

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

May 1, 2009 - October 31, 2009

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## SEMIANNUAL REPORT

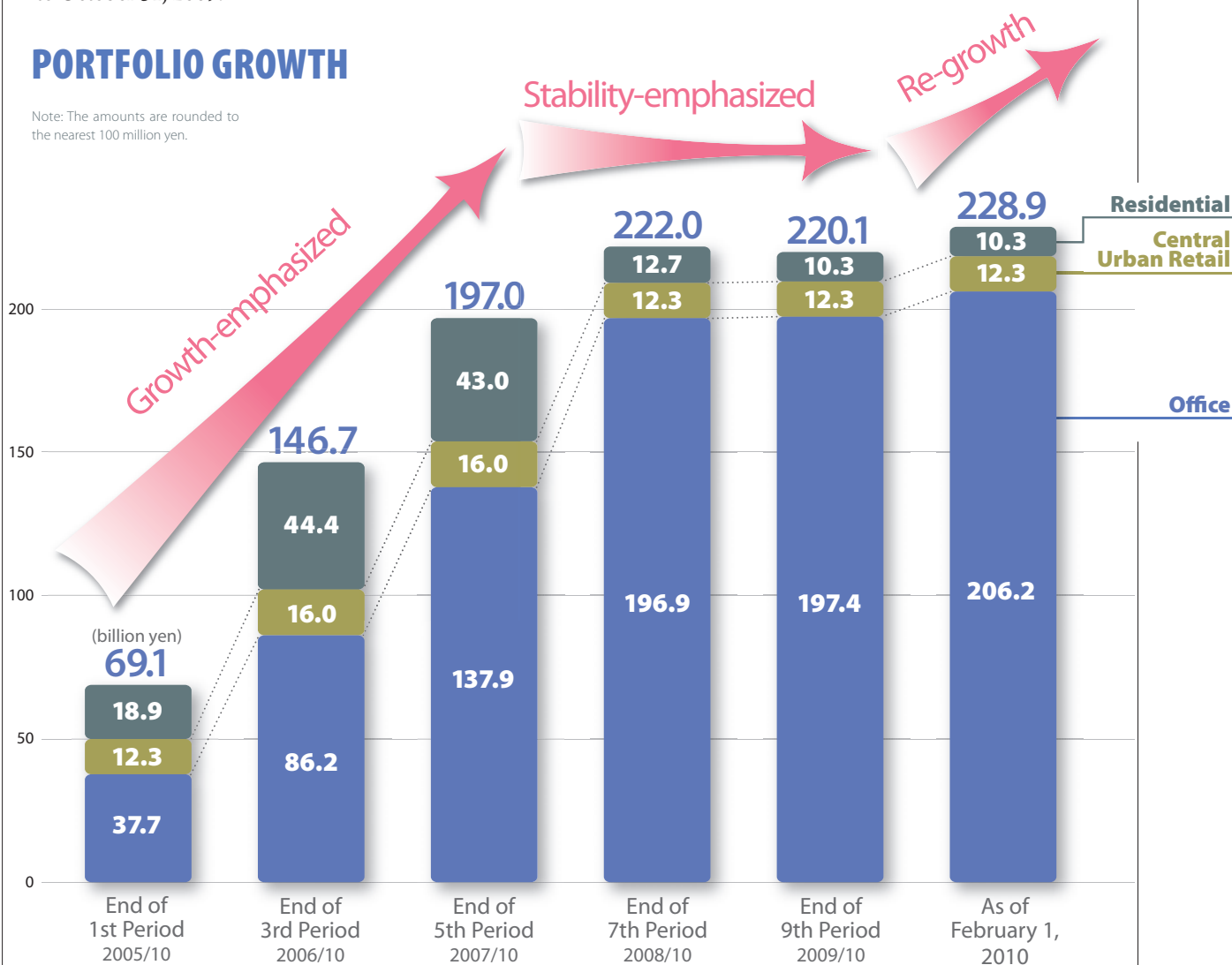
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# INVESTMENT HIGHLIGHTS FOR THE NINTH FISCAL PERIOD

Kenedix Realty Investment Corporation (KENEDIX-REIT) is issuing a cash distribution of 10,511 yen per unit to unitholders (shareholders) as a distribution for operations during the Ninth Fiscal Period running from May 1, 2009 to October 31, 2009.

## PORTFOLIO GROWTH

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



### Operating Revenues

**7,921** mn yen

Period-on-period decrease of 282 million yen primarily from capital losses resulting from property sales and the impact of fewer tenants and rent decreases

### Net Income

**2,102** mn yen

### Distribution per Unit

**10,511** yen

### Total Unitholders' Equity

**127,067** mn yen

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BEST INVEST  
KENEDIX  
REIT Management



## Q&A with the CEO

# Ready, Set, Go: The Constant Advantage of Being a Half-Step Ahead

Q

Let's cut to the chase! Defend Japan for me.

A

We Japanese love to talk about "Japan passing" these days. It is true our neighbor is huge and it is true the Democratic Party of Japan is failing to meet the low, and I mean low, expectations we set. BUT I am bullish on Japan and this is why. We are presently the second largest economy in the world. Yes, we will soon be third but the new second has over a billion people, we have just over 100 million. The leader, the U.S.A., is several times larger and blessed by resources. We should be proud of our continual accomplishment of having a globally successful economy and globally successful brand as well as corporate leaders.

Drill down to Tokyo and the real estate market is the largest metropolitan market in the world, bar none. And be careful with demographics because the population of Tokyo is growing. The economy and banking sectors, though not stellar, are stable and Tokyo, my city, is a comprehensive leader in Japan and globally across many sectors.

Drill down even further to the market of KENEDIX-REIT and matters are even brighter. There is relatively little new mid-sized office stock and this enables us to deliver safe, stable and absolute rents. We are further bolstered by the fact that 93.4% of Tokyo offices have 29 or fewer people and 28.6% of office stock has floor areas between 500 and 3,000 tsubos. Our entire portfolio had an occupancy in the Ninth Fiscal Period of 94.7%. This compares to 93.9% for large-sized office buildings in Tokyo during October according to CB Richard Ellis (CBRE). Rents are also far less volatile in the mid-sized office building sector, so I like Japan, Tokyo and, of course, KENEDIX-REIT.

**Q** How can you remain so positive when you admit rents are down?

**A** That is simple. They are only down a few hundred yen for the entire portfolio on average. Let's look at what we have found out. First, tenant turnover in our market space is around 10% — no matter if the economy is good or bad. Second, vacancies and down time were up, but our occupancy is now over 94% and we signed a record number of new leases in the period from August to October 2009. This is what we learned: Office space is rented, IF priced right!

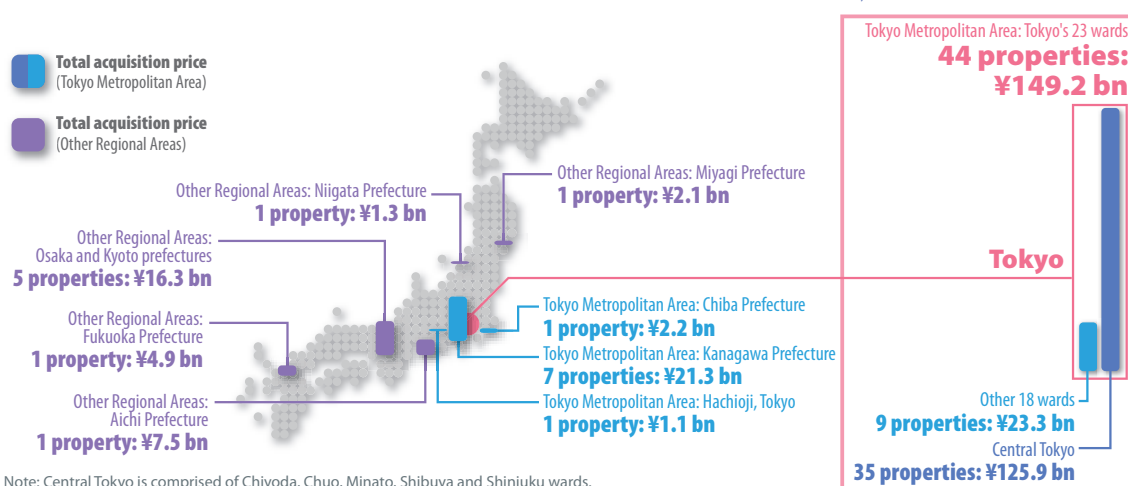
**Q** We often talk about the "elusive" half step. How important is it to be a half-step ahead?

**A** We are responsible to our investors. We cannot just sit around waiting for the god of economics to recover. In the Fifth Fiscal Period (ended October 2007), I announced the need to focus our portfolio. I declared that the portfolio would be aligned to Tokyo office buildings and we would sell off our residential properties. This has taken place.

A year ago when our sponsor's name began to suffer after the Lehman Shock, we brought in a blue chip trading company, ITOCHU Corporation, as a partial owner of our asset management company. ITOCHU's participation along with a recovery in our sponsor's reputation have been a boon for us. When rents were still going up in an unhealthy economy, we announced we would not raise rents and were warmly welcomed by our tenants.

As the long-term, fixed rate loans of our finance strategy began to feel the pain of the market, we announced we would sell properties even at a loss if it helped us pay down debt and ensure we met commitments. We did that and we were the first office J-REIT to do a public offering in 18 months. We raised capital on the market to acquire properties and reduce our leverage once again to the 39% level through "equitization."

**OFFICE BUILDING PORTFOLIO: 62 PROPERTIES AND TOTAL PORTFOLIO ACQUISITIONS 206.2 BILLION YEN** (as of February 1, 2010)



**Q** Did you benefit from the public offering?

**A** We acted while others stood by and our debt costs are down because of this, and nonrecourse loan lenders and property owners have become a non-stop supply of property information. And of course we have a more robust portfolio. These actions we have taken are not reckless, if anything they are conservative. We added four properties in the Tenth Fiscal Period and lowered our leverage while doing so.

## MANAGEMENT THAT CONSIDERS THE MARKET ENVIRONMENT

### Market Environment

- Financial crisis
- Credit contraction
- Rising cap rates

• Rising office vacancies

• Resurrection of equity financing

• Acquisition of properties by J-REITs

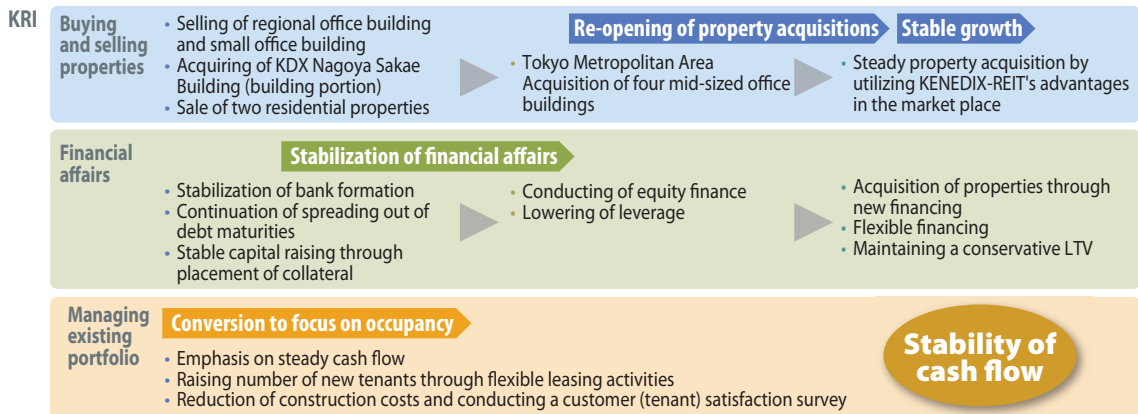
• Increase in properties due to maturity of non-recourse loans, etc.

### Management that is a half-step ahead

Measures during 8th and 9th Periods (November 2008 ~ October 2009)

Sourcing of Properties with Equity (November 2009)

Measures during 10th Period and After



Q What now?

A We have demonstrated that mid-sized office buildings have greater liquidity than other real estate. We will no longer sell properties at a loss, but we will continue to optimize our portfolio while emphasizing cash flow and equity finance to garner steady growth and this will drive down the costs of financing. Six months ago banks stayed away, now they come without a phone call.

Q Unfortunately the distribution per unit is down. What are your thoughts about this?

A Actually the sale of properties at a loss drove our forecasts down to the low 9,000 yen level at mid-period. The fact that we reached 10,511 yen per unit is a testament to our commitment to proactive property management. Our ability to reduce costs through consolidation of vendors and other measures and our ability to increase occupancy of our portfolio above the market average drove up our distribution. This excellent occupancy rate and cost management are a testament to our team. We intend to raise our distribution further through smart acquisitions and resilient property management backed by customer satisfaction as we continue to be "on the go" in response to the market cycle.



Taisuke Miyajima

CEO and President  
Kenedix REIT Management, Inc.

Miyajima entered Kenedix, Inc. after serving in the Capital Markets Department of Mitsubishi UFJ Trust and Banking in its Los Angeles Branch. He worked in real estate investment advisory for seven years, after which he transferred employment to serve as CEO and President of Kenedix REIT Management, Inc. and Executive Director of KENEDIX-REIT.

## 2009 PUBLIC OFFERING

Units offered	Domestic public offering: 33,550 units
Over allotment	1,450 units
Designated buyer of units	Kenedix REIT Management: 1,200 units
Outstanding units after offering	233,550 units
Pricing date	November 9, 2009
Delivery date	November 17, 2009
Discount rate	3.0%
Issue price	¥252,200
Raised amount	¥8.5 bn
Bookrunner	Nomura Securities Co., Ltd.



# Q&A with the General Manager of the Financial Planning Division



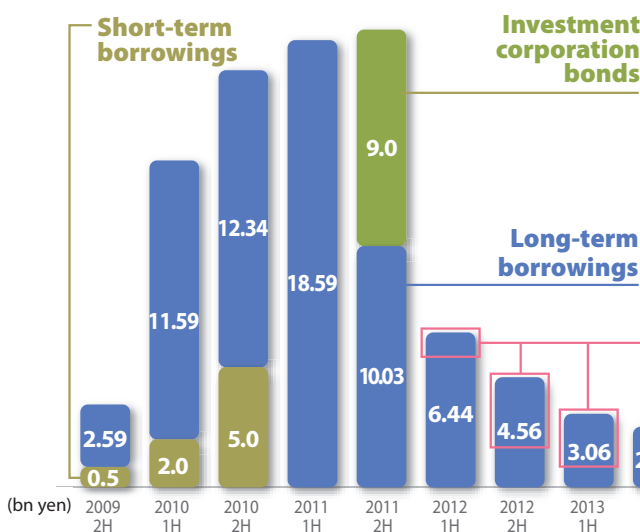
## Finishing the Marathon, Only to Begin Running Again

**Q** The biggest development of the Ninth Fiscal Period was obviously the public offering that happened at the beginning of the Tenth Fiscal Period. BUT you obviously did not stand around waiting for this to happen. How did you position yourself to carry out the public offering?

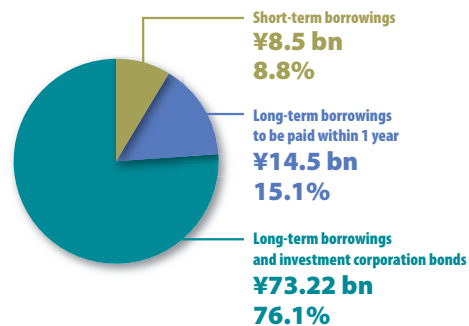
**A** Our REIT is unique in that we have always made statements. Our statement during this financial crisis was that you had to keep running. There were things to do. We needed to continue our strategy of fixed interest and long-term, diversified loans. We needed to overcome situations sometimes drastically, as with the collateralizing over 70% of our properties in the previous fiscal period to ensure refinancing and selling of a few properties at a loss to ensure our strategies progressed.

This period we had a couple of clear milestones: buying the KDX Nagoya Sakae Building and paying off Citibank's loan to us. Our CEO had previously iterated that we would sell properties, even at a loss, to pull these off and we demonstrated that mid-sized office buildings can be sold even in down times, and by selling Apartments Motoazabu and Apartments Wakamatsu-Kawada, which were both uncollateralized, we were able to combine this capital with that from selling two uncollateralized buildings in the Eighth Fiscal Period to arrange the funding to buy the KDX Nagoya Sakae Building and to repay the 2.5 billion yen of loans from Citibank.

**DIVERSIFICATION OF DEBT MATURITIES** (as of January 13, 2010)



**DIVERSIFICATION OF MATURITIES** (as of December 14, 2009)



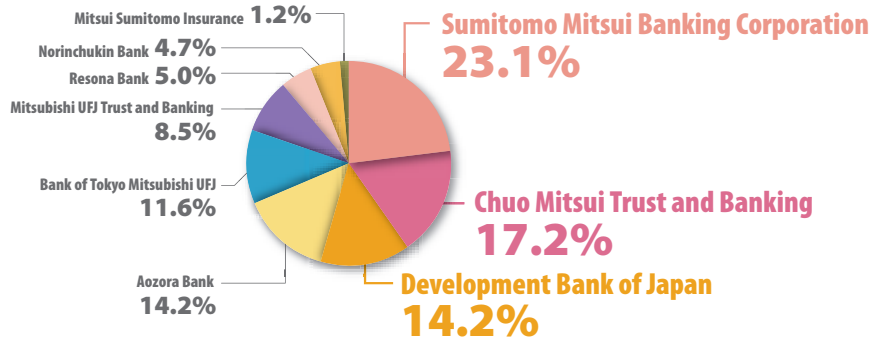
Notes: 1. Shows debt amounts that mature in each period  
 2. 1H is from Apr. 1 to Sep. 30 and 2H is from Oct. 1 to Mar. 31 of the following year, and are not identical with the fiscal periods of KENEDIX-REIT  
 3. Balance of borrowings from the Development Bank of Japan (excluding dividend repayment amount) shown in



We also refinanced a number of long and short-term loans maturing at the end of the Ninth Fiscal Period through a combination of long-term loans from Sumitomo Mitsui Bank and short-term loans from the other lenders. The long-term loans have fixed interest rates and mature in 2013. This refinancing and the paying off of a regional bank in the Eighth Fiscal Period and a foreign bank this fiscal period has created a stress free bank formation and demonstrated the support we enjoy among our financing sources.

**BREAKDOWN OF FINANCING SOURCES** (as of January 13, 2010)

A strong bank formation supported by megabanks, trust banks and the Development Bank of Japan



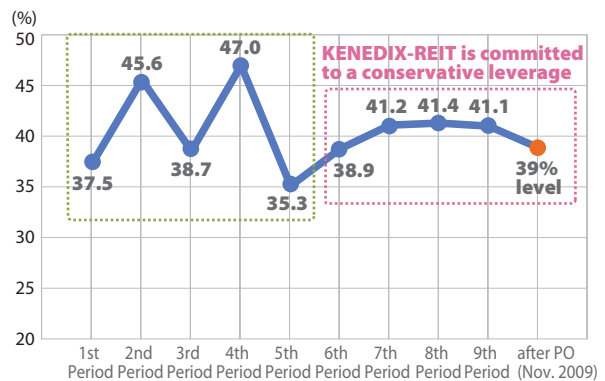
**Q** What were the effects of these efforts on leverage?

**A** First and foremost, our ability to do what we have stated we will do has had a dramatic impact all around. Our leverage at the end of the Ninth Fiscal Period, despite acquisition of the KDX Nagoya Sakae Building, was down to 41.1% and with the public offering it dropped to the 39% level. Difficulties refinancing have all but disappeared. In the past, we discussed rising costs and rising interest rates with our investors. Today the spread is coming down, the associated costs of financing are down after equity raising. And interestingly, the banks are coming to us with their "trouble" cases seeing if we can be the solution to their problems rather than the feeling apparent after the Lehman Shock that J-REITs were the problem.

**Q** So where to now?

**A** The CEO has for the Eighth and Ninth Fiscal Periods articulated a plan to return to steady growth from the Tenth Fiscal Period. The successful public offering, the first among office REITs in Japan after the past crisis, has pointed to the new stage in the evolution of KENEDIX-REIT's external growth of acquiring properties with brand-new debt while managing the portfolio at a conservative, low leverage.

**CHANGE IN LTV**



Note: LTV = Total debt ÷ Total assets

**Masahiko Tajima**  
 Director and General Manager  
 Financial Planning Division  
 Kenedix REIT Management, Inc.

Tajima served in Chuo Mitsui Trust and Banking for twelve years where he worked in business planning and securitization. He joined Kenedix, Inc. in May 2005 after four years in the structured finance department at Sumitomo Life Insurance Company.



## Q&A with the General Manager of the Investment Management Division

# A Half-Step Ahead: Balancing Enthusiasm and Rationality

Q

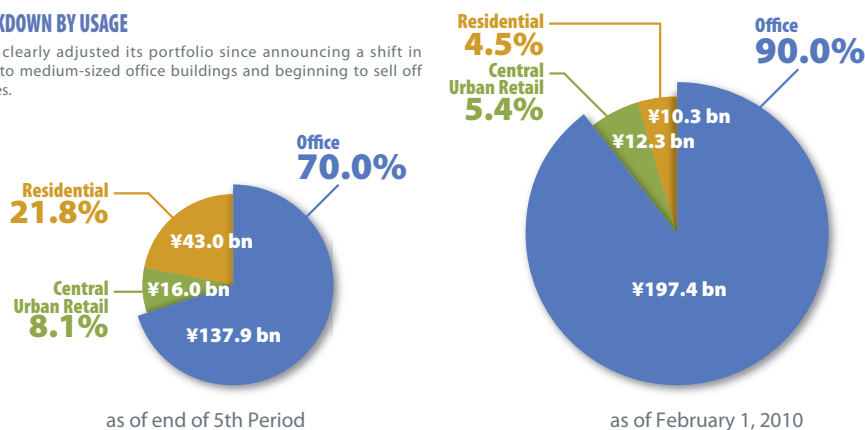
In your new role as CIO what is the investment policy of KENEDIX-REIT that you are pursuing?

A

My sole aim is to strengthen our portfolio of mid-sized office buildings. The new acquisitions we made after the close of the Ninth Fiscal Period places 90% of our portfolio in office buildings and 85% of our portfolio in the Tokyo Metropolitan Area. These are all critical milestones as we seek to be the "only player" of significance in the mid-sized office building market.

### PORTFOLIO BREAKDOWN BY USAGE

KENEDIX-REIT has clearly adjusted its portfolio since announcing a shift in investment policy to medium-sized office buildings and beginning to sell off residential properties.



Q

Why did you buy now and what convinced you to act?

A

KENEDIX-REIT is committed to being a half-step ahead. We really shifted to re-growth for two reasons. First, we judged that following the acute financial crisis it was the time to buy. Second, it was time to demonstrate we could buy to achieve future external growth.

Q

But why was it the time to buy?

A

If you look at the figure, it is clear that the investment real estate market moves in cycles. Interestingly, this is the first true investment real estate cycle in Japan since this market only took shape in the late 1990s when opportunistic buyers ruled the market. Since the high growth period of 2005-2007, the market has been in decline. The leasing market, however, appears to have bottomed out and most signs point to us having handled the crisis somewhat successfully. This led to our judgment that it was time to buy. The inability for banks to provide excessive leverage and our ability to move fast with our low leverage made it the perfect time for us to buy with little competition.

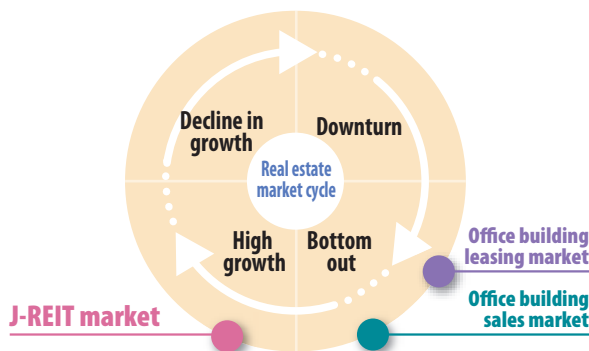


**Q** Was the public offering and ensuring acquisition of properties successful?

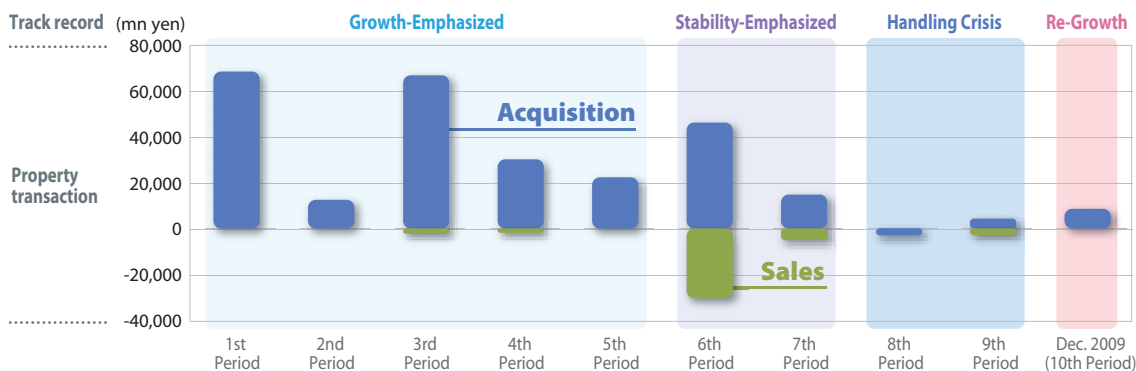
**A** We again stood out as being a half-step ahead. The timing was great because we followed Nihon Accommodations but preceded Japan Real Estate. And we were able to avoid the Dubai Shock.

From our perspective, the public offering and acquisitions were also successful because of the press they received. Additionally, our now even lower leverage and evidence that we are buying properties have been a magnet for drawing banks to us with un-circulated opportunities just as we had hoped. We are now in our stable re-growth period, as the figure shows, and we are poised to grow ahead of the coming wave of high growth in the real estate market.

**MARKET CYCLE**



**STABLE GROWTH THROUGH ACQUISITION OF PROPERTIES**



**Q** Do you prefer to buy product that is in excellent condition or that which needs to be fixed?

**A** There is nothing like buying a high performance building at a low price, but our DNA prefers to buy a building that our underwriting reveals to be full of potential and underperforming and then position it better in the market with refurbishing, optimal management and other factors so that it adds value to the KENEDIX-REIT portfolio.

**Q** In closing, what makes a successful CIO?

**A** Being a half-step ahead when you move to buy and when you move to sell. Put differently, a balance between an enthusiasm to buy and a cool head are essential to success as a CIO.

**Koju Komatsu**  
 General Manager (CIO)  
 Investment Management Division  
 Kenedix REIT Management, Inc.

Komatsu worked for Chuo Mitsui Trust and Banking for seven years serving in property sales, property investment advisory and asset finance. After working in the Real Estate Department of Cititrust & Banking Corporation, he joined Kenedix, Inc. in April 2005. Komatsu was assigned to Kenedix REIT Management, Inc. as Vice President of the Investment Management Division and Compliance Officer before being transferred to Kenedix REIT Management in July 2007 where he served as Compliance Officer and Senior Manager of the Investment Management Division before being assigned to his current post in September 2009. Komatsu is also a real estate appraiser.



# ACQUISITION AND DISPOSITIONS

9th Fiscal Period

## ACQUISITION: KDX NAGOYA SAKAE BUILDING

KENEDIX-REIT acquired the KDX Nagoya Sakae Building built on previously acquired land. The acquisition was carried out after negotiating terms more favorable to KENEDIX-REIT due to the recession. The building is a mere 3-minute walk from Sakae Station, a core shopping and office district of Nagoya and is rated A- under the CASBEE building rating system.



<b>Date acquired</b>	Land: April 25, 2008 Building: July 1, 2009
<b>Location</b>	4-chome Sakae, Naka-ku, Nagoya-shi
<b>Site area</b>	1,192.22m <sup>2</sup>
<b>GFA</b>	9,594.00m <sup>2</sup>
<b>Built</b>	April 2009
<b>Stories</b>	11 floors
<b>Acquisition price</b>	Land: ¥4,000 mn Building: ¥3,550 mn



## DISPOSITIONS: APARTMENTS MOTOAZABU AND APARTMENTS WAKAMATSU-KAWADA

This fiscal period KENEDIX-REIT sold two residential properties. These properties were sold in line with KENEDIX-REIT's announced portfolio strategy of focusing on mid-sized office buildings in the Tokyo Metropolitan Area and they were also sold to reinforce the financial foundation of KENEDIX-REIT. In particular, funds from the sale of Apartments Motoazabu and Apartments Wakamatsu-Kawada were applied to the acquisition of the KDX Nagoya Sakae Building in Nagoya and to the paying down of debt related to Citibank.

Also, President Miyajima has clearly stated that these two properties are the last to be sold at a loss and any future sales will be equal to or exceed book values if they are to be sold.

Name	Apartments Motoazabu	Apartments Wakamatsu-Kawada
Sold date	June 23, 2009	August 27, 2009
Sales price	¥1,052,000,000	¥930,000,000
Book value	¥1,206,691,482	¥1,151,822,673
Difference	-¥154,691,482	-¥221,822,673

# ACQUISITIONS: FOUR NEW BUILDINGS JOIN THE PORTFOLIO

10th Fiscal Period

KENEDIX-REIT conducted a public offering on November 16, 2009 and applied the procured funds to the acquisition of the following four office buildings.



## KOISHIKAWA TG BUILDING

<b>Date acquired</b>	November 18, 2009
<b>Location</b>	Bunkyo-ku, Tokyo
<b>Site area</b>	1,250.42m <sup>2</sup>
<b>GFA</b>	5,862.02m <sup>2</sup>
<b>Built</b>	November 1989
<b>Stories</b>	8 floors (plus 1 basement floor)
<b>Acquisition price</b>	¥3,080 mn



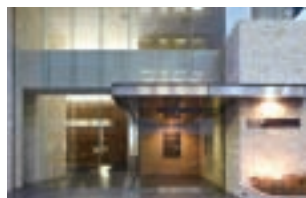
## GOTANDA TG BUILDING

<b>Date acquired</b>	November 18, 2009
<b>Location</b>	Shinagawa-ku, Tokyo
<b>Site area</b>	582.90m <sup>2</sup>
<b>GFA</b>	4,440.61m <sup>2</sup>
<b>Built</b>	April 1988
<b>Stories</b>	9 floors (plus 1 basement floor)
<b>Acquisition price</b>	¥2,620 mn



## KDX NIHONBASHI 216 BUILDING

<b>Date acquired</b>	December 1, 2009	<b>Built</b>	October 2006
<b>Location</b>	Chuo-ku, Tokyo	<b>Stories</b>	9 floors
<b>Site area</b>	307.77m <sup>2</sup>	<b>Acquisition price</b>	¥2,010 mn
<b>GFA</b>	1,871.62m <sup>2</sup>		



## KDX SHIN-YOKOHAMA 381 BUILDING ANNEX TOWER

<b>Date acquired</b>	November 18, 2009
<b>Location</b>	Yokohama-shi, Kanagawa
<b>Site area</b>	1,229.24m <sup>2</sup>
<b>GFA</b>	10,290.30m <sup>2</sup>
<b>Built</b>	April 2009
<b>Stories</b>	10 floors (plus 1 basement floor)
<b>Acquisition price</b>	¥1,100 mn



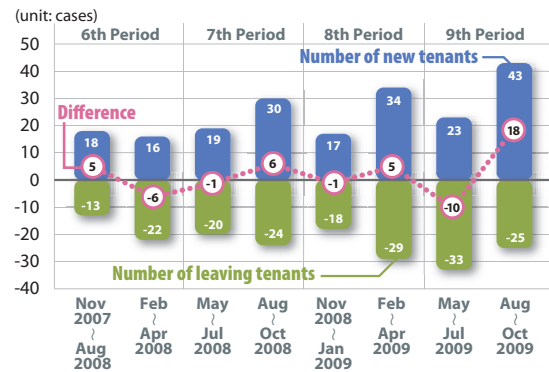


## Proactive Management Generates Strong Results

**Q** How would you rate the performance of the portfolio during the Ninth Fiscal Period?

**A** Obviously the economy has not been great and the national elections in July led to an entirely new government taking the reins of power. So in the macro sense we had economic and political instability. At the micro level our rate of tenants leaving versus new tenants leasing troughed at -10 during May - July 2009. Interestingly, August - October saw an unheard of rush of new contracts during which it was clearly easier to find tenants. During the period of August - October the same measure of new tenants versus old was a +18.

**NEW TENANTS AND LEAVING TENANTS**



Note: These numbers are based on floors so if one tenant left from two floors or contracts for two floors it is counted as two rather than 1.

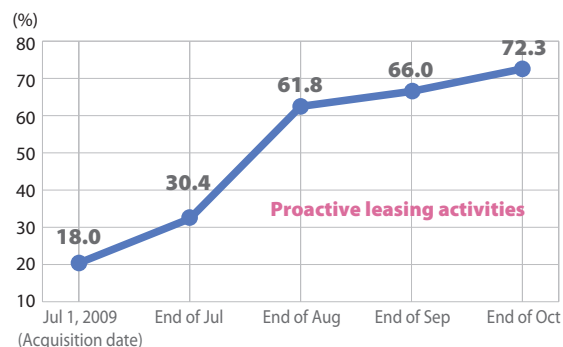
**Q** There has also been much in the news about fluctuating rents among office buildings and how the figures are relatively undependable. How do you address this?

**A** The media tends to look for easy answers. It may be the limited space available for their articles or just a lack of research but in our case we have found that rents have fallen in the past year and a half but the fall has been anything but drastic. The rents for our overall office portfolio have dropped an average of 1.2% with the regional areas leading the way at 2.9%. We are confident our rents are under control. Interestingly, in the case of re-contracting existing tenants, rents held steady in 66.4% of the cases, decreased in 24.0% of the cases and actually increased in 9.6% of the cases.

**Q** The negotiations that reduced the price for acquiring the KDX Nagoya Sakae Building had one clear negative result and that is KENEDIX-REIT lost the master lease term that was part of the original contract. How has the leasing been going?

**A** Obviously a major focus of our efforts this fiscal period was leasing up this property. Since its acquisition on July 1, we have held open houses and used our network to actively promote the building. Consequently as of the end of the

**KDX NAGOYA SAKAE BUILDING: PROACTIVE MANAGEMENT LEADS TO GREATER OCCUPANCY**





Ninth Fiscal Period we had an occupancy rate of 72.3%. This excellent result is due to the phenomenal efforts of our team. We are convinced the figure will improve in the next fiscal period.

We have also continued to work at leasing our other properties and are achieving strong results. Through these efforts, we have successfully demonstrated that a portfolio with this property makeup can do well even in hard times.

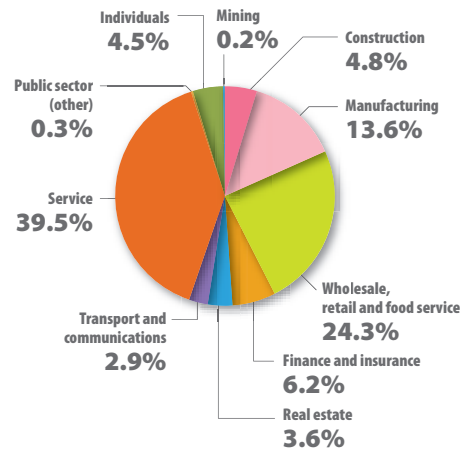
**Q** What do you attribute this success to?

**A** We are not dependent on a few large conglomerates. Our tenants are spread out among many sectors and this diversification acts as a risk hedge and a broad source of potential tenants. For example, we have 580 end tenants as of the end of the Ninth Fiscal Period of which the largest end tenant only rents 2.2% of the portfolio and the top three only 5.6% of the portfolio.

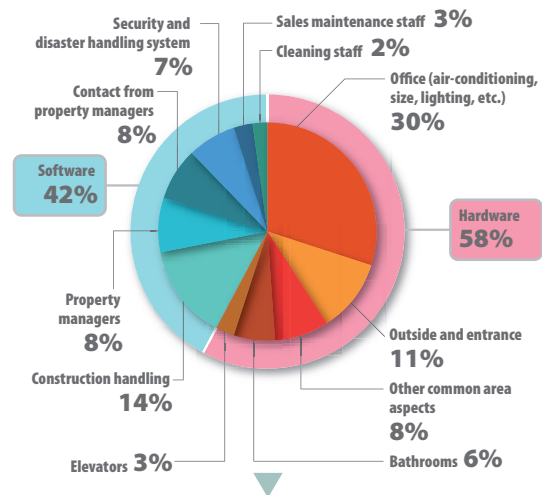
**Q** Is your customer satisfaction strategy also critical to your success in keeping tenants and holding rents?

**A** This is clearly the other success of our strategy for keeping tenants. KENEDIX-REIT is convinced that satisfaction and continuing tenants are interlinked. Every two years we hire J.D. Power Asia Pacific to conduct a customer satisfaction survey for us and to notify us of our index score. The survey was conducted in July 2009 and covered 58 properties. The total number of questionnaires distributed was 477 to administration department personnel and 2,950 to employees. The collection rate was 82% for administration and 83% for other personnel. The total CSI for administration showed a small increase from 719 to 728 and the total CSI for employees climbed from 690 to 714 with a full score being 1,000. The chart to the right shows the portion each response comprises of the satisfaction results in the third survey for the administration category. As a result of these studies we have initiated various studies and improvement plans and the flow based on this third survey is outlined below, also.

**END TENANTS OF OFFICE BUILDINGS (by Sector)**



**PROPORTION OF RESPONSES IN CUSTOMER SATISFACTION RESULTS**



**Improvements are needed in both hardware and software (servicing)**

**ACTION PLAN BASED ON RESULTS OF 3RD CUSTOMER SATISFACTION SURVEY**



**Q** Mr. Miyajima, your CEO, often mentions that just because the market is slow it doesn't mean you can lay back and do nothing. You and your division are proof of this. First, you have raised or maintained occupancy and second you are taking steps to heighten customer satisfaction and as a consequence tenant retention. What else have you achieved.

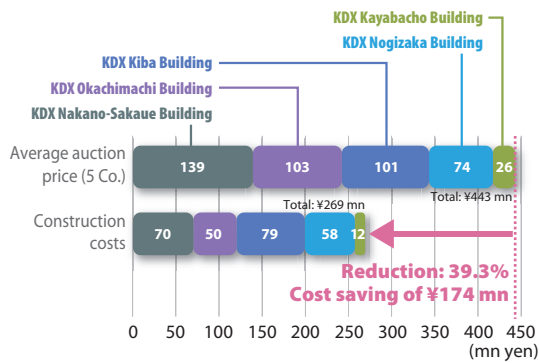
**A** You are right but you are also limiting your perception to increasing revenues. We are also tasked with the jobs of reducing costs and heightening our energy performance.

As we all know global warming is one of the hot topics of today. Under the Energy Saving Act, any company using more than the equivalent of 1,500 kiloliters of oil a year must institute conservation measures. Since many of our buildings are older, one of the easiest energy efficiency measures for us consists of installing new air conditioning or other systems to replace relatively outdated facilities. These measures of course also raise the value of the building in the eyes of the tenants and in the eyes of the market. An example of the success we have found in this area is a focused replacement of air-conditioning systems during the Sixth Fiscal Period where we replaced the systems for five buildings at the same time.

All of the systems were replaced for 269 million yen, this was 174 million yen less than the average bid. Clearly we achieved a cost saving of 39.3% by conducting the bid and also heightened efficiency by replacing the systems.

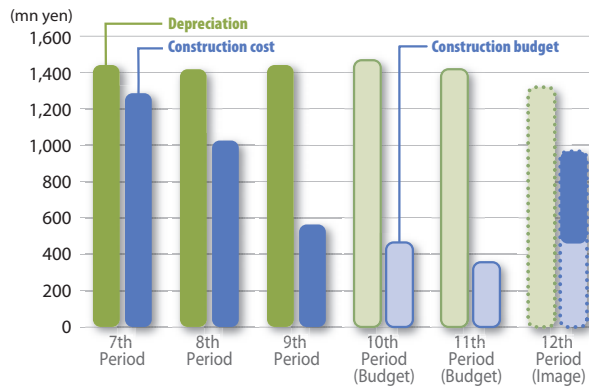
As the figure below also shows, we have been successful at lowering the cost of construction and repair work. All these efforts transform into reduced energy costs and reduced construction costs combined with greater occupancy. This of course drove up our net operating income and consequently propped up distributions to investors compared to our earlier forecasts, and thus was very well received by the market. Please realize we are not satisfied yet and will continue to improve occupancies above the market levels and reduce costs to create a portfolio that is functioning optimally.

**REDUCING AIR CONDITIONING COSTS THROUGH BID (case from 6th Period)**



**CHANGES IN DEPRECIATION AND ACTUAL CONSTRUCTION COSTS & BUDGET**

(as of February 1, 2010)



**Masashi Ohwa**  
 Director and General Manager  
 Property Management Division  
 Kenedix REIT Management, Inc.

Ohwa joined Kenedix, Inc. in June 2004 after working for nearly a decade at Asahi Urban Development Corporation and other real estate companies. After one year at Kenedix, Inc., he was assigned to the position of Executive Officer and General Manager of the REIT Management Division of Kenedix Advisors Co., Ltd. Ohwa served in this position for two years before being assigned to his current position at Kenedix REIT Management, Inc.



# TRANSPARENCY AND GOVERNANCE AT THE ASSET MANAGEMENT COMPANY

One of the profound changes that the J-REIT market unleashed on the Japanese real estate market was the concept of transparency. Prior to the market's existence, rarely were the prices of transactions and the amounts of fees disclosed for the perusal of investors and the general public. Additionally, transactions at "fair market value," particularly in the event of transactions with interested parties, are closely scrutinized. This scrutiny makes compliance a critical issue for all J-REITs and also makes J-REITs a truly viable investment object. KENEDIX-REIT makes it a mission for our committees to meet regularly so that we fulfill our duties in these areas.

## DECISION-MAKING AT KENEDIX REIT MANAGEMENT



One of the keys to successful governance is having a system in practice and not just in writing. Our committees meet regularly and the Asset Management Committee, which assumes the largest role in the compliance and decision-making process, is most diligent.

As mentioned above, transactions with interested parties are particularly closely governed. KENEDIX-REIT has established specific rules concerning these transactions.

It is absolutely essential for the asset management company to be profitable, but excessive fees are also impermissible. Fees became a somewhat material issue in the West in the aftermath of the Lehman Shock for a plethora of reasons, and we provide a sampling of our fees below to ensure our investors are convinced of their fairness.

## MEETINGS OF COMMITTEES IN EACH FISCAL PERIOD

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

## TRANSACTIONS WITH INTERESTED PARTIES

- Asset acquisition: Transactions that exceed appraised values by licensed real estate appraisers are prohibited (excluding when the property is warehoused)
- Asset disposition: Dispositions of properties below the appraised values by licensed real estate appraisers are prohibited

## FEES CHARGED BY KENEDIX REIT MANAGEMENT

### Asset Management Fees

- Management fee I: 0.15% of total assets
- Management fee II: 3.0% of distributable amount each fiscal period
- Acquisition fee: 0.5% of acquisition price (0.25% in case of transaction with interested party)
- Disposition fee: Ceiling of 0.5% of the disposition price

### Property Management Fees

- Rental management fee: 2% of property income + 2% of property operating income (after deducting operating expenses and before deducting depreciation)
- Management transfer fee: Set fee in correlation with acquisition price/sales price (e.g., ¥2 mn for ¥1-3 bn transaction; ¥2.4 mn for ¥5-10 bn transaction)
- Construction management fee: Amount set in correlation to construction cost (e.g. 5% in the event of ¥1-5 mn construction and ¥450,000 + 3% in the event of ¥10-100 mn construction)



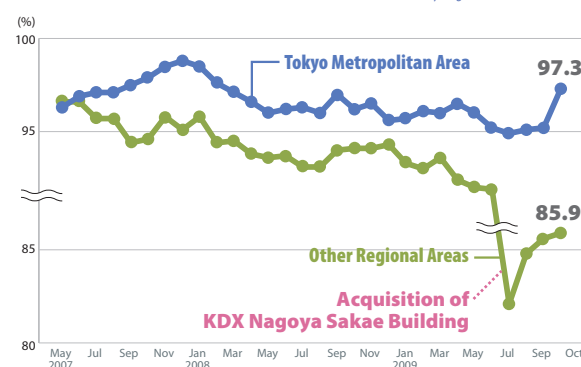
# KENEDIX-REIT PORTFOLIO TABLE

(END OF 9TH PERIOD)

No.	Collateralized Assets	Property Name	Location	Acquisition Price (mn yen)	Site Area (m <sup>2</sup> )	Floor Area (m <sup>2</sup> )	
A Office	A-1	■ KDX Nihonbashi 313 Building	Chuo Ward, Tokyo	5,940	1,047.72	8,613.09	
	A-2	KDX Hirakawacho Building	Chiyoda Ward, Tokyo	5,180	1,013.85	8,002.97	
	A-3	■ Higashi-Kayabacho Yuraku Building	Chuo Ward, Tokyo	4,450	773.43	5,916.48	
	A-4	KDX Hatchobori Building	Chuo Ward, Tokyo	3,680	992.20	4,800.43	
	A-5	■ KDX Nakano-Sakaue Building	Nakano Ward, Tokyo	2,533	1,235.16	6,399.42	
	A-6	■ Harajuku F.F. Building	Shibuya Ward, Tokyo	2,450	699.67	3,812.44	
	A-7	FIK Minami Aoyama	Minato Ward, Tokyo	2,270	369.47	1,926.98	
	A-8	■ Kanda Kihara Building	Chiyoda Ward, Tokyo	1,950	410.18	2,393.94	
	A-9	KDX Shinjuku-Gyoen Building	Shinjuku Ward, Tokyo	1,610	383.63	2,594.88	
	A-12	■ Portus Center Building	Sakai, Osaka	5,570	13,936.63	79,827.08	
	A-13	KDX Kojimachi Building	Chiyoda Ward, Tokyo	5,950	612.17	5,323.81	
	A-14	■ KDX Funabashi Building	Funabashi, Chiba	2,252	1,180.41	5,970.12	
	A-15	■ KDX Hamacho Building	Chuo Ward, Tokyo	2,300	554.80	4,133.47	
	A-16	■ Toshin 24 Building	Yokohama, Kanagawa	5,300	1,287.16	8,483.17	
	A-17	Ebisu East 438 Building	Shibuya Ward, Tokyo	4,640	724.22	4,394.58	
	A-18	■ KDX Omori Building	Ota Ward, Tokyo	3,500	1,123.93	7,334.77	
	A-19	■ KDX Hamamatsucho Building	Minato Ward, Tokyo	3,460	504.26	3,592.38	
	A-20	■ KDX Kayabacho Building	Chuo Ward, Tokyo	2,780	617.17	3,804.86	
	A-21	KDX Shinbashi Building	Minato Ward, Tokyo	2,690	536.11	3,960.22	
	A-22	■ KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	705.00	6,180.51	
	A-23	KDX Yotsuya Building	Shinjuku Ward, Tokyo	1,950	996.65	3,329.68	
	A-24	■ KDX Minami Semba Dai-1 Building	Osaka, Osaka	1,610	715.44	4,236.59	
	A-25	■ KDX Minami Semba Dai-2 Building	Osaka, Osaka	1,560	606.45	3,315.93	
	A-26	■ KDX Kiba Building	Koto Ward, Tokyo	1,580	922.77	2,820.64	
	A-27	■ KDX Kajicho Building	Chiyoda Ward, Tokyo	2,350	526.43	3,147.70	
	A-28	KDX Nogizaka Building	Minato Ward, Tokyo	1,065	409.36	1,695.07	
	A-29	■ KDX Higashi-Shinjuku Building	Shinjuku Ward, Tokyo	2,950	1,340.97	7,885.40	
	A-30	■ KDX Nishi-Gotanda Building	Shinagawa Ward, Tokyo	4,200	684.41	5,192.87	
	A-31	■ KDX Monzen-Nakacho Building	Koto Ward, Tokyo	1,400	580.99	2,668.91	
	A-32	■ KDX Shiba-Daimon Building	Minato Ward, Tokyo	6,090	1,188.28	7,824.03	
	A-33	KDX Okachimachi Building	Taito Ward, Tokyo	2,000	239.72	1,882.00	
	A-34	■ KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	724.62	3,603.63	
	A-35	KDX Hachioji Building	Hachioji, Tokyo	1,155	460.62	2,821.21	
	A-36	KDX Niigata Building	Niigata, Niigata	1,305	1,110.56	6,810.29	
	A-37	■ KDX Ochanomizu Building	Chiyoda Ward, Tokyo	6,400	1,515.28	7,720.08	
	A-38	KDX Nishi-Shinjuku Building	Shinjuku Ward, Tokyo	1,500	626.06	2,017.63	
	A-39	■ KDX Toranomon Building	Minato Ward, Tokyo	4,400	288.20	2,277.38	
	A-40	■ Toranomon Toyo Building	Minato Ward, Tokyo	9,850	869.01	8,346.83	
	A-41	■ KDX Shinjuku 286 Building	Shinjuku Ward, Tokyo	2,300	421.70	3,432.04	
	A-42	■ Karasuma Building	Kyoto, Kyoto	5,400	1,788.67	12,632.68	
	A-44	■ KDX Sendai Building	Sendai, Miyagi	2,100	987.78	5,918.30	
	A-45	KDX Roppongi 228 Building	Minato Ward, Tokyo	3,300	408.86	2,235.30	
	A-46	■ Hiei Kudan-Kita Building	Chiyoda Ward, Tokyo	7,600	1,844.83	11,425.31	
	A-47	KDX Shin-Yokohama 381 Building <sup>(Note 1)</sup>	Yokohama, Kanagawa	4,700	1,229.24	10,290.30	
	A-48	■ KDX Kawasaki-Ekimaie Hon-cho Building	Kawasaki, Kanagawa	3,760	1,968.13	7,420.87	
	A-49	■ Nissou Dai-17 Building	Yokohama, Kanagawa	2,710	629.00	4,016.61	
	A-50	■ Ikejiri-Oohashi Building	Meguro Ward, Tokyo	2,400	834.79	3,482.96	
	A-51	■ KDX Hamacho Nakanohashi Building	Chuo Ward, Tokyo	2,310	462.29	3,280.41	
	A-52	KDX Kanda Misaki-cho Building	Chiyoda Ward, Tokyo	1,380	314.54	1,536.60	
	A-53	■ KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	1,826.25	13,238.16	
	A-54	KDX Kitahama Building	Osaka, Osaka	2,220	751.92	4,652.96	
	A-55	■ Shin-toshin Maruzen Building	Shinjuku Ward, Tokyo	2,110	457.64	3,439.37	
	A-56	■ KDX Jimbocho Building	Chiyoda Ward, Tokyo	2,760	465.92	3,292.13	
	A-57	KDX Gobancho Building	Chiyoda Ward, Tokyo	1,951	335.70	1,893.11	
	A-58	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	1,192.22	9,594.00	
	A-59	KDX Iwamoto-cho Building	Chiyoda Ward, Tokyo	1,864	266.86	1,618.65	
	A-60	■ KDX Harumi Building	Chuo Ward, Tokyo	10,250	2,230.69	12,694.32	
	A-61	KDX Hamamatsucho Dai-2 Building	Minato Ward, Tokyo	2,200	368.28	2,478.90	
	<b>Office Subtotal (58 Properties)</b>				<b>197,461</b>		
	B Residential	B-3	Court Mejiro	Shinjuku Ward, Tokyo	1,250	1,581.91	3,326.07
		B-18	■ Venus Hibarigaoka	Sapporo, Hokkaido	1,800	8,595.00	14,976.25
B-19		■ Residence Charmante Tsukishima	Chuo Ward, Tokyo	5,353	4,252.86	18,115.39	
B-25		Court Shin-Okachimachi	Taito Ward, Tokyo	878	311.22	1,494.55	
B-34		Gradito Kawaguchi	Kawaguchi, Saitama	1,038	423.94	1,705.38	
<b>Residential Subtotal (5 properties)</b>				<b>10,319</b>			
C Central Urban Retail	C-1	■ Frame Jinnan-zaka	Shibuya Ward, Tokyo	9,900	1,240.51	6,302.58	
	C-2	KDX Yoyogi Building	Shibuya Ward, Tokyo	2,479	228.74	1,269.06	
<b>Central Urban Retail Subtotal (2 properties)</b>				<b>12,379</b>			
<b>TOTAL (65 properties)</b>				<b>220,159</b>			

Completion Date	Acquisition Date	Occupancy
Apr. 1974	Aug. 2005	100.0%
Mar. 1988	Aug. 2005	100.0%
Jan. 1987	Aug. 2005	100.0%
Jun. 1993	Aug. 2005	93.1%
Aug. 1992	Aug. 2005	91.3%
Nov. 1985	Aug. 2005	100.0%
Nov. 1988	Aug. 2005	100.0%
May 1993	Aug. 2005	100.0%
Jun. 1992	Aug. 2005	100.0%
Sep. 1993	Sep. 2005	88.5%
May 1994	Nov. 2005	86.7%
Apr. 1989	Mar. 2006	100.0%
Sep. 1993	Mar. 2006	100.0%
Sep. 1984	May 2006	93.3%
Jan. 1992	May 2006	100.0%
Oct. 1990	May 2006	100.0%
Sep. 1999	May 2006	100.0%
Oct. 1987	May 2006	100.0%
Feb. 1992	May 2006	100.0%
Sep. 1990	May 2006	93.1%
Oct. 1989	May 2006	100.0%
Mar. 1993	May 2006	84.4%
Sep. 1993	May 2006	82.1%
Oct. 1992	Jun. 2006	100.0%
Mar. 1990	Jul. 2006	94.3%
May 1991	Jul. 2006	100.0%
Jan. 1990	Sep. 2006	100.0%
Nov. 1992	Dec. 2006	100.0%
Sep. 1986	Jan. 2007	100.0%
Jul. 1986	Mar. 2007	100.0%
Jun. 1988	Mar. 2007	100.0%
May 1995	Mar. 2007	100.0%
Dec. 1985	Mar. 2007	85.6%
Jul. 1983	Mar. 2007	62.2%
Aug. 1982	Apr. 2007	100.0%
Oct. 1992	Apr. 2007	100.0%
Apr. 1988	Apr. 2007	89.3%
Aug. 1962	Jun. 2007	95.4%
Aug. 1989	Jun. 2007	100.0%
Oct. 1982	Jun. 2007	86.1%
Feb. 1984	Jun. 2007	96.6%
Apr. 1989	Jan. 2008	52.4%
Mar. 1988	Feb. 2008	100.0%
Mar. 1988	Feb. 2008	100.0%
Feb. 1985	Feb. 2008	100.0%
Jul. 1991	Feb. 2008	100.0%
Sep. 1988	Feb. 2008	91.3%
Sep. 1988	Feb. 2008	100.0%
Oct. 1992	Feb. 2008	100.0%
Jun. 1973	Feb. 2008	94.4%
Jul. 1994	Feb. 2008	96.4%
Jul. 1990	Feb. 2008	100.0%
May 1994	Mar. 2008	100.0%
Aug. 2000	Mar. 2008	85.7%
Apr. 2009	Land: Apr. 2008 Building: Jul. 2009	72.3%
Mar. 2008	May 2008	75.0%
Feb. 2008	Jun. 2008	100.0%
Apr. 1992	Sep. 2008	100.0%
		<b>94.4%</b>
Mar. 1997	Aug. 2005	85.3%
Mar. 1989	Dec. 2005	96.5%
Jan. 2004	May 2006	100.0%
Oct. 2005	May 2006	88.5%
Feb. 2006	Jun. 2006	100.0%
		<b>96.4%</b>
Mar. 2005	Aug. 2005	93.6%
Aug. 1991	Sep. 2005	100.0%
		<b>94.9%</b>
		<b>94.7%</b>

### CHANGES IN OCCUPANCY RATIO FOR OFFICE BUILDINGS (by region)



Reference: Occupancy at end of 9th Period (Oct. 31, 2009)  
 Total portfolio (65 properties) 94.7% (+2.3% compared to Jul. 31, 2009)  
 Total office buildings (58 properties) 94.4% (+2.7% compared to Jul. 31, 2009)

### RENTAL NOI RETURNS (annualized)

KENEDIX-REIT continues to maintain a steady NOI return despite harsh economic times.

	5th Period	6th Period	7th Period	8th Period	9th Period
Office	5.5%	5.6%	5.3%	5.5%	<b>5.2%</b>
Central Urban Retail	5.1%	4.3%	4.8%	4.7%	<b>4.6%</b>
Residential	5.3%	5.3%	5.3%	5.2%	<b>5.0%</b>
<b>Total</b>	<b>5.4%</b>	<b>5.5%</b>	<b>5.3%</b>	<b>5.4%</b>	<b>5.2%</b>

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

### SUMMARY OF APPRAISED VALUES AS OF OCTOBER 31, 2009

The demonstrated resilience of appraised values for office buildings clearly proves the wisdom of KENEDIX-REIT's decision to focus on office buildings.

	Office	Central Urban Retail	Residential	Total
① Acquisition Price	197,461	12,379	10,319	220,159
② Book Value	199,675	12,557	10,216	222,449
③ Appraisal Value	183,217	12,240	8,479	203,936
④ Difference from Acquisition Price (③ - ①)	-14,244	-139	-1,840	-16,223
Percentage ④ / ①	-7.2%	-1.1%	-17.8%	-7.4%
⑤ Difference from Book Value (③ - ②)	-16,458	-317	-1,737	-18,513
Percentage ⑤ / ②	-8.2%	-2.5%	-17.0%	-8.3%

Notes: 1. The figure is the area of the entire site on which there is a single building combined with the KDX Shin-Yokohama 381 Building Annex Tower (A-65) that was acquired on November 18, 2009.  
 2. Amounts indicated have been rounded down

# FINANCIAL SUMMARY

## Historical Operating Trends for the Fifth – Ninth Fiscal Periods

Period	unit	5th Period (as of Oct. 31, 2007)	6th Period (as of Apr. 30, 2008)	7th Period (as of Oct. 31, 2008)	8th Period (as of Apr. 30, 2009)	9th Period (as of Oct. 31, 2009)
<b>Operating revenues</b>	mn yen	7,208	8,582	8,456	8,204	7,921
<b>(Rental revenues)</b>	mn yen	7,208	7,630	8,156	8,204	7,921
<b>Operating expenses</b>	mn yen	3,737	4,517	4,311	4,740	4,708
<b>(Property-related expenses)</b>	mn yen	3,205	3,447	3,678	3,603	3,652
<b>Operating income</b>	mn yen	3,470	4,065	4,144	3,463	3,213
<b>Ordinary income</b>	mn yen	2,793	3,343	3,124	2,435	2,103
<b>Net income (a)</b>	mn yen	2,792	3,342	3,123	2,434	2,102
<b>Total assets (b)</b> (Period-on-period change)	mn yen %	213,763 (+13.5)	230,520 (+7.8)	239,648 (+4.0)	238,745 (-0.4)	236,320 (-1.0)
<b>Interest-bearing debt (c)</b> (Period-on-period change)	mn yen %	75,500 (-14.7)	89,750 (+18.9)	98,750 (+10.0)	98,750 (0.0)	97,220 (-1.5)
<b>Unitholders' equity (d)</b> (Period-on-period change)	mn yen %	127,761 (+40.6)	128,314 (+0.4)	128,087 (-0.2)	127,398 (-0.5)	127,067 (-0.3)
<b>Unitholders' capital</b> (Period-on-period change)	mn yen %	124,973 (+40.8)	124,973 (0.0)	124,973 (0.0)	124,973 (0.0)	124,973 (0.0)
<b>Number of investment units issued and outstanding (e)</b>	unit	200,000	200,000	200,000	200,000	200,000
<b>Unitholders' equity per unit (d)/(e)</b>	yen	638,809	641,570	640,437	636,990	635,335
<b>Total distribution (f)</b>	mn yen	2,792	3,342	3,123	2,434	2,102
<b>Distribution per unit (f)/(e)</b>	yen	13,960	16,711	15,618	12,172	10,511
<b>(Earnings distributed per unit)</b>	yen	13,960	16,711	15,618	12,172	10,511
<b>(Distribution in excess of earnings per unit)</b>	yen	—	—	—	—	—
<b>Return on assets (annualized)</b> (Notes 1 and 2)	%	1.4 (2.8)	1.5 (3.0)	1.3 (2.6)	1.0 (2.1)	0.9 (1.8)
<b>Return on unitholders' equity (annualized)</b> (Notes 2 and 3)	%	2.6 (5.1)	2.6 (5.2)	2.4 (4.8)	1.9 (3.8)	1.7 (3.3)
<b>Unitholders' equity ratio at end of period (d)/(b)</b> (Period-on-period change)	%	59.8 (+11.5)	55.7 (-4.1)	53.4 (-2.2)	53.4 (-0.1)	53.8 (+0.4)
<b>Interest-bearing debt ratio at end of period (c)/(b)</b> (Period-on-period change)	%	35.3 (-11.7)	38.9 (+3.6)	41.2 (+2.3)	41.4 (+0.2)	41.1 (-0.2)
<b>Payout ratio</b> (Note 4) <b>(f)/(a)</b>	%	99.9	99.9	99.9	100.0	100.0
<b>Other reference</b>						
<b>Number of properties</b>	Properties	77	68	69	67	65
<b>Total leasable floor area</b>	m <sup>2</sup>	248,653.07	248,625.52	256,214.30	250,364.42	254,225.04
<b>Occupancy at end of period</b>	%	96.9	95.9	95.6	95.7	94.7
<b>Depreciation expenses for the period</b>	mn yen	1,392	1,430	1,445	1,429	1,451
<b>Capital expenditures for the period</b>	mn yen	1,238	1,152	1,105	891	400
<b>Leasing NOI (net operating income)</b> (Note 5)	mn yen	5,394	5,612	5,923	6,030	5,721
<b>FFO (funds from operation)</b> (Note 6)	mn yen	4,184	4,259	4,269	4,356	3,994
<b>FFO per unit</b> (Note 7)	yen	20,920	21,297	21,345	21,780	19,973

- Notes: 1. Return on assets = Ordinary income/(Total assets at beginning of period + Total assets at end of period)/2 x 100  
2. Annualized values for the Fifth Fiscal Period are calculated based on a period of 184 days, 182 days for the Sixth Fiscal Period, 184 days for the Seventh Fiscal Period, 181 days for the Eighth Fiscal Period and 184 days for the Ninth Fiscal Period  
3. Return on unitholders' equity = Net income/(Total unitholders' equity at beginning of period + Total unitholders' equity at end of period)/2 x 100  
4. Payout ratio is rounded down to the first decimal  
5. Leasing NOI = Rental revenues – Rental expenses + Depreciation expenses for the period  
6. FFO = Net income + Depreciation expenses for the period – Profit on sale of trust beneficiary interests in real estate or real estate + Loss on sale of trust beneficiary interests in real estate or real estate  
7. FFO per unit = FFO/Number of investment units issued and outstanding (figures below ¥1 rounded down)

# FINANCIAL STATEMENTS

## **9th Fiscal Period**

**From May 1, 2009 to October 31, 2009**

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

Statements of Cash Flows and Related Notes (Unaudited)

## Report of Independent Auditors

The Board of Directors and Unitholders of  
Kenedix Realty Investment Corporation

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

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

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

### *Supplementary Information*

As described in Note 15, Subsequent Events, the Company issued new investments units.

*Ernst & Young Shin Nihon LLC*

December 11, 2009

**BALANCE SHEETS**

AS OF OCTOBER 31, 2009 AND APRIL 30, 2009

	In thousands of yen	
	As of October 31, 2009	As of April 30, 2009
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits	¥ 12,870,430	¥ 15,608,085
Rental receivables	184,068	260,568
Consumption tax refundable	136,065	—
Other current assets	99,296	73,324
<b>Total current assets</b>	<b>13,289,859</b>	<b>15,941,977</b>
<b>Property and equipment, at cost:</b>		
Land	152,327,017	153,829,839
Buildings and structures	76,930,254	74,328,940
Machinery and equipment	1,228,084	901,145
Tools, furniture and fixtures	327,711	379,847
Less-accumulated depreciation	(8,650,220)	(7,543,943)
<b>Net property and equipment</b>	<b>222,162,846</b>	<b>221,895,828</b>
<b>Other assets:</b>		
Ground leasehold	285,350	285,350
Organization costs	5,090	10,179
Corporate bond issuance costs	39,647	45,525
Unit issuance costs	23,684	47,368
Other assets	513,945	518,783
<b>Total assets</b>	<b>¥ 236,320,421</b>	<b>¥ 238,745,010</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade and other payables	¥ 469,905	¥ 614,834
Short-term debt	24,500,000	19,000,000
Deposits received	15,105	68,644
Rents received in advance	1,133,738	1,173,618
Other current liabilities	171,408	416,183
<b>Total current liabilities</b>	<b>26,290,156</b>	<b>21,273,279</b>
Corporate bonds	12,000,000	12,000,000
Long-term debt	60,720,000	67,750,000
Leasehold and security deposits received	10,228,542	10,306,968
Other liabilities	14,554	16,665
<b>Total liabilities</b>	<b>¥ 109,253,252</b>	<b>¥ 111,346,912</b>
<b>Unitholders' equity</b>		
Unitholders' capital	¥ 124,973,750	¥ 124,973,750
Units authorized: 2,000,000units		
Units issued and outstanding: 200,000units		
As of October 31, 2009 and April 30, 2009, respectively		
Retained earnings	2,102,249	2,434,458
Unrealized gain from deferred hedge transactions	(8,830)	(10,110)
<b>Total unitholders' equity</b>	<b>127,067,169</b>	<b>127,398,098</b>
<b>Total liabilities and unitholders' equity</b>	<b>¥ 236,320,421</b>	<b>¥ 238,745,010</b>

See accompanying notes to the financial statements

**STATEMENTS OF INCOME AND RETAINED EARNINGS**

FOR THE PERIOD FROM NOVEMBER 1, 2008 TO APRIL 30, 2009, AND THE PERIOD FROM MAY 1, 2009 TO OCTOBER 31, 2009

	In thousands of yen			
	From May 1, 2009 to October 31, 2009		From November 1, 2008 to April 30, 2009	
<b>Operating Revenues:</b>				
<b>Rental revenues</b>	¥	7,921,862	¥	8,204,122
<b>Total operating revenues</b>		7,921,862		8,204,122
<b>Operating Expenses:</b>				
<b>Property-related expenses</b>		3,652,105		3,603,207
<b>Loss on sale of real estate</b>		440,771		492,463
<b>Asset management fees</b>		423,183		434,811
<b>Administrative service and custodian fees</b>		76,727		78,432
<b>Other operating expenses</b>		115,723		132,023
<b>Total operating expenses</b>		4,708,509		4,740,936
<b>Operating income</b>	¥	<b>3,213,353</b>	¥	<b>3,463,186</b>
<b>Non-Operating Expenses:</b>				
<b>Interest expense</b>	¥	907,825	¥	858,419
<b>Financing related expense</b>		147,899		107,828
<b>Amortization of organization costs</b>		5,090		5,089
<b>Amortization of unit issuance costs</b>		23,684		41,469
<b>Amortization of corporate bond issuance costs</b>		5,878		5,782
<b>Others, net</b>		19,729		9,270
<b>Income before income taxes</b>		2,103,248		2,435,329
<b>Income taxes</b>		1,057		970
<b>Net income</b>		2,102,191		2,434,359
<b>Retained earnings at the beginning of period</b>		58		99
<b>Retained earnings at the end of period</b>	¥	<b>2,102,249</b>	¥	<b>2,434,458</b>

See accompanying notes to the financial statements



**STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY**

FOR THE PERIOD FROM NOVEMBER 1, 2008 TO APRIL 30, 2009 AND THE PERIOD FROM MAY 1, 2009 TO OCTOBER 31, 2009

In thousands of yen

	Unitholders' Equity			
	Unitholders' capital	Retained earnings	Unrealized gain from deferred hedge transactions	Total
<b>Balance as of October 31, 2008</b>	¥ 124,973,750	¥ 3,123,699	¥ (9,872)	¥ 128,087,577
<b>Changes during the fiscal period</b>				
<b>New unit issuance</b>	—	—	—	—
<b>Payment of dividends</b>	—	(3,123,600)	—	(3,123,600)
<b>Net income</b>	—	2,434,359	—	2,434,359
<b>Interest-rate swap</b>	—	—	(238)	(238)
<b>Total changes during the fiscal period</b>	—	(689,241)	(238)	(689,479)
<b>Balance as of April 30, 2009</b>	¥ 124,973,750	¥ 2,434,458	¥ (10,110)	¥ 127,398,098
<b>Changes during the fiscal period</b>				
<b>New unit issuance</b>	—	—	—	—
<b>Payment of dividends</b>	—	(2,434,400)	—	(2,434,400)
<b>Net income</b>	—	2,102,191	—	2,102,191
<b>Interest-rate swap</b>	—	—	1,280	1,280
<b>Total changes during the fiscal period</b>	—	(332,209)	1,280	(330,929)
<b>Balance as of October 31, 2009</b>	¥ 124,973,750	¥ 2,102,249	¥ (8,830)	¥ 127,067,169

See accompanying notes to the financial statements

## NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD FROM NOVEMBER 1, 2008 TO APRIL 30, 2009, AND THE PERIOD FROM MAY 1, 2009 TO OCTOBER 31, 2009

### 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. Consequently, as of October 31, 2009, the end of the ninth fiscal period, the number of investment units issued and outstanding totaled 200,000 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 October 31, 2009, the Investment Corporation sold 2 properties and acquired 1 property. At October 31, 2009, the Investment Corporation had total unitholders' capital of ¥124,974 million with 200,000 investment units outstanding. The Investment Corporation owned a portfolio of 65 properties with total acquisition price of ¥220,159 million containing total leasable area of 254,225m<sup>2</sup>. The occupancy ratio was approximately 94.7%. A portfolio of 65 properties consists of 58 office buildings, 5 residential properties and 2 central urban retail properties. 55 properties are located in the Tokyo metropolitan area and 10 properties are located in other regional areas.

#### BASIS OF PRESENTATION

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

The accompanying financial statements are a basically translation of the audited financial statements that were prepared for Japanese domestic purposes from the accounts and records maintained by the Investment Corporation and filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. In preparing the accompanying financial statements, relevant notes have been added and certain reclassifications have been made from the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. The Investment Corporation's fiscal period is a six-month period which ends at the end of April and October of each year, respectively. The Investment Corporation does not prepare consolidated financial statements because it has no subsidiaries.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (A) PROPERTY AND EQUIPMENT

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

	From May 1, 2009 to October 31, 2009	From November 1, 2008 to April 30, 2009
<b>Buildings and structures</b>	2-49 years	2-49 years
<b>Machinery and equipment</b>	3-17 years	3-17 years
<b>Tools, furniture and fixtures</b>	3-20years	3-20 years

### (B) ORGANIZATION COSTS

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

### (C) UNIT ISSUANCE COSTS

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

### (D) CORPORATE BOND ISSUANCE COSTS

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

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

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

### (F) REVENUE RECOGNITION

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

### (G) TAXES ON PROPERTY AND EQUIPMENT

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

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

### (H) INCOME TAXES

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

**(I) DERIVATIVE FINANCIAL INSTRUMENTS**

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

**(J) ROUNDING OF AMOUNTS PRESENTED**

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

**3. SCHEDULE OF PROPERTY**

	In millions of yen					
	As of October 31, 2009			As of April 30, 2009		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
<b>Land</b>	¥ 152,327	—	¥ 152,327	¥ 153,830	—	¥ 153,830
<b>Buildings and structures</b>	76,930	¥ 8,191	68,739	74,329	¥ 7,133	67,196
<b>Machinery and equipment</b>	1,228	341	887	901	290	611
<b>Tools, furniture and fixtures</b>	328	118	210	380	121	259
<b>Total</b>	<b>¥ 230,813</b>	<b>¥ 8,650</b>	<b>¥ 222,163</b>	<b>¥ 229,440</b>	<b>¥ 7,544</b>	<b>¥ 221,896</b>

**4. SHORT-TERM AND LONG-TERM DEBTS**

The following summarizes short-term and long term debt outstanding as of October 31, 2009:

Classification	Drawdown date	Repayment date	Weighted-average interest rate	Balance (In millions of yen)
<b>Short-term debt</b>	November 4, 2008	November 2, 2009	0.94%	¥ 1,000
	December 8, 2008	December 8, 2009	1.29%	500
	January 13, 2009	January 13, 2010	1.29%	1,000
	February 27, 2009	February 26, 2010	0.99%	500
	April 30, 2009	April 30, 2010	1.89%	2,000
	October 26, 2009	October 26, 2010	1.84%	1,500
	October 30, 2009	October 30, 2010	1.84%	3,500
<b>Current portion of long-term debt</b>	April 2, 2007	April 2, 2010	1.57%	2,000
	July 31, 2008	January 31, 2010	1.68%	2,500
	August 1, 2005	July 31, 2010	1.29%	9,500
	October 31, 2008	October 31, 2010	1.57%	500
<b>Subtotal</b>				<b>¥ 24,500</b>

Classification	Drawdown date	Repayment date	Weighted-average interest rate	Balance (In millions of yen)
<b>Long-term debt</b>	May 1, 2006	April 30, 2011	2.20%	¥ 2,500
	May 1, 2006	April 30, 2016	2.73%	5,000
	July 14, 2006	July 13, 2011	2.15%	1,000
	September 1, 2006	August 31, 2013	2.12%	3,000
	December 1, 2006	November 30, 2011	1.96%	2,500
	April 2, 2007	April 2, 2012	1.88%	2,000
	April 17, 2007	April 16, 2011	1.65%	1,500
	January 10, 2008	January 10, 2012	1.50%	2,500
	February 29, 2008	February 28, 2011	1.37%	2,000
	February 29, 2008	August 31, 2011	1.43%	1,500
	March 31, 2008	September 30, 2011	1.61%	3,000
	March 31, 2008	September 30, 2011	1.56%	2,000
	May 1, 2008	November 1, 2011	1.91%	1,000
	June 30, 2008	February 28, 2011	1.99%	1,000
	June 30, 2008	June 30, 2012	2.15%	1,500
	June 30, 2008	December 28, 2012	2.26%	3,000
	July 15, 2008	March 31, 2011	1.87%	2,000
	July 31, 2008	January 31, 2011	1.87%	3,500
	July 31, 2008	July 31, 2011	1.99%	3,500
	September 1, 2008	September 1, 2011	1.78%	1,000
	September 22, 2008	March 22, 2011	1.71%	1,250
	September 30, 2008	March 31, 2011	1.82%	2,000
	February 27, 2009	February 29, 2012	2.07%	490
	February 27, 2009	August 31, 2012	2.04%	980
	April 30, 2009	April 28, 2011	2.23%	1,500
	April 30, 2009	April 28, 2011	2.23%	1,000
	April 30, 2009	October 31, 2011	2.46%	3,500
April 30, 2009	April 27, 2012	2.46%	2,000	
October 26, 2009	October 26, 2013	2.42%	1,000	
October 30, 2009	October 30, 2013	2.45%	2,000	
<b>Subtotal</b>				<b>¥ 60,720</b>
<b>Corporate bonds</b>	March 15, 2007	March 15, 2012	1.74%	¥ 9,000
	March 15, 2007	March 15, 2017	2.37%	3,000
<b>Subtotal</b>				<b>¥ 12,000</b>
<b>Total</b>				<b>¥ 97,220</b>

## 5. LINE OF CREDIT

The Investment Corporation established the credit commitment lines with two lenders. The total borrowings under the commitment line agreements are ¥3.5 billion. The Investment Corporation had outstanding balance of ¥5 billion as of October 31, 2009.

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

Since, the commitment period and the expiration date of the commitment line agreement concluded with Citibank Japan, Ltd has already expired, the Investment Corporation may not undertake new borrowings.

## 6. ASSETS PLEDGED AS COLLATERAL AND SECURED LOANS PAYABLE

(As of October 31, 2009)

Assets pledged as collateral	In thousands of yen
<b>Cash and bank deposits</b>	¥ 4,815,094
<b>Land</b>	¥ 105,959,738
<b>Buildings and structures</b>	¥ 49,150,846
<b>Machinery and equipment</b>	¥ 555,870
<b>Tools, furniture and fixtures</b>	¥ 125,800
<b>Other assets</b>	¥ 1,264
<b>■ Total</b>	<b>¥ 160,608,612</b>
<b>Secured loans payable</b>	
<b>Short-term loans debt</b>	¥ 24,500,000
<b>Long-term loans debt</b>	¥ 60,720,000
<b>■ Total</b>	<b>¥ 85,220,000</b>

## 7. PER UNIT INFORMATION

The net asset value per unit as of October 31, 2009 and April 30, 2009 was ¥635,335 and ¥636,990. Net income per unit as of October 31, 2009 and April 30, 2009 was ¥10,510 and ¥12,171.

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

## 8. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 40%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measure Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement 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 ¥2,102 million and ¥2,434 million for the periods ended October 31, 2009 and April 30, 2009. Such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.05% and 0.04% for the periods ended October 31, 2009 and April 30, 2009. The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	From May 1, 2009 to October 31, 2009	From November 1, 2008 to April 30, 2009
<b>Statutory tax rate</b> .....	39.33%	39.33%
<b>Deductible cash distributions</b> .....	(39.31)	(39.31)
<b>Other</b> .....	0.03	0.02
<b>Effective tax rate</b> .....	0.05%	0.04%

## 9. UNITHOLDERS' EQUITY

The Investment Corporation issues only non-par value units in accordance with the Investment Trust Law. The entire amount of the issue price of new units is designated as stated capital. The Investment Corporation is required to maintain net assets of at least ¥50 million as required by the Investment Trust Law.

## 10. RELATED-PARTY TRANSACTIONS

### TRANSACTIONS WITH KENEDIX REIT MANAGEMENT, INC.

Kenedix REIT Management, Inc., a 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 ¥299 million to Kenedix REIT Management, Inc.

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

Rental and other operating revenues and property-related expenses for the periods from May 1, 2009 to October 31, 2009 and from November 1, 2008 to April 30, 2009 consist of the following:

	In thousands of yen	
	From May 1, 2009 to October 31, 2009	From November 1, 2008 to April 30, 2009
<b>Rental and other operating revenues:</b>		
<b>Rental revenues</b>	¥ 5,711,053	¥ 5,985,836
<b>Common area charges</b>	1,195,072	1,246,786
<b>Subtotal</b>	6,906,125	7,232,622
<b>Others:</b>		
<b>Parking space rental revenues</b>	231,982	241,962
<b>Utility charge reimbursement</b>	617,328	559,130
<b>Miscellaneous</b>	166,427	170,408
<b>Subtotal</b>	1,015,737	971,500
<b>■ Total rental and other operating revenues</b>	<b>¥ 7,921,862</b>	<b>¥ 8,204,122</b>
<b>Property management fees and facility management fees</b>	¥764,052	¥799,004
<b>Depreciation</b>	1,451,833	1,429,329
<b>Utilities</b>	529,106	578,389
<b>Taxes</b>	536,723	494,867
<b>Insurance</b>	16,098	16,533
<b>Repairs and maintenance</b>	171,075	138,371
<b>Trust fees</b>	38,192	45,274
<b>Loss on retirement of fixed assets</b>	23,394	—
<b>Others</b>	121,632	101,440
<b>■ Total property-related expenses</b>	<b>¥ 3,652,105</b>	<b>¥ 3,603,207</b>
<b>Loss on sale of real estate</b>		
<b>Revenue from sale of investment properties</b>	¥ 1,982,000	¥ 2,670,000
<b>Cost of investment properties</b>	2,348,605	3,108,892
<b>Other sales expenses</b>	74,166	53,571
<b>■ Loss on sale of real estate</b>	<b>¥ 440,771</b>	<b>¥ 492,463</b>



## 12. LEASES

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

	In thousands of yen	
	As of October 31, 2009	As of April 30, 2009
<b>Due within one year</b>	¥ 1,059,032	¥ 1,314,069
<b>Due after one year</b>	7,538,786	7,930,499
<b>Total</b>	<b>¥ 8,597,818</b>	<b>¥ 9,244,568</b>

## 13. DERIVATIVES AND HEDGE ACCOUNTING

The Investment Corporation has entered into interest-rate swap agreements with several Japanese financial institutions to hedge its variable rate long-term debt obligations. The Investment Corporation utilizes interest-rate swap agreements, which are derivative financial instruments, only for the purpose of mitigating future risks of fluctuations of interest rates, but does not enter into such transactions for speculative or trading purposes. The Investment Corporation entered into such derivative transactions to hedge risk in accordance with its Articles of Incorporation and the established risk management policies of the Asset Management Company.

The following summarizes the notional principal amounts and the estimated unrealized loss from interest rate swap contracts as of October 31, 2009:

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

Type	Notional amount	(As of October 31, 2009)
		Unrealized loss
<b>Interest-rate swap: Fixed rate payable and floating rate receivable</b>	¥29,500 million	¥(15 million)

## 14. PROPERTY INFORMATION

Details of the property portfolio as of October 31, 2009 were as follows:

Type	Office Buildings		Residential Properties		Central Urban Retail Properties
	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area
<b>Number of properties</b>	49	9	4	1	2

### Property information (In millions of yen)

<b>Acquisition price</b>	¥ 165,246	¥ 32,215	¥ 8,519	¥ 1,800	¥ 12,380
<b>Percentage of total acquisition costs</b>	75.06%	14.63%	3.87%	0.82%	5.62%
<b>Net book value</b>	¥ 167,657	¥ 32,019	¥ 8,318	¥ 1,899	¥ 12,557
<b>Appraisal value at year end</b>	¥ 157,353	¥ 25,864	¥7,109	¥ 1,370	¥ 12,240
<b>Percentage of total appraisal value</b>	77.16%	12.68%	3.49%	0.67%	6.00%

### Financial results for the period ended October 31, 2009 (In thousands of yen)

<b>Rental and other operating revenues</b>	¥ 6,039,756	¥ 1,123,562	¥ 300,422	¥ 94,481	¥ 363,641
<b>Rental revenues</b>	5,302,542	927,112	272,334	84,790	319,348
<b>Other revenues</b>	737,214	196,451	28,089	9,691	44,293
<b>Property-related expenses</b>	1,580,450	434,288	67,662	42,850	75,022
<b>Property management fees</b>	538,203	166,376	27,122	8,201	24,150
<b>Taxes</b>	417,328	74,100	17,151	8,448	19,697
<b>Utilities</b>	397,552	103,967	2,982	1,923	22,683
<b>Repairs and maintenance</b>	98,680	43,172	9,405	16,461	3,356
<b>Insurance</b>	9,767	4,757	761	482	330
<b>Trust fees and other expenses</b>	118,920	41,915	10,242	7,336	4,806
<b>NOI (Net Operating Income)</b>	4,459,305	689,274	232,761	51,630	288,618
<b>Depreciation expenses</b>	960,410	317,126	86,143	22,339	65,814
<b>Operating income from property leasing activities</b>	3,498,895	372,149	146,617	29,291	222,804
<b>Capital expenditures</b>	294,112	57,308	1,463	44,952	2,570
<b>NCF (Net Cash Flow)</b>	4,165,193	631,967	231,298	6,678	286,048

A breakdown of property-type as of October 31, 2009 was as follows:

<b>Class of assets</b>	<b>Property type</b>	Area	Balance at the end of period (In millions of yen)	Percentage of total assets	
<b>Property and equipment</b>	<b>Office Buildings</b>	Tokyo Metropolitan Area	¥ 167,657	70.9%	
		Other Regional Areas	32,019	13.5%	
	<b>Subtotal</b>		199,676	84.5%	
	<b>Residential Properties</b>	Tokyo Metropolitan Area	8,318	3.5%	
		Other Regional Areas	1,899	0.8%	
	<b>Subtotal</b>		10,217	4.3%	
	<b>Central Urban Retail Properties</b>	Tokyo Metropolitan Area	12,557	5.3%	
	<b>■ Total</b>			<b>¥ 222,449</b>	<b>94.1%</b>
	<b>Bank deposits and other assets</b>			¥ 13,871	5.9%
	<b>Total assets</b>			236,320	100.0%
<b>Total liabilities</b>			109,253	46.2%	
<b>Net assets</b>			¥ 127,067	53.8%	

## 15. SUBSEQUENT EVENTS

### PRIMARY OFFERING OF THE ISSUE OF NEW INVESTMENT UNITS

On October 29, 2009 and November 9, 2009, the Board of Directors of the Investment Corporation resolved to issue new investment units as detailed below. The payments were completed on November 16, 2009 through public offering. As a result of the issuance of additional investment units, the Investment Corporation had total unitholders' capital of ¥133,129,755,470 with 233,550 investment units outstanding as of November 16, 2009.

#### ① Issuance of New Investment Units through Public Offering

Total Number of Units Issued:	33,550 units
Issue Price (Offer Price):	¥252,200 per unit
Total Amount of the Issue Price (Offer Price):	¥8,461,310,000
Paid-in Value (Issue Value):	¥243,100 per unit
Net Proceeds:	¥8,156,005,000
Payment date:	November 16, 2009
Starting date of the computation of cash distribution:	November 1, 2009

#### ② Use of Funds

The Investment Corporation has applied the net proceeds from the public offering of new investment units to acquire the properties.

**STATEMENTS OF CASH FLOWS (UNAUDITED)**

FOR THE PERIOD FROM NOVEMBER 1, 2008 TO APRIL 30, 2009, AND THE PERIOD FROM MAY 1, 2009 TO OCTOBER 31, 2009

	In thousands of yen	
	From May 1, 2009 to October 31, 2009	From November 1, 2008 to April 30, 2009
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	¥ 2,103,248	¥ 2,435,329
<b>Adjustments to reconcile income before income taxes to net cash provided by operating activities:</b>		
Depreciation and amortization	1,613,633	1,571,996
Interest expense	907,825	858,419
Loss on retirement of fixed assets	23,394	—
<b>Changes in assets and liabilities:</b>		
Rental receivables	76,500	(73,290)
Consumption tax refundable	(136,065)	180,365
Accrued consumption tax	(240,048)	252,054
Trade and other payables	(136,412)	(114,984)
Rents received in advance	(39,880)	(64,577)
Property and equipment due to sale	2,348,605	3,108,890
Others, net	(192,155)	(320,267)
<b>Subtotal</b>	<b>6,328,645</b>	<b>7,833,935</b>
Cash payments of interest expense	(912,655)	(872,143)
Cash payments of income taxes	(649)	(605)
<b>Net cash provided by operating activities</b>	<b>5,415,341</b>	<b>6,961,187</b>
<b>Cash Flow from Investing Activities:</b>		
Purchases of property and equipment	(4,110,567)	(923,618)
Proceeds from leasehold and security deposits received	613,790	441,191
Payments of leasehold and security deposits received	(692,215)	(777,846)
Payments of time deposits	—	(1,390,000)
Payments of restricted bank deposits	(16,919)	(563)
Proceeds from restricted bank deposits	1,034	820,124
Others, net	—	(1,178)
<b>Net cash used in investing activities</b>	<b>(4,204,877)</b>	<b>(1,831,890)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term debt	5,000,000	12,000,000
Payment of short-term debt	(5,000,000)	(7,000,000)
Proceeds from long-term debt	3,000,000	9,500,000
Payment of long-term debt	(4,530,000)	(14,500,000)
Payment of dividends	(2,434,003)	(3,121,451)
<b>Net cash used in financing activities</b>	<b>(3,964,003)</b>	<b>(3,121,451)</b>
Net change in cash and cash equivalents	(2,753,539)	2,007,846
Cash and cash equivalents at the beginning of period	13,711,495	11,703,649
<b>Cash and cash equivalents at the end of period</b>	<b>¥ 10,957,956</b>	<b>¥ 13,711,495</b>

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.

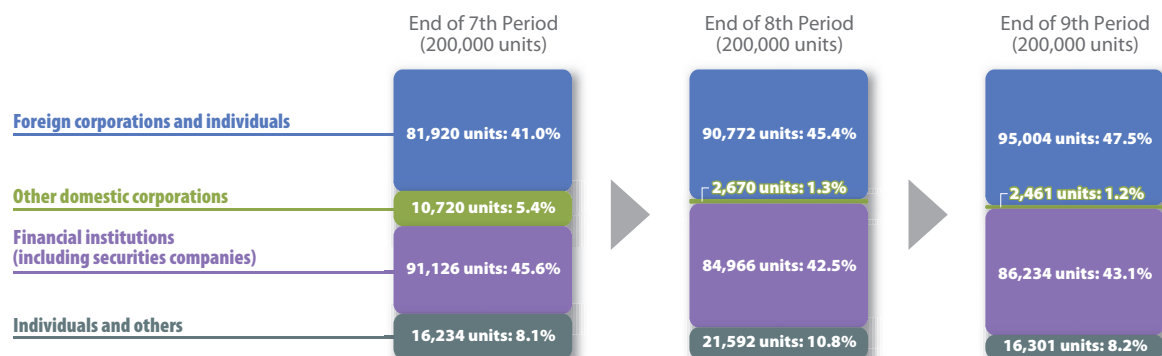
### CASH AND CASH EQUIVALENTS (Unaudited)

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

	In thousands of yen	
	As of October 31, 2009	As of April 30, 2009
<b>Cash and bank deposits</b> .....	¥ 12,870,430	¥ 15,608,085
<b>Restricted bank deposits held in trust</b> <sup>(Note 1)</sup> .....	(522,474)	(506,590)
<b>More than 3 months fixed deposits</b> <sup>(Note 2)</sup> .....	(1,390,000)	(1,390,000)
<b>Cash and cash equivalents</b> .....	¥ 10,957,956	¥ 13,711,495

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

## GENERAL BREAKDOWN OF UNITHOLDERS



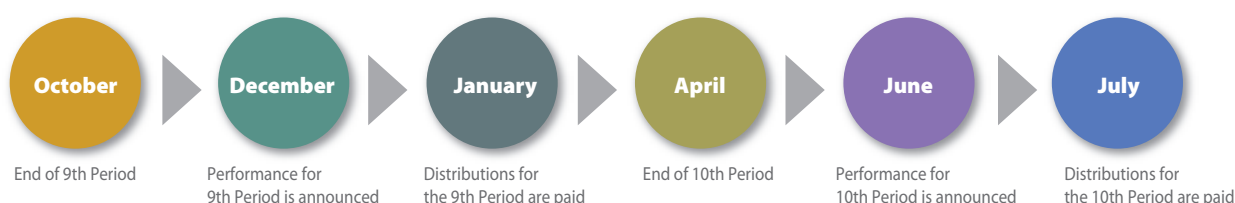
Note: Figures are rounded to the first decimal place.

## TOP TEN UNITHOLDERS (as of October 31, 2009)

Name	Units Held	Share of Outstanding Units
Japan Trustee Services Bank, Ltd. (trust account)	16,569	8.28%
NikkoCiti Trust and Banking Corporation (investment trust account)	15,834	7.91%
Trust & Custody Services Bank, Ltd. (securities investment trust account)	14,382	7.19%
Goldman Sachs International	13,881	6.94%
The Nomura Trust and Banking Co., Ltd. (investment trust account)	10,271	5.13%
The Master Trust Bank of Japan, Ltd. (trust account)	9,510	4.75%
Merrill Lynch Japan Securities Company, Limited	6,502	3.25%
Morgan Stanley & Company, Inc.	5,258	2.62%
JP Morgan Chase Oppenheimer JASDEC Lending Account	5,000	2.50%
The Bank of New York Treaty JASDEC Account	4,188	2.09%
<b>Total</b>	<b>101,395</b>	<b>50.69%</b>

Note: Ratios are rounded down to the second decimal place.

## IR SCHEDULE (9th and 10th Periods)



Information is regularly disclosed throughout the year via press releases and the website at [www.kdx-reit.com/eng/](http://www.kdx-reit.com/eng/)

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