BESTINVEST
KENEDIX
Realty Investment Corporation

KENEDIX-REIT **Semiannual Report**

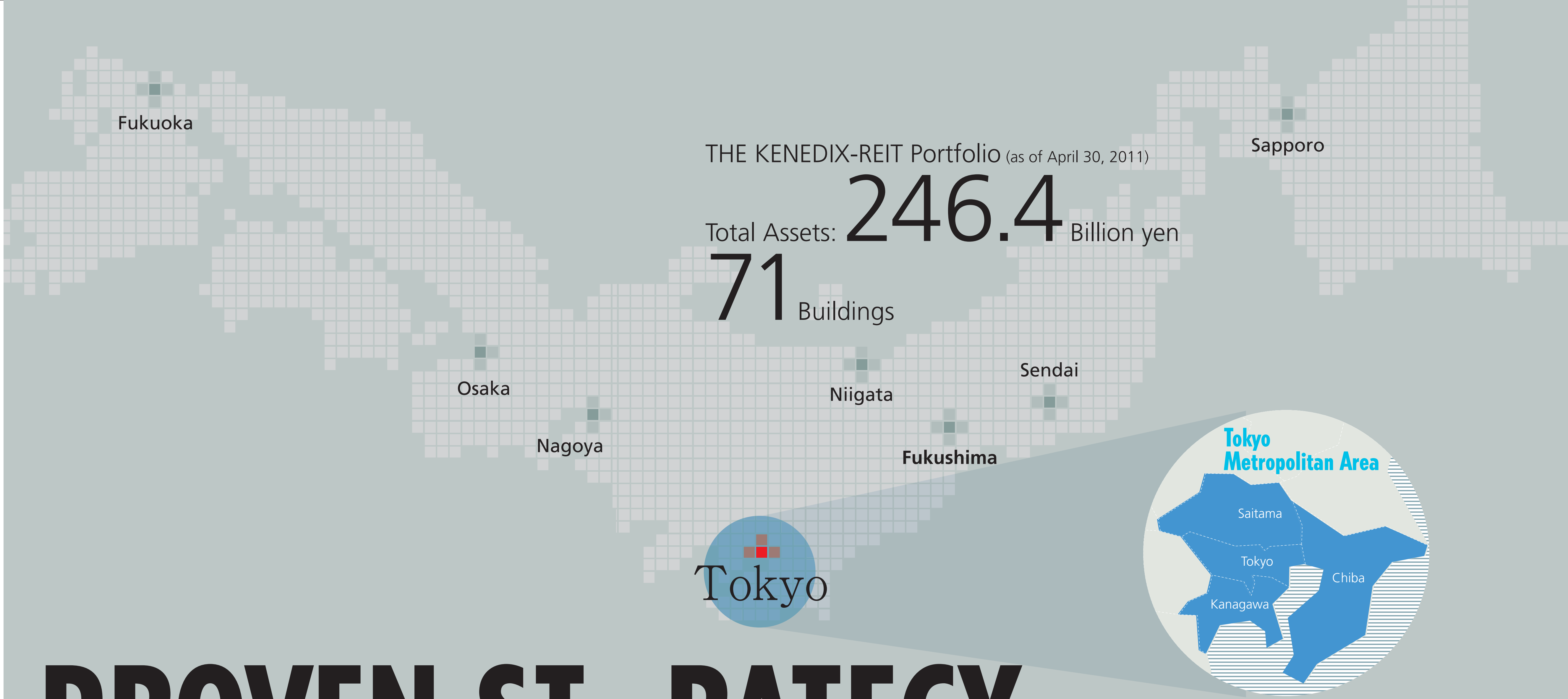
PROVEN STRATEGY:

Designed for Steady Growth

12th Fiscal Period

November 1, 2010 – April 30, 2011

Contents



THE KENEDIX-REIT Portfolio (as of April 30, 2011)

Total Assets: 246.4 Billion yen

71 Buildings

PROVEN STRATEGY:

Designed for Steady Growth

On March 11, a magnitude 9.0 earthquake struck the northeastern coast of Honshu. With an epicenter approximately 373 kilometers north of Tokyo, the East Japan Earthquake of 2011 was the most powerful on record to strike Japan and, according to the U.S. Geological Service, ranks as the world's fourth largest quake since 1900.

Kenedix Realty Investment Corporation (KENEDIX-REIT) was not materially impacted by the quake, the subsequent tsunami or the ensuing nuclear crises. The portfolio, including a property in Sendai nearest the epicenter, performed according to design. It held up well, with no material damage at the properties. The estimated budget for repairs and construction work amounts to 0.04% of total acquisition price.

The disaster delayed a turnaround in the real estate market, but this provides KENEDIX-REIT with additional opportunities to upgrade the portfolio. In fact, KENEDIX-REIT completed its first post-quake purchase on March 25. We believe our strategy of maintaining a conservative interest-bearing debt ratio has been validated, as has the portfolio's focus on safety, selectivity and stability.

During the 12th Fiscal Period (November 1, 2010–April 30, 2011), KENEDIX-REIT added four properties, with a total acquisition price of 13.1 billion yen, to the portfolio, which totaled 71 properties valued at 246.4 billion yen as of the end of the 12th Fiscal Period. Occupancy remained high at 94.6% for the entire portfolio.

Tested by disaster, both our strategy and portfolio performed as designed. KENEDIX-REIT continues steady portfolio growth.

With a proven strategy focused on mid-sized office buildings in the Tokyo Metropolitan Area, KENEDIX-REIT aims to deliver steady growth. Please read ahead to learn how

Safety, Selectivity and Stability

contribute to performance.

Message from the CEO

TAISUKE MIYAJIMA
CEO and President
Kenedix REIT Management, Inc.

Dear Investors,

The East Japan Earthquake of 2011 had a profound impact on many people's lives. KENEDIX-REIT extends its deepest sympathy to all of those who were affected. It is our most fervent wish that the recovery proceed with great haste so the victims will soon be able to return to a more normal existence.

KENEDIX-REIT is working to further develop the portfolio while maintaining its strong financial base. We remain committed to our focus on mid-sized office buildings, which now comprise over 91% of the portfolio, and steady growth.

During the 12th Fiscal Period (November 1, 2010–April 30, 2011), KENEDIX-REIT continued to improve portfolio quality through new property acquisitions while maintaining a high occupancy rate. Four new properties were added to the portfolio and occupancy stood at 94.6% for the entire portfolio as of April 30, 2011. The portfolio has now grown to 71 properties with fully 62% of office buildings located in central Tokyo.

Performance was ahead of forecast across many key indicators during the 12th period. Operating revenue hit 8,136 million yen, beating the forecast of 8,075 million yen. Operating expenses came in slightly lower than forecast at 4,427 million yen. As a result, KENEDIX-REIT was able to achieve operating income of 3,709 million yen, ahead of the forecast 3,646 million yen.

The events of March 11 tested our strategy. It performed according to design. This, I believe, says more than words about the robustness of our strategy. KENEDIX-REIT remains determined to realize steady growth.

July 2011

Taisuke Miyajima
CEO and President
Kenedix REIT Management, Inc.

An Overview of NEWLY ACQUIRED PROPERTIES

Acquisitions during 12th period: Total acquisition value 13.17 billion yen

Kyodo Building (Ginza No.8)
Location: Chuo-ku, Tokyo
Gross Floor Area: 4,724.62m²
Acquisition Price: 4,300 million yen
Acquisition Date: November 12, 2010

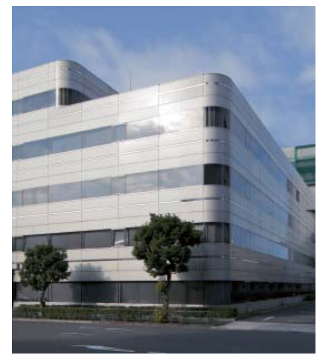
Kyodo Building (Honcho 1chome)
Location: Chuo-ku, Tokyo
Gross Floor Area: 5,110.45 m²
Acquisition Price: 4,000 million yen
Acquisition Date: November 12, 2010

KDX Kobayashi-Doshomachi Building
Location: Chuo-ku, Osaka-shi, Osaka
Gross Floor Area: 10,723.83 m²
Acquisition Price: 2,870 million yen
Acquisition Date: December 1, 2010

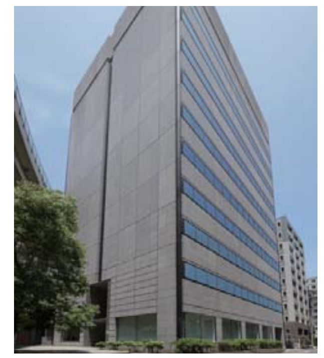
Kitananajo SIA Building
Location Kita-ku, Sapporo-shi, Hokkaido
Gross Floor Area: 5,503.90 m²
Acquisition Price: 2,005 million yen
Acquisition Date: March 25, 2011

Newly acquired properties in July 2011: Total acquisition value 14.27 billion yen

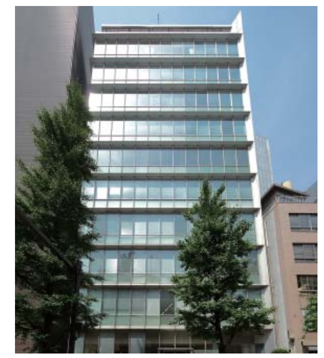
Kyodo Building (Iidabashi)
Location: Shinjuku-ku, Tokyo
Gross Floor Area: 5,422.64 m²
Acquisition Price: 4,670 million yen
Acquisition Date: July 22, 2011



P's Higashi-Shinagawa Building
Location: Shinagawa-ku, Tokyo
Gross Floor Area: 10,138.65 m²
Acquisition Price: 4,590 million yen
Acquisition Date: July 22, 2011

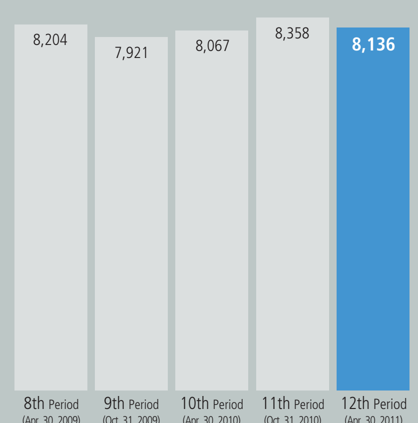


Nihonbashi Dai-2 Building
Location: Chuo-ku, Tokyo
Gross Floor Area: 6,332.48 m²
Acquisition Price: 2,710 million yen
Acquisition Date: July 22, 2011



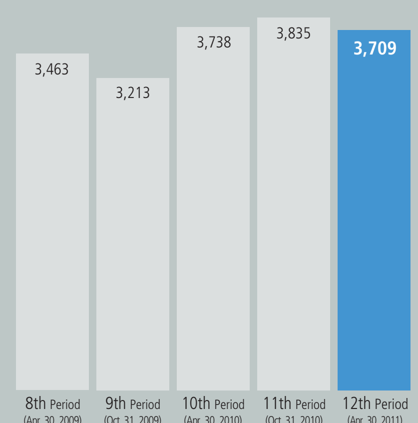
Kyodo Building (Shin-Nihonbashi)
Location: Chuo-ku, Tokyo
Gross Floor Area: 3,712.25 m²
Acquisition Price: 2,300 million yen
Acquisition Date: July 22, 2011

Operating Revenues
Millions of yen

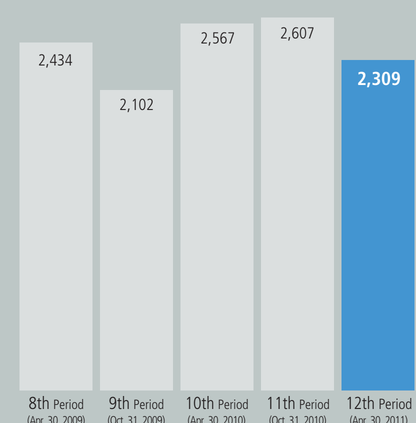


(Fiscal periods ended)

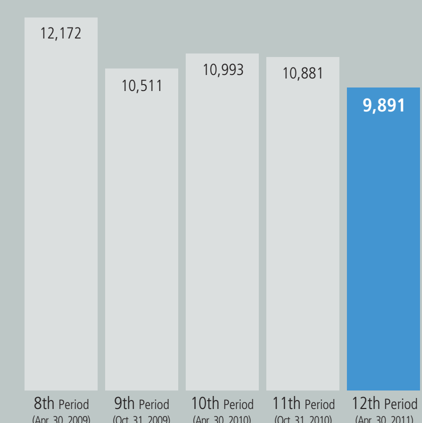
Operating Income
Millions of yen



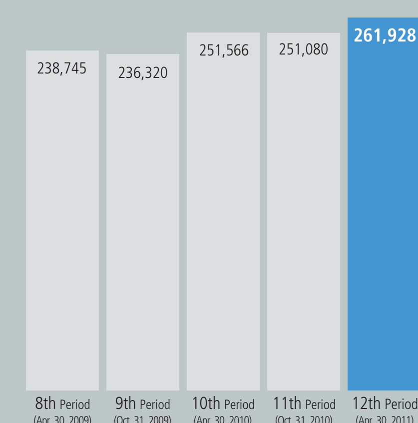
Net Income
Millions of yen



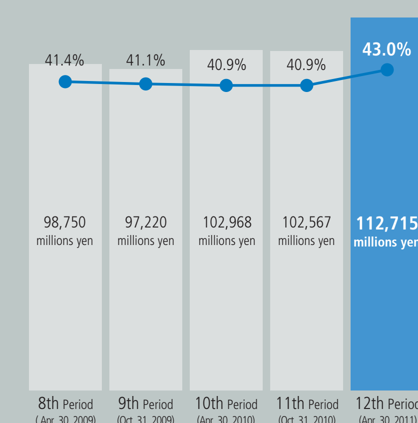
Distribution per Unit
Yen



Total Assets
Millions of yen



Interest-Bearing Debt Ratio/ Interest-Bearing Debt



Special Feature: Designed for Steady Growth

Overview: KENEDIX-REIT's proven strategy delivered steady performance, benefiting from focus on:

Safety.

Substantially all of our buildings were built after the building code was rigorously bolstered in 1981 to ensure structural integrity during and after major earthquakes. The others have been reinforced or have similar levels of earthquake resistance.

Selectivity.

We are highly selective in the buildings and locations we purchase. Focus on office space in the highly sought Tokyo Metropolitan Area enhances performance.

Stability.

Stable funding means momentary shocks present KENEDIX-REIT with new opportunities. In fact, we completed our first post-quake purchase on March 25, utilizing bank borrowings of 2 billion yen.

The disaster tested our strategy. It performed according to design. Our performance remains steady.

Designed for Steady Growth

Strategy 1: SAFETY FIRST

Safety matters. A cornerstone of the KENEDIX-REIT portfolio, safety is of fundamental importance to tenants and investors alike. The portfolio was not materially impacted by the East Japan Earthquake of 2011, the ensuing tsunami, liquefaction, the nuclear incident at Fukushima Daiichi Reactor or the power outages. Despite some media hype, Tokyo was also largely unscathed.

Structural Strength to Withstand Quakes

Japan's building codes are said to be the world's most advanced in terms of quake resistance. They are routinely updated in line with growing knowledge and technological capabilities. The most important overhaul was enacted in 1981 to ensure structural integrity during and after major quakes. Validation came with the 1995 Great Hanshin Earthquake near Kobe. Buildings built after the code came into effect performed much better than those that were built before.

The Evolution of Japan's Rigorous Building Codes

To increase safety and improve seismic strength, the government of Japan has strengthened building requirements in response to major earthquakes. In Japan, the Urban Building Law was even introduced in 1919 before the Great Kanto Earthquake. Since then, several major revisions have followed. Major changes are summarized below.

All of the buildings in the KENEDIX-REIT portfolio were either built after the building code was rigorously bolstered in 1981 or have similar levels of earthquake resistance. KENEDIX-REIT will continue to invest mainly in buildings that meet these demanding quake requirements.

Major Developments in Japan's Building Codes

Event	Revised Building Standard	Major Revisions
1948 Fukui Earthquake	→ 1950 Establishment of the Building Standard Law	Abolishment of the Urban Building Law – Minimum wall requirements introduced to withstand seismic force – Framing requirements defined with types and dimensions for wall strength
1978 Miyagi Earthquake	→ 1981 Revision of the Building Standard Law	New earthquake resistance standards introduced
1995 Great Hanshin Earthquake	*Structures built after 1982 predominantly receive relatively light damage.*	
	→ 2000 Revision of the Building Standard Law	Performance-based design requirements replace prescriptive requirements

1. **Portfolio damage from the magnitude 9.0 quake was limited to approximately 110 million yen.**
2. **Most assets meet Japan's strict building codes and seismic strength requirements.**
3. **KENEDIX-REIT is accelerating energy-saving measures.**
4. **Probable maximum loss (PML) across KENEDIX-REIT's portfolio is a conservative 5.15%.**

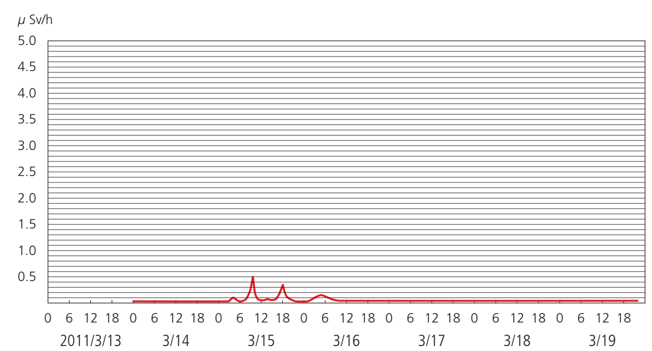
Fast Response

Preparation for emergencies, disasters and other contingencies ranging from fire to terrorism enables fast response. Following the East Japan Earthquake of 2011, KENEDIX-REIT immediately began inspections to confirm the status of each property. In addition, an expert third-party was commissioned to inspect each of the affected properties. **Within 2 days of the earthquake, KENEDIX-REIT could report there was no significant damage that would materially impact operations.** The independent inspection, conducted by HI International Consultant Ltd., confirmed the absence of any material structural damage. Subsequently, 110 million yen was allocated to make the repairs that were identified.

Fukushima Fallout

Following the meltdown of the Fukushima Daiichi Nuclear Plant, 225 kilometers from Tokyo, atmospheric radiation levels briefly spiked in central Tokyo on March 15. Rising to 0.496 microsieverts, the levels never mandated special measures and soon fell to normal levels. To place things in perspective, a typical chest x-ray exposes patients to 50 microsieverts, about 100 times more radiation.

Radiation Levels in Central Tokyo (Shinjuku):
(March 13 – 19, 2011)



* Source: Japan Ministry of Education, Culture, Sports, Science and Technology of Education.

Energy-Saving Measures

Eastern Japan did, however, experience power supply issues. For a short period, Tokyo Electric Power Company (TEPCO) introduced planned power outages to avoid uncontrolled outages. Idled capacity was brought back on line, and energy-saving measures were rapidly undertaken by government, industry and households. Many of the scheduled power outages proved unnecessary, and the program was suspended early.

Doing its part, **KENEDIX-REIT is accelerating energy efficiency measures. Portfolio-wide we aim to cut peak-time electricity usage by 15% this summer.** This will entail some additional capital expenditure, but there will be ongoing operational savings. For example, we are installing LED lights to illuminate exit signs; replacing conventional lighting with LEDs in hallways, restrooms and other areas; and installing motion detectors to automatically switch lights on and off in stairways.

Throughout Japan there is a new awareness that electricity cannot be taken for granted, that supply must be more robust and usage optimized through efficiency. This intense interest in smart grids and renewable energy places Tokyo at the cutting edge of a growing issue worldwide.

Strategy Minimizes Probable Maximum Loss (PML)

It's a fact. Earthquakes, tsunami and other disasters happen. Safety is taken very seriously. Working together, both the Government and the private sector have learned techniques to minimize property damage.

KENEDIX-REIT monitors the probable maximum loss (PML) for each of its properties. PML is generally defined as the largest anticipated loss in value that could result from an event. In the evaluations conducted by NKSJ Risk Management, Inc., PML refers to the ratio (%) of costs required to restore a building damaged by an earthquake to replacement cost.* Portfolio-wide, PML stands at a very low 5.15% as of the end of 12th Fiscal Period ended April 30, 2011.

* The calculation assumes that property damage caused by a large-scale earthquake happens once every 475 years, or has a roughly 10% probability of occurring every 50 years during the generally accepted service life of a building.

Anti-Seismic Case Studies

The buildings in KENEDIX-REIT's portfolio have a variety of anti-seismic design features. Here are two examples.

KDX Omori Building (1990)

A seismic isolation device is installed below ground in the foundation to minimize vibration of above-ground floors.

Toranomon Toyo Building (1962)

Previous owner completed anti-seismic reinforcement work utilizing Taisei Corp. in October 2005. The oldest property in the portfolio is one of just three built prior to building code revisions.

Strategy 2: SELECTIVITY

Another chief consideration, selectivity, goes hand in hand with safety. KENEDIX-REIT is highly selective in considering buildings and locations to acquire.

1. Tokyo is the world's largest metropolitan area.
2. Nearly 90% of our office buildings are within 6 minutes of a station, and over 60% are within 3 minutes.
3. KENEDIX-REIT is the first J-REIT to receive Green Building Certification from the Development Bank of Japan.
4. Tokyo is projected to remain a "hot spot" in 2025 and scores high in quality of life.

Focus on office space in the desirable Tokyo Metropolitan Area enhances performance. Indeed, 84.2% of the portfolio is located in the Tokyo Metropolitan Area, the world's largest metropolitan area.

Selectivity means our buildings are highly sought after, in step with market demand. Of companies based in the Tokyo Metropolitan Area, 93.4% are small and medium sized, which is why we focus on buildings for this market. This fact also explains how we have achieved tenant diversification with 691 end tenants for our office portfolio and maintained a vacancy rate of 5.4% for the entire portfolio, beating the industry average as of April 30, 2011.

Tokyo: Future and Present

By 2025, many of today's leading cities will be overtaken by more vibrant newcomers. Not Tokyo. According to a study conducted by the McKinsey Global Institute on the world's projected Top 25 Hot Spots for 2025, **Tokyo will rank first or second in four of seven major categories: #2 in GDP, #1 in total population, #1 in total households and #1 in households with annual income over $20,000.**

Top 25 Hot Spots by 2025

Criteria	First Place	Second Place
GDP	New York	**Tokyo**
Total population	**Tokyo**	Mumbai
Households	**Tokyo**	Shanghai
Households with annual income over $20,000	**Tokyo**	New York

* Sources: McKinsey Global Institute. Urban World: Mapping the economic power of cities. March 2011.

Tokyo's staying power is no surprise. It routinely ranks high as a place to live, work and visit. Tokyo placed fourth in the annual "Quality of Life Rankings" in which lifestyle magazine Monocle determines the world's most liveable cities.

2010 Quality of Life Rankings

1.	Munich	6.	Stockholm
2.	Copenhagen	7.	Paris
3.	Zurich	8.	Vienna
4.	**Tokyo**	9.	Melbourne
5.	Helsinki	10.	Madrid

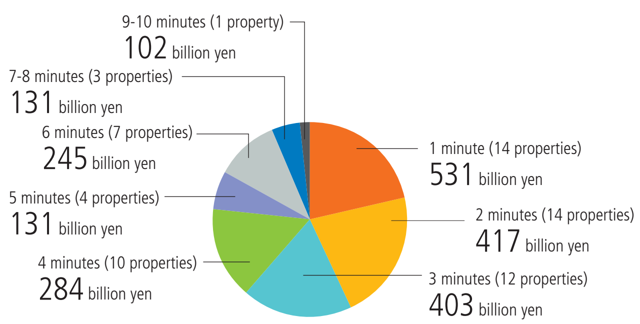
*Sources: Monocle Magazine. Issue 35.

Urban Convenience

Tokyo and other urban centers in Japan benefit from a public transportation system that is the envy of many cities. The trains and subways that help keep Tokyo and other Japanese cities clean, green and convenient are also an important draw for tenants.

KENEDIX-REIT considers location carefully when evaluating potential properties. Nearly 90% of the portfolio's properties are located within 6 minutes of a mass transit station and over 60% are within 3 minutes. Tenants place a premium on such proximity.

Walking Distance to Station (Office buildings)



Note: Property values and portfolio percentages are based on acquisition price. Amounts of less than 1 billion yen have been omitted.

Green Premium

Increasingly, tenants are also placing a premium on a building's eco-features. In June 2011, KENEDIX-REIT became the first J-REIT to receive Green Building Certification from the Development Bank of Japan (DBJ). Three of its urban properties in Tokyo, Nagoya and Osaka achieved DBJ Green Building Certification, which is awarded at four levels (Bronze – Platinum) using a proprietary scoring model.

DBJ Green Building Certification

Building	Location	DBJ Green Building Rating
KDX Harumi Building	Tokyo	Silver*
Nagoya Sakae Building	Nagoya	Silver*
KDX Kobayashi-Doshomachi Building	Osaka	Bronze*

* Silver denotes buildings with highly forward-looking approaches to environmental and social consciousness. Bronze denotes buildings with forward-looking approaches to environmental and social consciousness.

Moving forward, KENEDIX-REIT's focus on selectivity will continue to place a premium on properties that provide added convenience, eco-friendliness and other features highly sought by tenants.

Strategy 3: STABILITY

Stability is yet another top priority of KENEDIX-REIT. Stable funding means momentary shocks present KENEDIX-REIT with new opportunities. In fact, we completed our first post-quake purchase on March 25, utilizing bank loans of 2 billion yen.

The Stability of the Portfolio Strategy

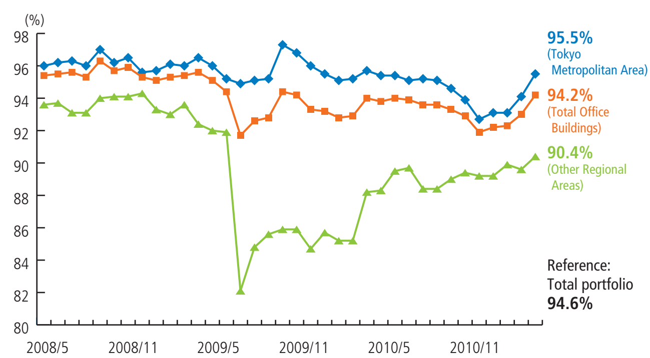
KENEDIX-REIT is well placed to benefit from economic growth, on the back of massive fiscal and monetary stimulus in Japan. KENEDIX-REIT maintains a conservative debt profile. The total interest-bearing debt ratio is generally less than 45%, though this may be allowed to rise to the upper 40% range to acquire high quality properties through debt financing. Steady, diversified sources of funds enable promising deals, while high occupancy and economies of scale contribute to steady performance and operational stability.

1. Our occupancy remains high at 94.6%.
2. KENEDIX-REIT's diversified tenant base includes 691 end tenants (for our office buildings), mainly small- and medium-sized companies.
3. Economies of scale from our 71 properties result in lower costs.
4. KENEDIX-REIT maintains a conservative interest-bearing debt ratio.
5. KENEDIX-REIT intends to diversify sources of funding and stagger debt maturities.
6. KENEDIX-REIT cultivates multiple acquisition channels to identify promising properties.

Stable Occupancy

KENEDIX-REIT has achieved portfolio-wide occupancy of 94.6% as of April 30, 2011. **We are aiming to raise this to 95% and have already attained this level with our Tokyo Metropolitan Area office buildings (95.5% occupancy). Stable occupancy contributes greatly to financial stability.**

Changes in office occupancy ratios (by area) (As of April 30,2011)



Diversified Tenants

As of April 30, 2011, 691 end-tenants, representing a range of industries, are based in our office buildings. This diversification contributes to stability. Combined, our three largest tenants account for 5.1% of the total leased floor area of the portfolio. **The largest tenant alone accounts for just 1.9%. We believe this diversification helps insulate KENEDIX-REIT from the impact of an end-tenant departure or sluggish performance in a given sector.**

Economies of Scale

By focusing on office buildings in the Tokyo Metropolitan Area KENEDIX-REIT has created economies of scale, as a recent example illustrates. With the aim of reducing peak power consumption by 15%, KENEDIX-REIT accelerated capital expenditure to install LED lights in emergency signs, hallways, restrooms and other areas. Simultaneous bids reduced this investment by roughly 30%.

Conservative Interest-Bearing Debt Ratio

The interest-bearing debt ratio is calculated by dividing total debt by total assets based on book value. KENEDIX-REIT has historically maintained a conservative interest-bearing debt ratio, ranging from 35% to 47%.

Diversified Funding

KENEDIX-REIT has worked to build a sound and stable financial foundation. To achieve steady funding, sources include investment corporation bonds and public offerings. Sources of borrowings include 6 major banks. Diversified debt maturities further contribute to both stability and flexibility.

Multi-Channel Acquisitions

Exacting criteria contribute to stability. We also try to spread acquisitions out for steady growth. Rapid, accurate market intelligence is essential.

We make use of both related parties and third-parties to locate attractive acquisitions that meet our exacting criteria. Sponsors Kenedix, Inc. and ITOCHU Corporation can provide vital pipelines to property transactions. In addition, third-parties have accounted for a growing percentage of property acquisitions since 2010. Six of nine properties acquired since November 2009 were acquired from third parties other than Kenedix Group. Moreover, all four properties we acquired in July 2011 were from third parties. In the future, we will continue utilizing multiple channels to gather information on potential acquisitions. Multi-channel intelligence helps KENEDIX-REIT maintain stability by spreading acquisitions out for steady growth.

Corporate Governance

With the aim of becoming an "autonomous J-REIT," KENEDIX-REIT endeavors to build a corporate governance system that fosters highly transparent asset management operations and fair transactions.

Ensuring management independence and transparency is extremely important in undertaking fair transactions and indispensable for promoting sound management practices. In order to remain in compliance with each legal regulation and realize asset management operations that are fair and highly transparent, KENEDIX-REIT and Kenedix REIT Management are mindful of the following items, shown in the chart below. In particular, the Compliance Officer and the Asset Management Committee (AMC) function as two integral aspects of the decision-making process, ensuring compliance with rules and regulations that govern J-REITs, organization-wide support and implementation.

Corporate Governance System of KENEDIX-REIT

KENEDIX-REIT has established a Board of Directors—a meeting of which is held on a regular basis—that is fully capable of undertaking operating decisions and functioning as a body that supervises the executive officers. Through the functions of the Board of Directors, KENEDIX-REIT works to grasp and oversee the status of Kenedix REIT Management's business operations.

Corporate Governance System of Kenedix REIT Management

Kenedix REIT Management endeavors to control the various risks related to investment management by drafting management guidelines and adhering to fundamental investment management concepts, including investment policies, transaction rules with interested parties, and investment allotment and disclosure policies.

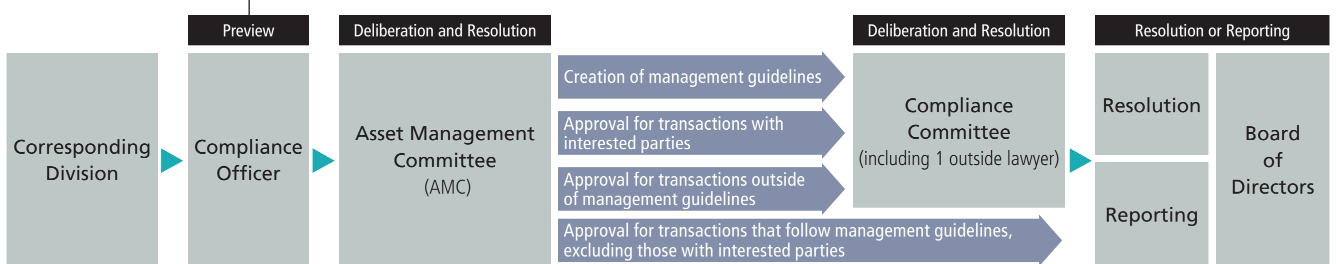
Furthermore, based on a review conducted by the Compliance Officer, important items that include transactions with interested parties are subject to strict protocols that involve deliberations and resolutions undertaken by the AMC and the Compliance Committee (which includes one outside lawyer). Final decisions regarding such transactions are made by the Board of Directors.

AMC's Role in Advancing Decision Making

On a weekly basis, AMC members receive reports on tenant movements and plans, discuss measures to deal with negative movements, receive proposals on renovations and other improvements, and deliberate and approve property acquisitions and dispositions. While each division takes action to fulfill its respective areas of responsibility, the process of discussion and approval vets issues and ensures a flow of communication that is logical and meaningful to the decision-making process.

Decision Making at Kenedix REIT Management

The Compliance Officer previews the REIT's major pending decisions to ensure that no transactions are detrimental to the interests of investors, that the rules for deals with interested parties are obeyed and that 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 comprise leaders and managers, and meetings related to property or other material decisions are attended by the CEO and President of Kenedix REIT Management, the General Manager of the Financial Planning Division (CFO), the General Manager of the Investment Management Division (CIO), the General Manager of the Property Management Division and the Compliance Officer.

Meetings of Committees in Each Fiscal Period

(Period)	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th
Compliance Committee	7	7	7	8	6	8	9	8	8	10	7	7
Asset Management Committee	21	35	39	39	38	38	52	44	36	39	32	37
Kenedix REIT Management Board of Directors	9	7	9	8	9	7	10	8	10	12	11	9
KENEDIX-REIT Board of Directors	11	7	7	9	7	7	7	8	8	8	8	7

KENEDIX-REIT Portfolio Table (as of April 30, 2011)

	No.	Collateralized Assets (Note 1)	Property Name	Location	Acquisition Price (mn yen)	Year Built (Note 2)	Occupancy Ratio
Office (Tokyo Metropolitan Area)	A-1	*	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	Apr. 1974	71.8%
	A-2		KDX Hirakawacho Building (Note 3)	Chiyoda-ku, Tokyo	5,180	Mar. 1988	100.0%
	A-3	*	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	Jan. 1987	100.0%
	A-4		KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	Jun. 1993	100.0%
	A-5	*	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	Aug. 1992	100.0%
	A-6	*	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	Nov. 1985	100.0%
	A-7		FIK Minami Aoyama	Minato-ku, Tokyo	2,270	Nov. 1988	100.0%
	A-8	*	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	May 1993	93.5%
	A-13		KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	May 1994	100.0%
	A-14	*	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	100.0%
	A-15	*	KDX Hamacho Building	Chuo-ku, Tokyo	2,300	Sep. 1993	100.0%
	A-16	*	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	84.7%
	A-17		Ebisu East 438 Building	Shibuya-ku, Tokyo	4,640	Jan. 1992	100.0%
	A-18	*	KDX Omori Building	Ohta-ku, Tokyo	3,500	Oct. 1990	100.0%
	A-19	*	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	Sep. 1999	100.0%
	A-20	*	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	Oct. 1987	100.0%
	A-21		KDX Shinbashi Building	Minato-ku, Tokyo	2,690	Feb. 1992	100.0%
	A-22	*	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	93.1%
	A-23		KDX Yotsuya Building	Shinjuku-ku, Tokyo	1,950	Oct. 1989	100.0%
	A-26	*	KDX Kiba Building	Koto-ku, Tokyo	1,580	Oct. 1992	100.0%
	A-27	*	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	Mar. 1990	100.0%
	A-28		KDX Nogizaka Building	Minato-ku, Tokyo	1,065	May 1991	56.2%
	A-29	*	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	Jan. 1990	100.0%
	A-30	*	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	Nov. 1992	100.0%
	A-31	*	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	Sep. 1986	84.3%
	A-32	*	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	Jul. 1986	100.0%
	A-33		KDX Okachimachi Building	Taito-ku, 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-37	*	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	Aug. 1982	100.0%
	A-38		KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	Oct. 1992	87.6%
	A-39	*	KDX Toranomon Building	Minato-ku, Tokyo	4,400	Apr. 1988	100.0%
	A-40	*	Toranomon Toyo Building	Minato-ku, Tokyo	9,850	Aug. 1962	100.0%
	A-41	*	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	Aug. 1989	100.0%
	A-45		KDX Roppongi 228 Building	Minato-ku, Tokyo	3,300	Apr. 1989	65.1%
	A-46	*	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	Mar. 1988	95.9%
	A-47	*	KDX Shin-Yokohama 381 Building (Note 4)	Yokohama, Kanagawa	5,800	Mar. 1988	89.5%
	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	86.4%
	A-50	*	Ikejiri-Oohashi Building	Meguro-ku, Tokyo	2,400	Sep. 1988	74.4%
	A-51	*	KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	Sep. 1988	100.0%
	A-52		KDX Kanda Misaki-cho Building	Chiyoda-ku, Tokyo	1,380	Oct. 1992	86.9%
	A-55	*	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	Jul. 1990	100.0%
	A-56	*	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	May 1994	74.8%
	A-57		KDX Gobancho Building	Chiyoda-ku, Tokyo	1,951	Aug. 2000	100.0%
	A-59		KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	Mar. 2008	100.0%
	A-60	*	KDX Harumi Building	Chuo-ku, Tokyo	10,250	Feb. 2008	98.2%
	A-61		KDX Hamamatsucho Dai-2 Building	Minato-ku, Tokyo	2,200	Apr. 1992	100.0%
	A-62	*	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	Nov. 1989	100.0%
	A-63	*	Gotanda TG Building	Shinagawa-ku, Tokyo	2,620	Apr. 1988	80.0%
	A-64	*	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	Oct. 2006	100.0%
	A-66	*	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	May 1993	100.0%
	A-67	*	Kyodo Building (Ginza No.8)	Chuo-ku, Tokyo	4,300	Nov. 1991	100.0%
	A-68	*	Kyodo Building (Honcho 1chome)	Chuo-ku, Tokyo	4,000	Jan. 1984	100.0%
Office (Other Regional Areas)	A-12	*	Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	95.8%
	A-24	*	KDX Minami Semba Dai-1 Building	Osaka, Osaka	1,610	Mar. 1993	95.6%
	A-25	*	KDX Minami Semba Dai-2 Building	Osaka, Osaka	1,560	Sep. 1993	100.0%
	A-36		KDX Niigata Building	Niigata, Niigata	1,305	Jul. 1983	66.7%
	A-42	*	Karasuma Building	Kyoto, Kyoto	5,400	Oct. 1982	94.2%
	A-44	*	KDX Sendai Building	Sendai, Miyagi	2,100	Feb. 1984	99.1%
	A-53	*	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun. 1973	75.4%
	A-54		KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	92.8%
	A-58		KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Apr. 2009	93.7%
	A-69		KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	Jul. 2009	91.0%
	A-70		Kitananajo SIA Building	Sapporo, Hokkaido	2,005	Oct. 1989	100.0%
	Office Subtotal (65 properties)				**224,636**	**Avg. 21.4 years**	**94.2%**
Residential	B-3		Court Mejiro	Shinjuku-ku, Tokyo	1,250	Mar. 1997	91.3%
	B-18	*	Venus Hibarigaoka	Sapporo, Hokkaido	1,800	Mar. 1989	96.7%
	B-19	*	Residence Charmante Tsukishima	Chuo-ku, Tokyo	5,353	Jan. 2004	100.0%
	B-34		Gradito Kawaguchi	Kawaguchi, Saitama	1,038	Feb. 2006	100.0%
	Residential Subtotal (4 properties)				**9,441**	**Avg. 10.8 years**	**97.5%**
Central Urban Retail	C-1	*	Frame Jinnan-zaka	Shibuya-ku, Tokyo	9,900	Mar. 2005	100.0%
	C-2		KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	Aug. 1991	100.0%
	Central Urban Retail Subtotal (2 properties)				**12,379**	**Avg. 8.8 years**	**100.0%**
Total (71 properties)					**246,456**	**Avg. 20.4 years**	**94.6%**

Note: 1. KENEDIX-REIT used the opportunity afforded by public offerings initiated in July 2011 to dissolve all of its collateralized assets on July 20, 2011.
2. The year built refers to 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, 2011, and are rounded down to the first decimal place.
3. KDX Hirakawacho Building was sold on June 30, 2011
4. As of the end of the fiscal period ended October 31, 2010, A-47 KDX Shin-Yokohama 381 Building and A-65 KDX Shin-Yokohama 381 Building Annex Tower are presented collectively as one property. Year of construction of existing tower is shown. Upon calculating the weighted-average portfolio age, the completion date (April 2009) for the KDX Shin-Yokohama 381 Building Annex Tower is not considered.
5. Amounts indicated have been rounded down.

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) (Period-on-period change)	mn yen %	238,745 (-0.4)	236,320 (-1.0)	251,566 (+6.5)	251,080 (-0.2)	261,928 (+4.3)
Interest-bearing debt (c) (Period-on-period change)	mn yen %	98,750 (0.0)	97,220 (-1.5)	102,968 (+5.9)	102,567 (-0.4)	112,715 (+9.9)
Unitholders' equity (d) (Period-on-period change)	mn yen %	127,398 (-0.5)	127,067 (-0.3)	135,689 (+6.8)	135,732 (+0.0)	135,505 (-0.2)
Unitholders' capital (Period-on-period change)	mn yen %	124,973 (0.0)	124,973 (0.0)	133,129 (+6.5)	133,129 (0.0)	133,129 (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) (Period-on-period change)	%	53.4 (-0.1)	53.8 (+0.4)	53.9 (+0.2)	54.1 (+0.1)	51.7 (-2.3)
Interest-bearing debt ratio at end of period (c)/(b) (Period-on-period change)	%	41.4 (+0.2)	41.1 (-0.2)	40.9 (-0.2)	40.9 (-0.1)	43.0 (+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					
	Unitholders' capital	Voluntary retained earnings 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
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.

Unitholders' Information

(As of April 30, 2011)

Kenedix Realty Investment Corporation

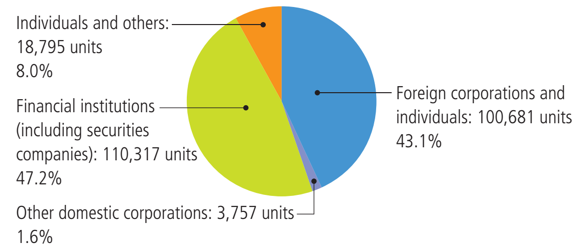
Fiscal Periods: Six months ending April 30 and October 31

Stock Listing: Real Estate Investment Trust Market of the Tokyo Stock Exchange (Security Code: 8972)

Transfer Agent: The Chuo Mitsui Trust and Banking Company, Limited
2-8-4 Izumi, Suginami-ku, Tokyo 168-0063, Japan

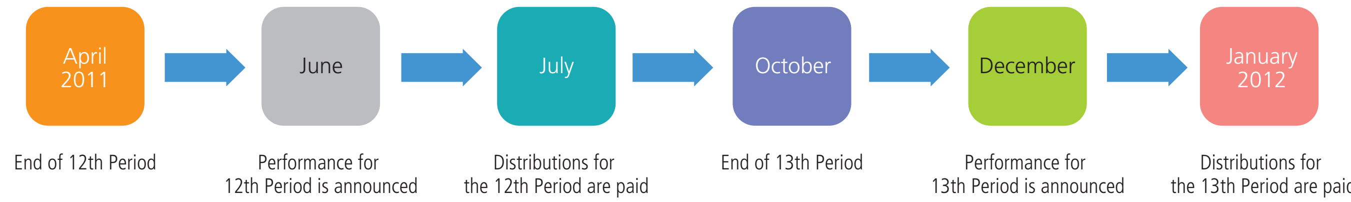
Auditor: Ernst & Young ShinNihon LLC

General Breakdown of Unitholders



Note: Figures are rounded to the first decimal place.

IR Schedule (12th and 13th periods)

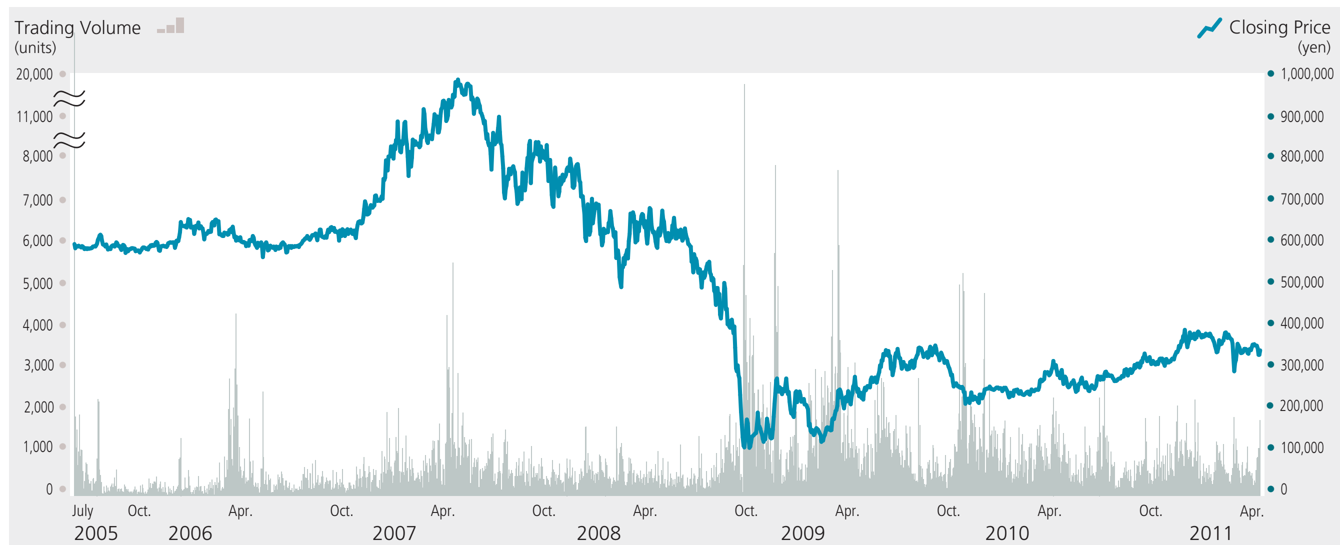


Top Ten Unitholders

Name	Units Held	Share of Outstanding Units
Japan Trustee Services Bank, Ltd. (trust account)	40,952	17.53%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	28,880	12.36%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	23,230	9.94%
The Master Trust Bank of Japan, Ltd. (trust account)	8,181	3.50%
Nomura Bank (Luxembourg) S.A.	7,098	3.03%
The Bank of New York, Treaty JASDEC Account	7,012	3.00%
BNP Paribas Securities Services Luxembourg/JASDEC/Henderson HHF SICAV	5,900	2.52%
State Street Bank and Trust Company 505223	3,785	1.62%
BNP Paribas Securities Services Singapore/BP2S Sydney/JASDEC/Australian Residents	3,708	1.58%
The Chase Manhattan Bank, N.A. London SECS LENDING Omnibus Account	3,076	1.31%
Total	131,822	56.44%

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

Unit Price Performance



BEST INVEST

KENEDIX

Realty Investment Corporation

http://www.kdx-reit.com/eng/