	December 8, 2009	December 10, 2012	1.67%	500
	January 13, 2010	January 15, 2013	1.90%	1,000
	January 29, 2010	January 30, 2015	2.17%	1,176
	February 18, 2010	February 18, 2013	1.90%	1,500
	February 18, 2010	February 18, 2015	2.19%	5,363
	April 2, 2010	April 2, 2015	2.22%	2,000
Subtotal				**¥ 53,919**
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				**¥ 102,969**

5. LINE OF CREDIT

The Investment Corporation has established a credit commitment line with a lender. The borrowing under the commitment line agreement is ¥2 billion. The Investment Corporation had an outstanding balance of ¥2 billion as of April 30, 2010.

The commitment period of the commitment line agreement concluded with The Bank of Tokyo-Mitsubishi UFJ, Ltd. has already expired. Furthermore, the expiration date of the commitment line agreement is March 31, 2011, set in the memorandum of understanding executed on September 26, 2008. However, since the commitment period has already expired, the Investment Corporation cannot undertake new borrowings.

6. ASSETS PLEDGED AS COLLATERAL AND SECURED LOANS PAYABLE

(As of April 30, 2010)

Assets pledged as collateral	In thousands of yen
Cash and bank deposits	¥ 5,213,604
Land	117,509,969
Buildings and structures	51,514,053
Machinery and equipment	544,088
Tools, furniture and fixtures	121,981
Other assets	1,146
Total	**¥ 174,904,841**
Secured loans payable:	
Short-term loans debt	¥ 37,050,000
Long-term loans debt	53,918,500
Total	**¥ 90,968,500**

7. PER UNIT INFORMATION

The net asset value per unit as of April 30, 2010 and October 31, 2009 was ¥580,987 and ¥635,335. Net income per unit as of April 30, 2010 and October 31, 2009 was ¥11,125 and ¥10,510.

The weighted average number of units outstanding of 230,770 and 200,000 were used for the computation of the amount of net income per unit as of April 30, 2010 and October 31, 2009.

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 that it currently distribute in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. Since the Investment Corporation distributed approximately 100% of its distributable income in the form of cash distributions totaling ¥2,567 million and ¥2,102 million for the periods ended April 30, 2010 and October 31, 2009, such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.04% and 0.05% for the periods ended April 30, 2010 and October 31, 2009. The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	From November 1, 2009 to April 30, 2010	From May 1, 2009 to October 31, 2009
Statutory tax rate	39.33%	39.33%
Deductible cash distributions	(39.32)	(39.31)
Other	0.03	0.03
Effective tax rate	0.04%	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

TRANSACTIONS WITH KENEDIX REIT MANAGEMENT, INC.

Kenedix REIT Management, Inc., a consolidated subsidiary of Kenedix, Inc., provides the Investment Corporation with property management services and related services. For these services, the Investment Corporation pays Kenedix REIT Management, Inc. property management fees in accordance with the terms of its Property Management Agreements. For these services, the Investment Corporation paid ¥305 million to Kenedix REIT Management, Inc.

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

Rental and other operating revenues and property-related expenses for the periods from November 1, 2009 to April 30, 2010 and from May 1, 2009 to October 31, 2009 consist of the following:

	In thousands of yen	
	From November 1, 2009 to April 30, 2010	From May 1, 2009 to October 31, 2009
Rental and other operating revenues:		
Rental revenues	¥ 5,882,594	¥ 5,711,053
Common area charges	1,267,521	1,195,072
Subtotal	7,150,115	6,906,125
Others:		
Parking space rental revenues	243,319	231,982
Utility charge reimbursement	560,259	617,328
Miscellaneous	113,755	166,427
Subtotal	917,333	1,015,737
Total rental and other operating revenues	**¥ 8,067,448**	**¥ 7,921,862**
Property management fees and facility management fees	¥ 801,877	¥ 764,052
Depreciation	1,477,410	1,451,833
Utilities	508,338	529,106
Taxes	648,231	536,723
Insurance	16,759	16,098
Repairs and maintenance	110,725	171,075
Trust fees	41,579	38,192
Loss on retirement of fixed assets	12,537	23,394
Others	96,962	121,632
Total property-related expenses	**¥ 3,714,418**	**¥ 3,652,105**
Loss on sale of real estate		
Revenue from sale of investment properties	—	¥ 1,982,000
Cost of investment properties	—	2,348,605
Other sales expenses	—	74,166
Loss on sale of real estate	—	**¥ 440,771**

12. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease terms of generally two years for office buildings and residential properties and with lease terms ranging from two to ten years for retail properties. The future minimum rental revenues under existing non-cancelable operating leases as of April 30, 2010 and October 31, 2009 are as follows:

	In thousands of yen	
	As of April 30, 2010	As of October 31, 2009
Due within one year	¥ 1,285,413	¥ 1,059,032
Due after one year	7,940,847	7,538,786
Total	**¥ 9,226,260**	**¥ 8,597,818**

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 agreements as of April 30, 2010: The estimated unrealized loss does not include the interest-rate swap agreements that met the criteria for the special treatment.

(As of April 30, 2010)

Type	Notional amount	Unrealized loss
Interest-rate swap: **Fixed rate payable and floating rate receivable**	¥25,000 million	¥(13 million)

14. PROPERTY INFORMATION

Details of the property portfolio as of April, 2010 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	54	9	4	1	2

Property information (In millions of yen)

Acquisition price	¥ 180,856	¥ 32,215	¥ 8,519	¥ 1,800	¥ 12,380
Percentage of total acquisition costs	76.71%	13.66%	3.61%	0.76%	5.25%
Net book value	182,795	31,785	8,242	1,876	12,506
Appraisal value at year end	170,141	24,624	7,095	1,370	11,670
Percentage of total appraisal value	79.17%	11.46%	3.30%	0.64%	5.43%

Financial results for the period ended April 30, 2010 (In thousands of yen)

Rental and other operating revenues	¥ 6,255,280	¥ 1,099,609	¥ 265,222	¥ 94,106	¥ 353,231
Rental revenues	5,584,307	918,872	238,616	84,036	324,285
Other revenues	670,973	180,737	26,606	10,070	28,946
Property-related expenses	1,606,555	460,603	58,667	34,943	76,240
Property management fees	573,530	171,176	24,965	8,302	23,904
Taxes	469,995	137,117	13,188	8,409	19,521
Utilities	387,172	96,685	2,730	2,117	19,634
Repairs and maintenance	72,598	15,796	9,371	7,043	5,917
Insurance	10,506	4,783	673	469	328
Trust fees and other expenses	92,754	35,046	7,740	8,603	6,936
NOI (Net Operating Income)	4,648,725	639,006	206,555	59,163	276,991
Depreciation expenses	968,514	344,043	76,269	22,781	65,803
Operating income from property leasing activities	3,680,211	294,963	130,286	36,382	211,188
Capital expenditures	214,377	100,716	288	—	15,074
NCF (Net Cash Flow)	4,434,348	538,290	206,267	59,163	261,917

A breakdown of property types as of April 30, 2010 was as follows:

Class of assets	Property type	Area	Balance at the end of period (In millions of yen)	Percentage of total assets
Property and equipment	Office Buildings	Tokyo Metropolitan Area	¥ 182,795	72.7%
		Other Regional Areas	31,785	12.6%
	Subtotal		214,580	85.3%
	Residential Properties	Tokyo Metropolitan Area	8,242	3.3%
		Other Regional Areas	1,876	0.7%
	Subtotal		10,118	4.0%
	Central Urban Retail Properties	Tokyo Metropolitan Area	12,506	5.0%
	Total		**¥ 237,204**	**94.3%**
Bank deposits and other assets			¥ 14,362	5.7%
Total assets			251,566	100.0%
Total liabilities			115,877	46.1%
Net assets			¥ 135,689	53.9%

15. FINANCIAL INSTRUMENTS

Tenth Fiscal Period (November 1, 2009 to April 30, 2010)

Effective the fiscal year ended April 30, 2010, a new accounting standard for financial instruments and related implementation guidance have been adopted.

1. OVERVIEW

(1) POLICY FOR FINANCIAL INSTRUMENTS

The Investment Corporation procures essential funds for acquiring properties and undertaking the repayment of loans primarily through bank loans and the issuance of corporate bonds and new investment units. The Investment Corporation uses derivatives for the purpose of hedging its exposure to changes in interest rates and does not enter into derivatives for speculative or trading purposes. Management of surplus funds is undertaken in a prudent manner that considers fully such factors as safety, liquidity, interest rate conditions and cash flows.

(2) TYPES OF FINANCIAL INSTRUMENTS AND RELATED RISK

Debt and corporate bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of seven years following the accounting date. Although a certain portion of said liabilities are subject to interest rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap transactions) in order to reduce such risk.

Interest-rate swap transactions are used as derivative financial instruments. Utilizing interest-rate swap transactions, the Investment Corporation fixes its interest expense for long-term debt bearing interest at a variable rate. With regard to hedge accounting methods, hedging instruments and hedged items, hedge policy, and the assessment of the effectiveness of hedging activities, please see 2. (I) Derivative Financial Instruments.

(3) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

(a) Monitoring of market risk (the risks arising from fluctuations in interest rates and others)

The Investment Corporation uses interest-rate swap transactions in order to minimize risk arising from fluctuations in interest rates on funds procured.

(b) Monitoring of liquidity risk (the risk that the Investment Corporation may not be able to meet its obligations on scheduled due dates) associated with funds procurement

Although loans and other liabilities are subject to liquidity risk, the Investment Corporation reduces such risk by spreading out payment due dates and by using diversified fund procurement methods. Liquidity risk is also managed by such means as regularly checking the balance of cash reserves.

(4) SUPPLEMENTARY EXPLANATION OF THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

2. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial instruments on the balance sheets as of April 30, 2010 and estimated fair value are shown in the following table.

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
(1) Cash and bank deposits	¥ 13,297,791	¥ 13,297,791	—
Total assets	**¥ 13,297,791**	**¥ 13,297,791**	—
(1) Short-term debt	8,800,000	8,800,000	—
(2) Corporate bonds	12,000,000	11,415,600	(584,400)
(3) Long-term debt (including current portion of long-term debt)	82,168,500	81,417,950	(750,550)
Total liabilities	**¥ 102,968,500**	**¥ 101,633,550**	**¥ (1,334,950)**

Note 1: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions.

ASSETS

(1) CASH AND BANK DEPOSITS

Since these items are settled in a short period of time, their carrying value approximates fair value.

LIABILITIES

(1) SHORT-TERM DEBT

Since these items are settled in a short period of time, their carrying value approximates fair value.

(2) CORPORATE BONDS

The fair value of corporate bonds is based on quoted market prices.

(3) LONG-TERM DEBT

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into. The fair value of long-term debt bearing interest at variable rate, which is subject to fixed interest rates resulting from interest rate swaps and special treatment applied to said swaps, is based on the present value of the total of principal and interest, which is handled together with applicable interest-rate swaps, discounted by the interest rate to be applied if similar loans were entered into.

DERIVATIVE TRANSACTIONS

① Items that are not applied to hedge accounting
Not applicable

② Items that are applied to hedge accounting

Hedge accounting method	Type of derivative transaction	Hedged items	Contracted amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
				Maturing within 1 year		
Accounting method, in principle	**Interest-rate swaps: Receive/ floating and pay/ fixed**	Long-term debt	¥ 1,500,000	—	¥ (12,520)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	**Interest-rate swaps: Receive/ floating and pay/ fixed**	Long-term debt	23,500,000	¥ 9,000,000	*	
	Total		**¥ 25,000,000**	**¥ 9,000,000**	**¥ (12,520)**	

*Special treatment of interest-rate swaps is reported at the fair value of applicable long-term debt. This is because such swaps are handled together with hedged long-term debt.

Note 2: Redemption schedule for receivables.

	Due in 1 year or less (In thousands of yen)
Cash and bank deposits	¥ 13,297,791
Total	**¥ 13,297,791**

Note 3: Redemption schedule for debt and corporate bonds.

	In thousands of yen					
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	¥ 8,800,000	—	—	—	—	—
Corporate bonds	—	9,000,000	—	—	—	3,000,000
Long-term debt	28,250,000	25,980,000	8,460,000	5,940,000	8,538,500	5,000,000

16. INVESTMENT AND RENTAL PROPERTIES

Tenth Fiscal Period (November 1, 2009 to April 30, 2010)

Effective the fiscal year ended April 30, 2010, a new accounting standard for disclosures regarding the fair value of investment and rental real estate properties and related implementation guidance have been adopted.

The Investment Corporation owns real estate for rental purposes mainly in the Tokyo Metropolitan Area for the purpose of generating rental revenues.

The carrying value in the balance sheet and corresponding fair value of those properties are as follows:

Carrying value (In thousands of yen)			Fair value As of April 30, 2010 (In thousands of yen)
As of October 31, 2009	Net change	As of April 30, 2010	
¥ 222,449,460	¥ 14,754,790	¥ 237,204,250	¥ 214,900,000

Note 1: The carrying value represents the acquisition cost less accumulated depreciation.
Note 2: The fair value is the appraisal value or the survey value determined by outside appraisers.
Note 3: Among net changes during the fiscal period, principal increases were caused by the acquisition of 5 office buildings totaling ¥15,893,389 thousand, and principal decreases were the retirement of fixed assets at two properties amounting to ¥12,537 thousand.

Income and loss in the fiscal period ended April 30, 2010 for real estate for rental purposes is listed in the note “11. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES AND PROPERTY-RELATED EXPENSES.”

STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE PERIOD FROM MAY 1, 2009 TO OCTOBER 31, 2009 AND THE PERIOD FROM NOVEMBER 1, 2009 TO APRIL 30, 2010

	In thousands of yen			
	From November 1, 2009 to April 30, 2010		From May 1, 2009 to October 31, 2009	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income taxes	¥	2,568,371	¥	2,103,248
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization		1,672,685		1,613,633
Interest expense		932,081		907,825
Loss on retirement of fixed assets		12,537		23,394
Changes in assets and liabilities:				
Rental receivables		32,705		76,500
Consumption tax refundable		87,756		(136,065)
Accrued consumption tax		(30,679)		(240,048)
Trade and other payables		(4,781)		(136,412)
Rents received in advance		111,665		(39,880)
Property and equipment due to sale		—		2,348,605
Others, net		(331,498)		(192,155)
Subtotal		5,050,842		6,328,645
Cash payments of interest expense		(905,953)		(912,655)
Cash payments of income taxes		(752)		(649)
Net cash provided by operating activities		**4,144,137**		**5,415,341**
CASH FLOW FROM INVESTING ACTIVITIES				
Purchases of property and equipment		(16,241,402)		(4,110,567)
Proceeds from leasehold and security deposits received		1,436,443		613,790
Payments of leasehold and security deposits received		(664,470)		(692,215)
Proceeds from withdrawal of time deposits		1,000,000		—
Payments of restricted bank deposits		(165,814)		(16,919)
Proceeds from restricted bank deposits		66,354		1,034
Others, net		330		—
Net cash used in investing activities		**(14,568,559)**		**(4,204,877)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short-term debt		3,800,000		5,000,000
Payment of short-term debt		(5,000,000)		(5,000,000)
Proceeds from long-term debt		11,700,000		3,000,000
Payment of long-term debt		(4,751,500)		(4,530,000)
Proceeds from issuance of investment units		8,105,733		—
Payment of dividends		(2,101,910)		(2,434,003)
Net cash (used in) provided by financing activities		**11,752,323**		**(3,964,003)**
Net change in cash and cash equivalents		1,327,901		(2,753,539)
Cash and cash equivalents at the beginning of period		10,957,956		13,711,495
Cash and cash equivalents at the end of period	**¥**	**12,285,857**	**¥**	**10,957,956**

See related notes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Unaudited)

CASH AND CASH EQUIVALENTS

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

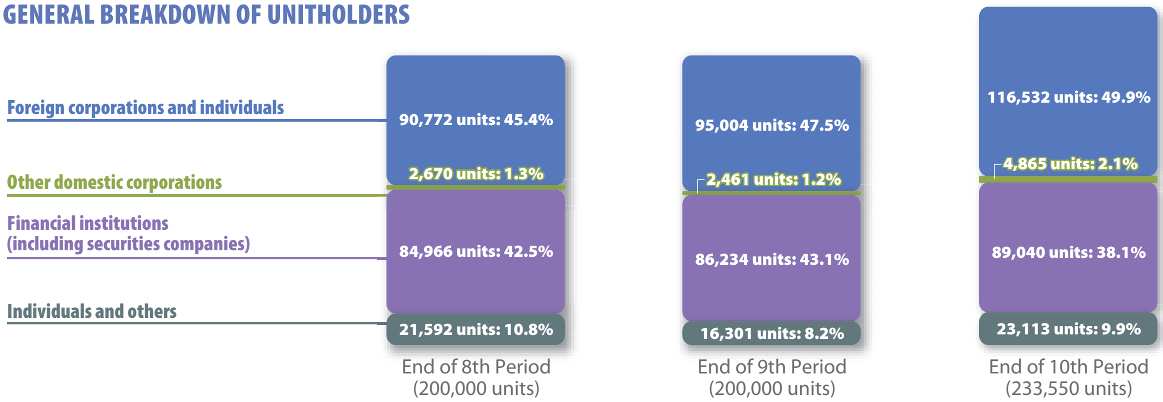
CASH AND CASH EQUIVALENTS (Unaudited)

Cash and cash equivalents consisted of the following as of April 30, 2010 and October 31, 2009:

	In thousands of yen	
	As of April 30, 2010	As of October 31, 2009
Cash and bank deposits	¥ 13,297,791	¥ 12,870,430
Restricted bank deposits held in trust (Note 1)	(621,934)	(522,474)
More than 3-month fixed deposits (Note 2)	(390,000)	(1,390,000)
Cash and cash equivalents	¥ 12,285,857	¥ 10,957,956

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

GENERAL BREAKDOWN OF UNITHOLDERS



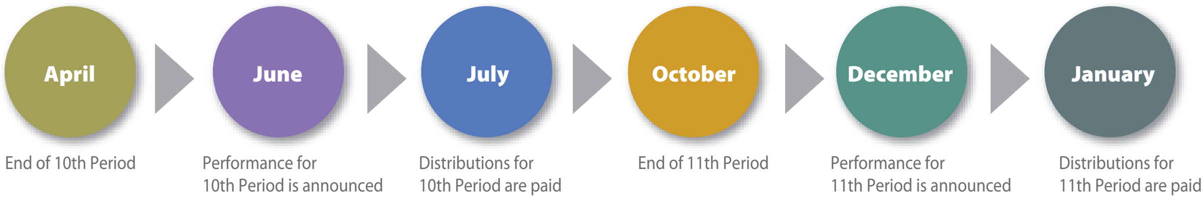
Note: Figures are rounded to the first decimal place.

TOP TEN UNITHOLDERS (AS OF APRIL 30, 2010)

Name	Units Held	Share of Outstanding Units
Japan Trustee Services Bank, Ltd. (Trust Acct.)	20,401	8.73%
NCT Trust and Banking Corporation (Investment Trust Acct.)	17,950	7.68%
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	16,030	6.86%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Acct.)	12,564	5.37%
The Master Trust Bank of Japan, Ltd. (Trust Acct.)	11,937	5.11%
The Bank of NY Treaty JASDEC Account	9,250	3.96%
State Street Bank and Trust Company 505025	8,314	3.55%
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/HENDERSON HHF SICAV	7,800	3.33%
State Street Bank and Trust Company	6,808	2.91%
State Street Bank and Trust Company 505223	4,675	2.00%
Total	**115,729**	**49.55%**

Note: The respective shares are rounded down to the second decimal place.

IR SCHEDULE (10TH AND 11TH PERIODS)



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

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