Financial Section

Contents

Financial Summary (Unaudited)

Historical Operating Trends
For the 8th–12th Fiscal Periods

Period	Unit	8th Period (as of Apr. 30, 2009)	9th Period (as of Oct. 31, 2009)	10th Period (as of Apr. 30, 2010)	11th Period (as of Oct. 31, 2010)	12th Period (as of Apr. 30, 2011)
Operating revenues	mn yen	8,204	7,921	8,067	8,358	8,136
(Rental revenues)	mn yen	8,204	7,921	8,067	8,242	8,136
Operating expenses	mn yen	4,740	4,708	4,329	4,522	4,427
(Property-related expenses)	mn yen	3,603	3,652	3,714	3,817	3,767
Operating income	mn yen	3,463	3,213	3,738	3,835	3,709
Ordinary income	mn yen	2,435	2,103	2,568	2,608	2,346
Net income (a)	mn yen	2,434	2,102	2,567	2,607	2,309
Total assets (b)	mn yen	238,745	236,320	251,566	251,080	261,928
(Period-on-period change)	%	(-0.4)	(-1.0)	(+6.5)	(-0.2)	(+4.3)
Interest-bearing debt (c)	mn yen	98,750	97,220	102,968	102,567	112,715
(Period-on-period change)	%	(0.0)	(-1.5)	(+5.9)	(-0.4)	(+9.9)
Unitholders' equity (d)	mn yen	127,398	127,067	135,689	135,732	135,505
(Period-on-period change)	%	(-0.5)	(-0.3)	(+6.8)	(+0.0)	(-0.2)
Unitholders' capital	mn yen	124,973	124,973	133,129	133,129	133,129
(Period-on-period change)	%	(0.0)	(0.0)	(+6.5)	(0.0)	(0.0)
Number of investment units issued and outstanding (e)	unit	200,000	200,000	233,550	233,550	233,550
Unitholders' equity per unit (d)/(e)	yen	636,990	635,335	580,987	581,170	580,199
Total distribution (f)	mn yen	2,434	2,102	2,567	2,541	2,310
Distribution per unit (f)/(e)	yen	12,172	10,511	10,993	10,881	9,891
(Earnings distributed per unit)	yen	12,172	10,511	10,993	10,881	9,891
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.0 (2.1)	0.9 (1.8)	1.1 (2.1)	1.0 (2.1)	0.9 (1.8)
Return on net assets (annualized) (Notes 2 and 3)	%	1.9 (3.8)	1.7 (3.3)	2.0 (3.9)	1.9 (3.8)	1.7 (3.4)
Net assets ratio at end of period (d)/(b)	%	53.4	53.8	53.9	54.1	51.7
(Period-on-period change)		(-0.1)	(+0.4)	(+0.2)	(+0.1)	(-2.3)
Interest-bearing debt ratio at end of period (c)/(b)	%	41.4	41.1	40.9	40.9	43.0
(Period-on-period change)		(+0.2)	(-0.2)	(-0.2)	(-0.1)	(+2.2)
Payout ratio (Note 4) (f)/(a)	%	100.0	100.0	99.9	97.4	100.0
Other reference						
Number of properties	properties	67	65	70	67	71
Total leasable floor area	m^2	250,364.42	254,225.04	271,260.81	267,737.33	286,237.93
Occupancy at end of period	%	95.7	94.7	94,4	93.6	94.6
Depreciation expenses for the period	mn yen	1,429	1,451	1,477	1,440	1,406
Capital expenditures for the period	mn yen	891	400	330	312	574
Leasing NOI (Net Operating Income) (Note 5)	mn yen	6,030	5,721	5,830	5,864	5,776
FFO (Funds From Operation) (Note 6)	mn yen	4,356	3,994	4,044	3,995	3,716
FFO per unit (Note 7)	yen	21,780	19,973	17,318	17,106	15,914

Notes: 1. Return on assets = Ordinary income/(Total assets at beginning of period + Total assets at end of period)/2 × 100
2. Annualized values for the 8th Fiscal Period are calculated based on a period of 181 days, 184 days for the 9th Fiscal Period, 181 days for the 10th Fiscal Period, 184 days for the 11th Period and 181 days for 12th Fiscal Period.
3. Return on net assets = Net income/(Total net assets at beginning of period + Total net assets at end of period)/2 × 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)
8. Where applicable, figures are rounded down to the nearest million.

Report of Independent Auditors

The Board of Directors
Kenedix Realty Investment Corporation

We have audited the accompanying balance sheets of Kenedix Realty Investment Corporation as of April 30, 2011 and October 31, 2010, and the related statements of income and retained earnings and changes in net assets 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, 2011 and October 31, 2010, and the results of its operations for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

June 14, 2011

Balance Sheets

Kenedix Realty Investment Corporation
As of April 30, 2011 and October 31, 2010

	In thousands of yen	
	As of April 30, 2011	As of October 31, 2010
ASSETS		
Current assets:		
Cash and bank deposits (Notes 6 and 15)	¥ 13,794,963	¥ 16,245,674
Rental receivables	186,413	208,479
Consumption tax refundable	310,485	—
Other current assets (Note 9)	60,390	74,717
Total current assets	14,352,251	16,528,870
Property and equipment, at cost (Notes 4, 6, 14 and 16):		
Land	171,111,081	163,047,282
Buildings and structures (Note 7)	85,658,330	80,067,548
Machinery and equipment	1,308,858	1,276,061
Tools, furniture and fixtures	401,538	366,696
Less—accumulated depreciation	(12,653,540)	(11,318,857)
Net property and equipment	245,826,267	233,438,730
Other assets:		
Ground leasehold (Notes 14 and 16)	360,204	285,350
Corporate bond issuance costs	22,206	27,988
Unit issuance costs	25,136	33,515
Other assets (Notes 6, 14 and 16)	1,342,835	765,604
Total assets	¥261,928,899	¥251,080,057
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Trade and other payables	¥ 617,497	¥ 711,485
Current portion of corporate bonds (Notes 5 and 15)	9,000,000	—
Short-term debt and current portion of long-term debt (Notes 5, 6 and 15)	36,160,000	41,550,000
Deposits received	16,243	7,159
Rents received in advance	1,872,708	1,166,896
Provision for loss due to disaster	30,932	—
Other current liabilities	244,822	445,572
Total current liabilities	47,942,202	43,881,112
Corporate bonds (Notes 5 and 15)	3,000,000	12,000,000
Long-term debt (Notes 5, 6 and 15)	64,555,500	49,017,000
Leasehold and security deposits received	10,925,583	10,449,570
Total liabilities	¥126,423,285	¥115,347,682
Net Assets (Note 10)		
Unitholders' equity		
Unitholders' capital	¥133,129,755	¥133,129,755
Units authorized: 2,000,000 units		
Units issued and outstanding: 233,550 units		
As of April 30, 2011 and October 31, 2010, respectively		
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	65,796	—
Retained earnings	2,310,063	2,607,122
Total surplus	2,375,859	2,607,122
Total unitholders' equity	135,505,614	135,736,877
Valuation, transaction adjustment and others		
Unrealized gain from deferred hedge transactions	—	(4,502)
Total net assets	135,505,614	135,732,375
Total liabilities and net assets	¥261,928,899	¥251,080,057

See accompanying notes to the financial statements.

Statements of Income and Retained Earnings

Kenedix Realty Investment Corporation

For the period from November 1, 2010 to April 30, 2011 and the period from May 1, 2010 to October 31, 2010

	In thousands of yen	
	From November 1, 2010 to April 30, 2011	From May 1, 2010 to October 31, 2010
Operating revenues:		
Rental revenues (Notes 12 and 14)	¥8,136,917	¥8,242,200
Profit on sale of real estate (Note 12)	—	116,397
Total operating revenues	8,136,917	8,358,597
Operating expenses:		
Property-related expenses (Notes 12 and 14)	3,767,178	3,817,752
Loss on sale of real estate (Note 12)	—	64,349
Asset management fees	448,106	458,034
Administrative service and custodian fees	79,591	80,061
Other operating expenses	132,133	102,747
Total operating expenses	4,427,008	4,522,943
Operating income	¥3,709,909	¥3,835,654
Non-operating expenses:		
Interest expense	¥1,048,723	¥ 993,950
Financing-related expenses	303,479	211,796
Amortization of unit issuance costs	8,380	8,379
Amortization of corporate bond issuance costs	5,782	5,878
Others, net	(3,193)	7,595
Total non-operating expenses	1,363,170	1,227,598
Ordinary income	2,346,739	2,608,056
Extraordinary income		
Subsidy	26,230	—
Extraordinary losses		
Loss on disaster	35,360	—
Loss on reduction of fixed assets	26,230	—
Income before income taxes	2,311,379	2,608,056
Income taxes (Note 9)	1,384	999
Net income	2,309,995	2,607,057
Retained earnings at the beginning of period	68	65
Retained earnings at the end of period	2,310,063	¥2,607,122

See accompanying notes to the financial statements.

Statements of Changes in Unitholders' Equity

Kenedix Realty Investment Corporation

For the period from November 1, 2010 to April 30, 2011 and the period from May 1, 2010 to October 31, 2010

	In thousands of yen						
	Unitholders' Equity					Valuation, Transaction Adjustments and Others	
		Surplus					
		Voluntary retained earnings					
	Unitholders' capital	Reserve for reduction entry	Retained earnings	Total Surplus	Total unitholders' equity	Unrealized gain from deferred hedge transactions	Total
Balance as of April 30, 2010	**¥133,129,755**	**¥ —**	**¥2,567,480**	**¥2,567,480**	**¥135,697,235**	**¥(7,596)**	**¥135,689,639**
Changes during the fiscal period							
Payments of dividends	—	—	(2,567,415)	(2,567,415)	(2,567,415)	—	(2,567,415)
Net income	—	—	2,607,057	2,607,057	2,607,057	—	2,607,057
Interest-rate swap	—	—	—	—	—	3,094	3,094
Total changes during the fiscal period	—	—	39,642	39,642	39,642	3,094	42,736
Balance as of October 31, 2010	**¥133,129,755**	**¥ —**	**¥2,607,122**	**¥2,607,122**	**¥135,736,877**	**¥(4,502)**	**¥135,732,375**
Changes during the fiscal period							
Provision of reserve for reduction entry	—	65,796	(65,796)	—	—	—	—
Payments of dividends	—	—	(2,541,258)	(2,541,258)	(2,541,258)	—	(2,541,258)
Net income	—	—	2,309,995	2,309,995	2,309,995	—	2,309,995
Interest-rate swap	—	—	—	—	—	4,052	4,502
Total changes during the fiscal period	—	65,796	(297,059)	(231,263)	(231,263)	4,502	(226,761)
Balance as of April 30, 2011	**¥133,129,755**	**¥65,796**	**¥2,310,063**	**¥2,375,859**	**¥135,505,614**	**¥ —**	**¥135,505,614**

See accompanying notes to the financial statements.

Notes to Financial Statements

Kenedix Realty Investment Corporation
For the period from November 1, 2010 to April 30, 2011 and the period from May 1, 2010 to October 31, 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, 2011, the end of the twelfth 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, 2011, the Investment Corporation acquired four office buildings (total acquisition price of ¥13,175 million), two in the Tokyo metropolitan area and two in other regional areas. As of April 30, 2011, the Investment Corporation had total unitholders' capital of ¥133,130 million with 233,550 investment units outstanding. The Investment Corporation owned a portfolio of 71 properties with a total acquisition price of ¥246,457 million containing a total leasable area of 286,237.93 m^2. The occupancy ratio was approximately 94.6%. The portfolio of 71 properties consists of 65 office buildings, 4 residential properties and 2 central urban retail properties. 59 properties are located in the Tokyo metropolitan area and 12 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 AND CORPORATE BONDS

(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, 2010 to April 30, 2011	From May 1, 2010 to October 31, 2010
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) UNIT ISSUANCE COSTS

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

(C) CORPORATE BOND ISSUANCE COSTS

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

(D) 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 sheets and statements of income and retained earnings.

(E) LEASEHOLD RIGHTS

Fixed term leasehold with special agreement on buildings sales, and the building are amortized over a contractual period of forty-eight years and nine months under the straight-line method.

(F) PROVISION FOR LOSS DUE TO DISASTER

For cost of repairs on impaired fixed assets due to the massive earthquake off the east coast of Japan, the amount reasonably estimable at the end of period is recognized as "provision for loss due to disaster" under current liability.

(G) REVENUE RECOGNITION

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

(H) TAXES ON PROPERTY AND EQUIPMENT

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

When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥23,704 thousand and ¥52,548 thousand as of April 30, 2011 and October 31, 2010, respectively. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period to which the installments of such taxes correspond.

(I) INCOME TAXES

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

(J) CONSUMPTION TAXES

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Non-deductible consumption taxes applicable to the acquisition of assets are included in the cost of acquisition for each asset.

(K) 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 hedge accounting. However, the Investment Corporation adopted special treatment for interest-swap agreements if its interest-rate swap agreements met the criteria for hedge accounting under this treatment, whereby the net amount to be paid or received under the interest-rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. The hedge effectiveness for interest-rate swap contracts is assessed each fiscal period except for those that meet the criteria of special treatment.

(L) 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. ADDITIONAL INFORMATION

The Investment Corporation concluded an agreement dated June 30, 2011 to sell the KDX Hirakawacho Building on April 5, 2011.

Property Name	KDX Hirakawacho Building
Type of Specified Asset	Trust beneficiary interest in real estate
Location	1-4-12 Hirakawacho, Chiyoda-ku, Tokyo
Transferee	Sanshin Co., Ltd.
Planned Sales Price	¥5,800,000 thousand

The aforementioned planned sales price excludes sales costs, adjusted amounts for property and city-planning tax, consumption tax, regional consumption tax, etc.

Profit on sale of real estate is estimated to be ¥535 million for the thirteenth fiscal period.

4. SCHEDULE OF PROPERTY

	In millions of yen					
	As of April 30, 2011			As of October 31, 2010		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥171,111	¥ —	¥171,111	¥163,047	¥ —	¥163,047
Buildings and structures	85,658	11,983	73,675	80,068	10,714	69,354
Machinery and equipment	1,309	497	812	1,276	452	824
Tools, furniture and fixtures	402	174	228	367	153	214
Total	¥258,480	¥12,654	¥245,826	¥244,758	¥11,319	¥233,439

5. SHORT-TERM AND LONG-TERM DEBT

The following summarizes short-term debt, long-term debt and corporate bonds outstanding as of April 30, 2011:

Classification	Drawdown date	Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	July 30, 2010	July 31, 2011	1.14%	¥ 1,500
	October 29, 2010	October 31, 2011	1.14%	1,000
	January 31, 2011	January 31, 2012	1.09%	2,700
	March 25, 2011	March 23, 2012	1.43%	2,000
	April 18, 2011	November 30, 2011	1.38%	1,500
Current portion of long-term debt	July 14, 2006	July 13, 2011	2.15%	1,000
	July 31, 2008	July 31, 2011	1.99%	3,500
	February 29, 2008	August 31, 2011	1.43%	1,500
	September 1, 2008	September 1, 2011	1.78%	1,000
	March 31, 2008	September 30, 2011	1.61%	3,000
	March 31, 2008	September 30, 2011	1.56%	2,000
	April 30, 2009	October 31, 2011	2.24%	3,500
	October 26, 2010	October 31, 2011	1.24%	1,500
	May 1, 2008	November 1, 2011	1.91%	1,000
	December 1, 2006	November 30, 2011	1.96%	2,500
	January 10, 2008	January 10, 2012	1.50%	2,500
	February 27, 2009	February 29, 2012	2.07%	460
	April 2, 2007	April 2, 2012	1.88%	2,000
	April 30, 2009	April 27, 2012	2.24%	2,000
Subtotal				¥ 36,160
Long-term debt	May 1, 2006	April 30, 2016	2.73%	¥ 5,000
	September 1, 2006	August 31, 2013	2.12%	3,000
	June 30, 2008	June 30, 2012	2.15%	1,500
	June 30, 2008	December 28, 2012	2.26%	3,000
	February 27, 2009	August 31, 2012	2.04%	920
	October 26, 2009	October 26, 2013	2.42%	940
	October 30, 2009	October 30, 2013	2.45%	1,880
	December 8, 2009	December 8, 2012	1.67%	500
	January 13, 2010	January 15, 2013	1.90%	1,000
	January 29, 2010	January 30, 2015	2.17%	1,128

Classification	Drawdown date	Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	February 18, 2010	February 18, 2013	1.90%	1,500
	February 18, 2010	February 18, 2015	2.19%	5,088
	April 2, 2010	April 2, 2015	2.22%	1,900
	July 30, 2010	July 31, 2013	1.49%	500
	July 30, 2010	January 31, 2014	1.66%	3,700
	July 30, 2010	July 31, 2014	1.73%	3,700
	October 29, 2010	October 31, 2012	1.45%	2,500
	October 29, 2010	October 31, 2013	1.46%	500
	November 12, 2010	November 12, 2013	1.58%	2,700
	November 12, 2010	November 12, 2015	1.79%	2,000
	November 12, 2010	November 12, 2017	2.02%	2,300
	December 1, 2010	November 12, 2013	1.37%	800
	December 1, 2010	November 12, 2015	1.47%	1,000
	December 1, 2010	November 12, 2017	2.21%	700
	January 31, 2011	January 31, 2014	1.57%	1,300
	January 31, 2011	January 29, 2016	1.94%	800
	February 28, 2011	August 31, 2015	1.91%	3,000
	February 28, 2011	January 29, 2016	1.95%	500
	March 22, 2011	September 22, 2014	1.63%	2,700
	March 31, 2011	September 30, 2013	1.53%	2,000
	March 31, 2011	January 29, 2016	1.91%	2,000
	March 31, 2011	March 31, 2016	1.39%	1,000
	April 28, 2011	April 30, 2013	1.50%	1,000
	April 28, 2011	October 31, 2015	1.86%	1,500
	April 28, 2011	January 29, 2016	1.89%	1,000
Subtotal				¥ 64,556
Current portion of corporate bonds	March 15, 2007	March 15, 2012	1.74%	9,000
Corporate bonds	March 15, 2007	March 15, 2017	2.37%	3,000
Subtotal				¥ 12,000
Total				¥112,716

6. ASSETS PLEDGED AS COLLATERAL AND SECURED LOANS PAYABLE

(As of April 30, 2011)

Assets pledged as collateral	In thousands of yen
Cash and bank deposits	¥ 5,090,463
Land	127,680,740
Buildings and structures	54,309,842
Machinery and equipment	507,811
Tools, furniture and fixtures	135,035
Other assets	909
Total	¥187,724,800
Secured loans payable:	
Short-term debt	¥ 36,160,000
Long-term debt	64,555,500
Total	¥100,715,500

7. REDUCTION ENTRY

The amount of reduction entry of property and equipment acquired by government subsidy.

	Yen
	From November 1, 2010 to April 30, 2011
Buildings and structures	¥26,230

8. PER UNIT INFORMATION

	Yen	
	From November 1, 2010 to April 30, 2011	From May 1, 2010 to October 31, 2010
Net income per unit	¥ 9,891	¥ 11,163
Net asset value per unit	¥580,200	¥581,171
Weighted average number of units (units)	233,550	230,550

Net income per unit after adjusting for residual units is not included because there were no residual investment units.

9. 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 ¥2,310 million and ¥2,541 million for the periods ended April 30, 2011 and October 31, 2010. Such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.06% and 0.04% for the periods ended April 30, 2011 and October 31, 2010. The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	From November 1, 2010 to April 30, 2011	From May 1, 2010 to October 31, 2010
Statutory tax rate	39.33%	39.33%
Deductible cash distributions	(39.31)	(38.32)
Other	0.04	(0.97)
Effective tax rate	0.06%	0.04%

The significant components of deferred tax assets and liabilities as of April 30, 2011 and October 31, 2010 were as follows:

	In thousands of yen	
	As of April 30, 2011	As of October 31, 2010
Deferred tax assets:		
Enterprise tax payable	¥ 39	¥ 11
Amortization of leasehold rights	254	—
Unrealized loss from deferred hedge transactions	—	2,918
Subtotal deferred tax assets	¥293	¥2,929
Valuation allowance	254	—
Total deferred tax assets	¥ 39	¥2,929

10. NET ASSETS

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.

11. RELATED-PARTY TRANSACTIONS

(A) 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 ¥314 million to Kenedix REIT Management, Inc.

(B) TRANSACTION WITH GODO KAISHA KRF 15

Godo Kaisha KRF 15 is a wholly owned subsidiary of Kenedix. On December 1, 2010, the Investment Corporation acquired a property ("KDX Kobayashi-Doshomachi Building") from Godo Kaisha KRF 15 for ¥2,870 million. The purchase price of this property was determined based on an independently appraised value at the time of acquisition.

12. 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, 2010 to April 30, 2011 and from May 1, 2010 to October 31, 2010 consist of the following:

	In thousands of yen	
	From November 1, 2010 to April 30, 2011	From May 1, 2010 to October 31, 2010
Rental and other operating revenues:		
Rental revenues	¥5,908,063	¥5,861,094
Common area charges	1,300,172	1,298,267
Subtotal	7,208,235	7,159,361
Others:		
Parking space rental revenues	250,325	242,537
Utility charge reimbursement	583,965	742,082
Miscellaneous	94,392	98,220
Subtotal	928,682	1,082,839
Total rental and other operating revenues	¥8,136,917	¥8,242,200
Property management fees and facility management fees	¥ 811,787	¥ 804,755
Depreciation	1,406,895	1,440,312
Utilities	561,061	634,221
Taxes	643,179	648,653
Insurance	16,209	16,135
Repairs and maintenance	123,949	149,673
Trust fees	42,317	41,817
Loss on retirement of fixed assets	5,403	1,144
Others	156,378	81,042
Total property-related expenses	¥3,767,178	¥3,817,752
Profit on sale of real estate:		
Revenue from sale of investment properties	¥ —	¥1,710,000
Cost of investment properties	—	1,569,751
Other sales expenses	—	23,852
Profit on sale of real estate	¥ —	¥ 116,397
Loss on sale of real estate:		
Revenue from sale of investment properties	¥ —	¥ 790,000
Cost of investment properties	—	836,434
Other sales expenses	—	17,915
Loss on sale of real estate	¥ —	¥ 64,349

13. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease term of generally two years for office buildings and residential properties and with lease 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, 2011 and October 31, 2010 are as follows:

	In thousands of yen	
	As of April 30, 2011	As of October 31, 2010
Due within one year	¥1,008,045	¥1,178,139
Due after one year	5,892,331	7,068,298
Total	¥6,900,376	¥8,246,437

14. PROPERTY INFORMATION

Details of the property portfolio as of April 30, 2011 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	11	3	1	2

Property information

	(In millions of yen)				
Acquisition price	¥187,546	¥37,090	¥7,641	¥1,800	¥12,380
Percentage of total acquisition costs	76.10%	15.05%	3.10%	0.73%	5.02%
Net book value	¥188,538	36,151	7,262	1,852	12,384
Appraisal value at year end	¥173,334	29,202	6,368	1,400	11,470
Percentage of total appraisal value	78.16%	13.17%	2.87%	0.63%	5.17%

Financial results for the period from November 1, 2010 to April 30, 2011

	(In thousands of yen)				
Rental and other operating revenues	¥6,147,778	¥1,317,184	¥230,676	¥93,184	¥348,095
Rental revenues	5,470,677	1,125,899	209,782	82,208	319,669
Other revenues	677,101	191,285	20,894	10,976	28,426
Property-related expenses	1,698,433	497,651	59,359	36,052	68,788
Property management fees	571,761	186,309	22,191	8,205	23,321
Taxes	478,761	120,328	15,498	8,331	20,261
Utilities	417,826	118,837	2,339	2,085	19,974
Repairs and maintenance	97,838	10,598	7,591	6,664	1,258
Insurance	9,982	4,930	578	448	271
Trust fees and other expenses	122,265	56,649	11,162	10,319	3,703
NOI (Net Operating Income)	4,449,345	819,533	171,317	57,132	279,307
Depreciation expenses	927,003	324,473	66,755	23,098	65,565
Operating income from property leasing activities	3,522,342	495,060	104,562	34,034	213,742
Capital expenditures	513,946	54,697	—	—	6,058
NCF (Net Cash Flow)	3,935,399	764,836	171,317	57,132	273,249

A breakdown of property-type as of April 30, 2011 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	¥188,538	72.0%
		Other Regional Areas	36,151	13.8%
	Subtotal		224,689	85.8%
	Residential Properties	Tokyo Metropolitan Area	7,262	2.8%
		Other Regional Areas	1,852	0.7%
	Subtotal		9,114	3.5%
	Central Urban Retail Properties	Tokyo Metropolitan Area	12,384	4.7%
	Total		¥246,187	94.0%
Bank deposits and other assets			¥15,742	6.0%
Total assets			261,929	100.0%
Total liabilities			126,423	48.3%
Net assets			¥135,506	51.7%

15. FINANCIAL INSTRUMENTS

Twelfth Fiscal Period (November 1, 2010 to April 30, 2011)

(A) 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. (K) 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.

(B) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial instruments on the balance sheets as of April 30, 2011 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	¥ 13,794,963	¥ 13,794,963	¥ —
Subtotal	¥ 13,794,963	¥ 13,794,963	¥ —
① Short-term debt	8,700,000	8,700,000	—
② Corporate bonds (including current portion of long-term debt)	12,000,000	11,737,200	(262,800)
③ Long-term debt (including current portion of long-term debt)	92,015,500	91,186,358	(829,142)
Subtotal	¥112,715,500	¥111,623,558	¥(1,091,942)
Derivative Transactions (*)	—	—	—

(*) The value of assets and liabilities arising from derivatives in shown at net value and with the amount in parentheses representing net liability position

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 a 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 after 1 year		
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	¥10,000,000	¥1,000000	*	
Total			¥10,000,000	¥1,000,000		

* 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	¥13,794,963
Total	¥13,794,963

Note 3: Redemption schedule for debt and corporate bonds

	In thousands of yen					
	Due within 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	¥ 8,700,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	9,000,000	—	—	—	—	3,000,000
Long-term debt	27,460,000	11,920,000	17,320,000	14,515,500	17,800,000	3,000,000

16. INVESTMENT AND RENTAL PROPERTIES

Twelfth Fiscal Period (November 1, 2010 to April 30, 2011)

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 sheets and corresponding fair value of those properties are as follows:

Carrying value (In thousands of yen)			Fair value as of April 30, 2011 (In thousands of yen)
As of October 31, 2010	Net change	As of April 30, 2011	
¥233,725,108	¥12,462,272	¥246,187,380	¥222,664,000

Notes: 1. The carrying value represents the acquisition cost less accumulated depreciation.

2. The fair value is the appraisal value or the survey value determined by outside appraisers. Exceptionally, the fair value of KDX Hirakawacho Building is based on the planned sales price of ¥5,800 million under the sale and purchase agreement dated April 5, 2011.

3. Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increases were the acquisition of four properties totaling ¥13,298,227 thousand, and depreciation amounting to ¥1,406,895 thousand.

Income and loss in the fiscal period ended April 30, 2011 for real estate for rental purposes is listed in the Note "12, BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES AND PROPERTY-RELATED EXPENSES".

Statements of Cash Flows (Unaudited)

Kenedix Realty Investment Corporation

For the period from November 1, 2010 to April 30, 2011 and the period from May 1, 2010 to October 31, 2010

	In thousands of yen	
	From November 1, 2010 to April 30, 2011	From May 1, 2010 to October 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income taxes	¥ 2,311,379	¥ 2,608,056
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	1,634,424	1,645,691
Interest expense	1,048,723	993,950
Loss on retirement of fixed assets	5,403	1,144
Loss on disaster	35,360	—
Subsidy	(26,230)	—
Loss on reduction of fixed assets	26,230	—
Changes in assets and liabilities:		
Rental receivables	22,067	(57,116)
Consumption tax refundable	(310,485)	48,308
Accrued consumption tax	(230,841)	264,791
Trade and other payables	(33,748)	73,500
Rents received in advance	705,812	(78,507)
Property and equipment due to sale	—	2,406,185
Others, net	(628,713)	(254,016)
Subtotal	4,559,381	7,651,986
Cash payments of interest expense	(1,011,751)	(987,326)
Cash payments of income taxes	(633)	(640)
Net cash provided by operating activities	¥ 3,546,997	¥ 6,664,020
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(13,803,598)	(366,918)
Purchase of intangible assets	(75,499)	—
Proceeds from leasehold and security deposits received	1,011,848	337,128
Payments of leasehold and security deposits	(122,709)	—
Payments of leasehold and security deposits received	(615,156)	(719,407)
Payments of time deposits	(74,000)	—
Payments of restricted bank deposits	(134,900)	(13,667)
Proceeds from restricted bank deposits	112,588	146,978
Net cash used in investing activities	¥(13,701,426)	¥ (615,886)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term debt	6,200,000	2,500,000
Payment of short-term debt	(3,800,000)	(5,000,000)
Proceeds from long-term debt	26,300,000	12,400,000
Payment of long-term debt	(18,551,500)	(10,301,500)
Payment of dividends	(2,541,094)	(2,565,441)
Net cash (used in) provided by financing activities	7,607,406	(2,966,941)
Net change in cash and cash equivalents	(2,547,023)	3,081,193
Cash and cash equivalents at the beginning of period	15,367,050	12,285,857
Cash and cash equivalents at the end of period	¥ 12,820,027	¥15,367,050

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, 2011 and October 31, 2010:

	In thousands of yen	
	As of April 30, 2011	As of October 31, 2010
Cash and bank deposits	¥13,794,963	¥16,245,674
Restricted bank deposits held in trust (Note 1)	(510,936)	(488,624)
More than 3-month fixed deposits (Note 2)	(464,000)	(390,000)
Cash and cash equivalents	¥12,820,027	¥15,367,050

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.