

# Kenedix Realty Investment Corporation

5th Period Results (ending October 2007)

March 2008

Kenedix REIT Management, Inc.

<http://www.kdx-reit.com/eng/index.html>

Updated and added new information in the Financial Strategies section (page 15-18).

Updated Organizational chart on page 40.

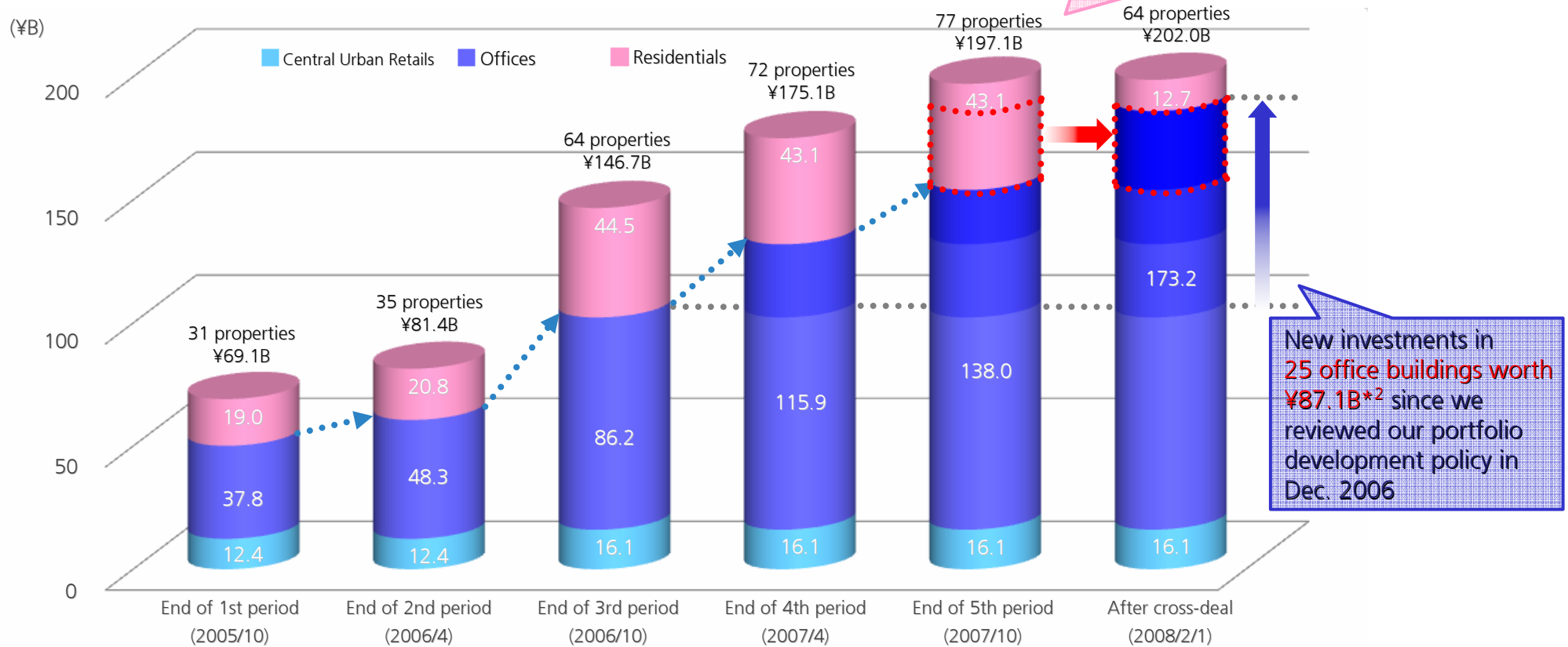
SECTION 1

# Stronger Focus on Office Buildings



# Increase in asset size and the ratio of office buildings

Portfolio development focused on office buildings



Announced increase of office buildings ratio and make no new investments in residential properties

Announcement of our policy to change asset composition through replacement based on type of properties

Announced the sale of 23 residentials and acquisition of 9 offices (cross-deal)

Realization of an office-focused portfolio through cross-deal

\*1 Initial acquisition price was ¥30.3B

\*2 Acquired 1 property (KDX Roppongi 228 Building), ¥3.3B as of Jan.10, 2008

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# Overview of the cross-deal of offices and residential

## Overview of the cross-deal with Kenedix

Kenedix Realty Investment Corporation,  
Strong portfolio focusing on  
Mid-sized office buildings

Acquisition of  
offices

Sale of  
residential

9 properties

# of properties

23 properties

¥31.98B

Trading price  
(Total)

¥31.49B

¥31.98B

Appraisal value  
(Total)

¥31.49B

¥1.70B

Appraised NOI  
(Total)

¥1.63B

Kenedix Inc (Sponsor)

Creation of a fund that focuses on  
prime residential properties

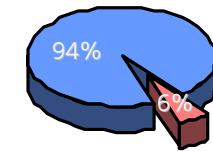
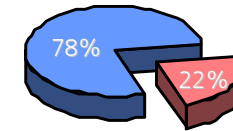
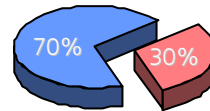
Cross-deal through collaboration  
with the sponsor

## Development of a portfolio that focuses on mid-sized offices

End of 2006/10

End of 2007/10

After the  
cross-deal in 2008/2



Offices etc. Residential

Note: Offices includes 3 central urban retails

Future policy

Continue to increase the ratio of offices and aim  
strong portfolio focusing on mid-sized offices.

## Outline of the residentials to be sold and their ratio within the portfolio

As of end of 2007/10 Period (5th period)

(¥M)

	Residentials to be sold	Residentials that are not subject to the sale	Total residentials	Total portfolio	Ratio within total residentials	Ratio within total portfolio
# of properties	23 properties	7 properties	30 properties	77 properties	76.7%	29.9%
Initial acquisition price	30,343	12,709	43,052	197,090	74.4%	15.4%
Appraisal value at end of period	31,490	12,868	44,358	218,626	71.0%	14.4%
Differences between Appraisal value and Acquisition price	1,147	159	1,306	21,536	87.8%	5.3%
Average acquisition price	1,319	1,815	1,435	2,560		
Other regional areas (%)	7 properties (25.6%)	1 property (14.2%)	8 properties (22.2%)	17 properties (17.5%)		

▶ Sale of small-sized residentials

▶ Sale of 7 out of 8 properties in Other regional areas

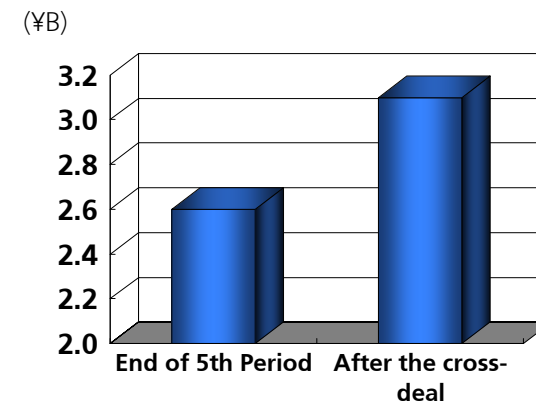
# Office buildings acquired through cross-deal

New investment in 9 office buildings (approx. ¥31.98B acquisition value)

Anticipated acquisitions (Date of acquisition: February 1, 2008)

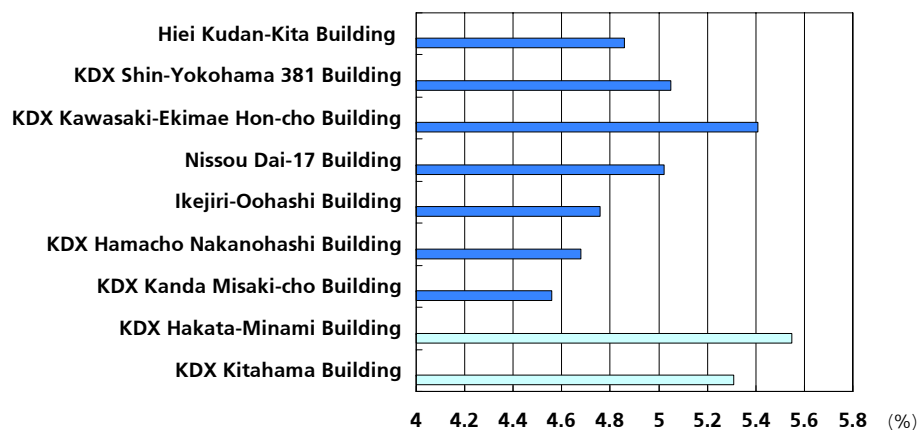


Comparison of average acquisition price



\*Acquired 1 property (KDX Roppongi 228 Building), ¥3.3B as of Jan.10, 2008

Appraisal-value based yield for properties acquired



Note: Yield based on appraisal value that were calculated by data available from property appraisal reports and should not be understood as data indicating actual or future profitability (NCF under direct capitalization method/Appraisal value)

Portfolio change through cross-deal

	As of end of 5th period		
	Total	Office	Office properties acquired
Number of properties	77	44	9
Acquisition price (¥M)	197,090	137,979	31,980
Average acquisition price (¥M)	2,560	3,135	3,553
Tokyo metropolitan area/ Other regional areas	60/17	36/8	7/2

# “KENEDIX Selection” – Office buildings acquired

## Hiei Kudan-Kita Building



- ◆ Location : Chiyoda-ku, Tokyo
- ◆ Site area : 1,844.83m<sup>2</sup>
- ◆ GFA : 11,425.31m<sup>2</sup>
- ◆ Year built : Mar. 1988
- ◆ Acquisition price: ¥7,600M
- ◆ Acquisition date : Feb.1, 2008

- ◆ 2 minutes on foot from “Ichigaya” station of Shinjuku Subway Line, and 6 minutes from “Ichigaya” station of JR Chuo Line/Sobu Line and Tokyo Metro Nanboku Line/Yurakucho Line. Strong visibility facing Yasukuni Dori
- ◆ Upscale residential, with many schools and embassies
- ◆ Commodious space in front of the building and muted colors of the exterior provide a relaxed atmosphere. Sufficient leasable floor area (typical floor of c.813m<sup>2</sup>) for leasing a floor as a whole or in parts

## KDX Hakata-Minami Building



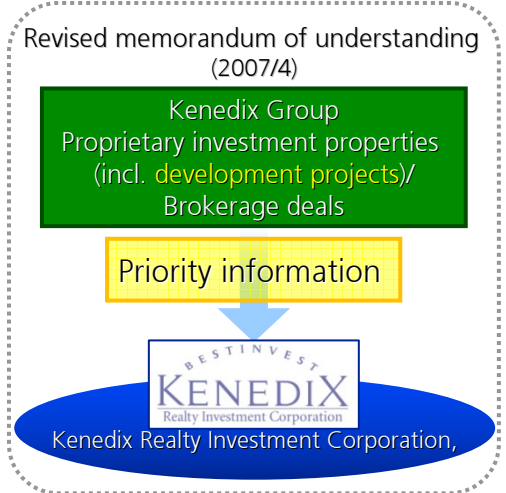
- ◆ Location : Hakata-ku, Fukuoka
- ◆ Site area : 1,826.25m<sup>2</sup>
- ◆ GFA : 13,238.16m<sup>2</sup>
- ◆ Year built : Jun. 1973
- ◆ Acquisition price : ¥4,900M
- ◆ Acquisition date : Feb.1, 2008

- ◆ 6 minutes on foot from “Hakata” station of JR Kagoshima Line/Airport Line (municipal subway). Located in the business district south from Hakata Station
- ◆ Excellent access to Hakata Station and Fukuoka Airport and companies and large companies having sale offices in the area
- ◆ Leasable floor area on typical floor of c.1,047m<sup>2</sup> can be divided into multiple areas to comply with the needs of tenants looking for various-sized properties

# Asset size growth and future growth (acquisition by pipeline)

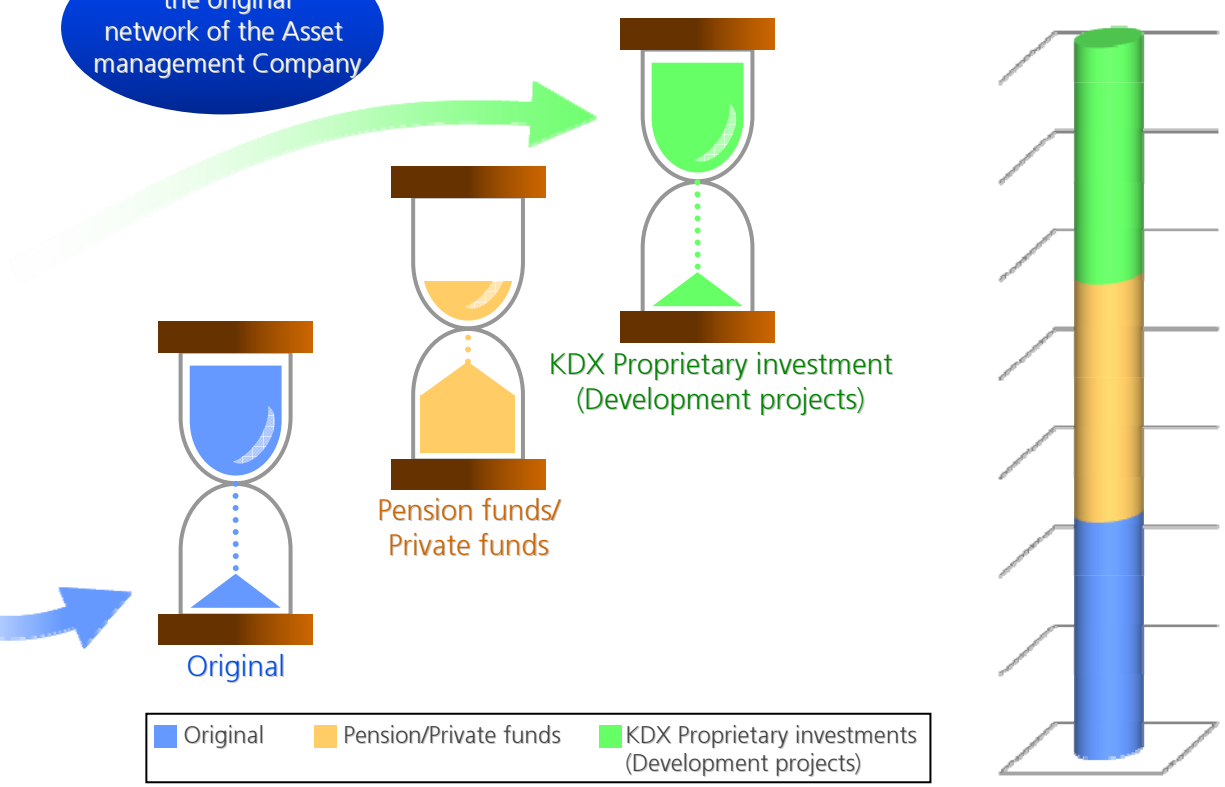
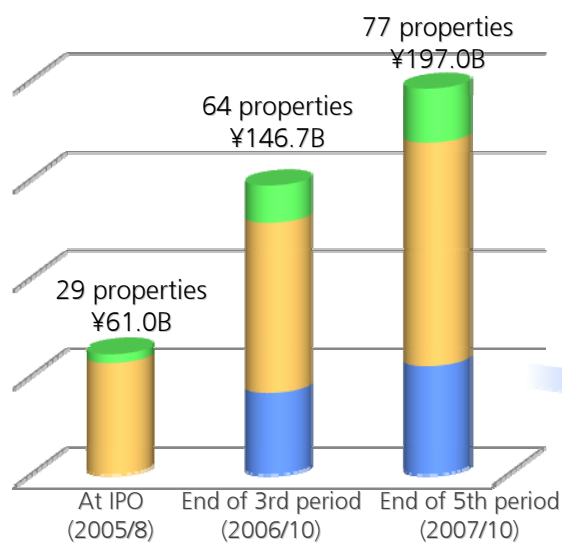
Track record of tapping different acquisition pipelines

- ▶ Strong portfolio focusing on mid-sized office buildings
- ▶ Achieve portfolio size of ¥400B in the mid-to-long term



Growth through the original network of the Asset management Company

Growth based on Kenedix, Inc's support-line including development projects

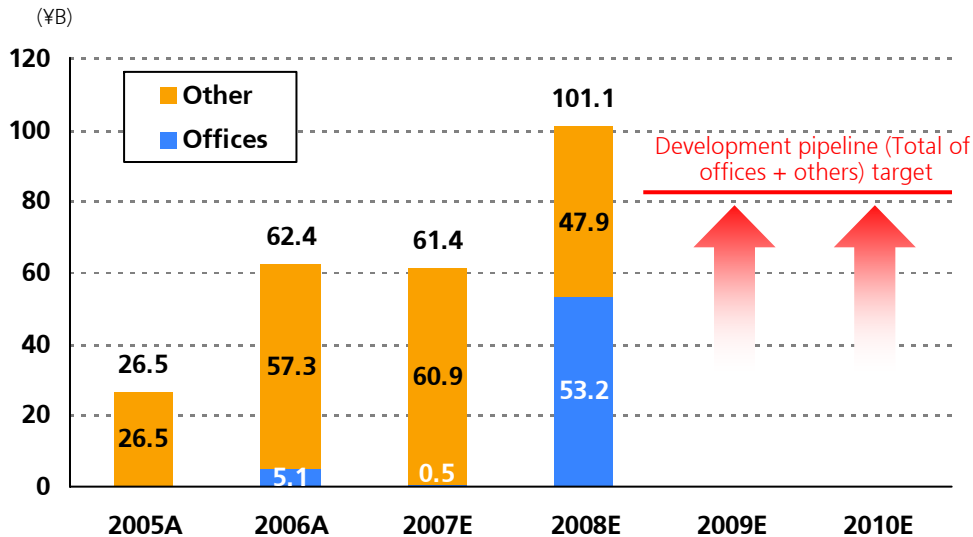


Growth performance by pipeline ▶ Future growth ▶ Future vision

# Office development projects of Kenedix, Inc.

Focus on expanding the pipeline for office development projects, as offices are positioned to become a key asset types for Kenedix

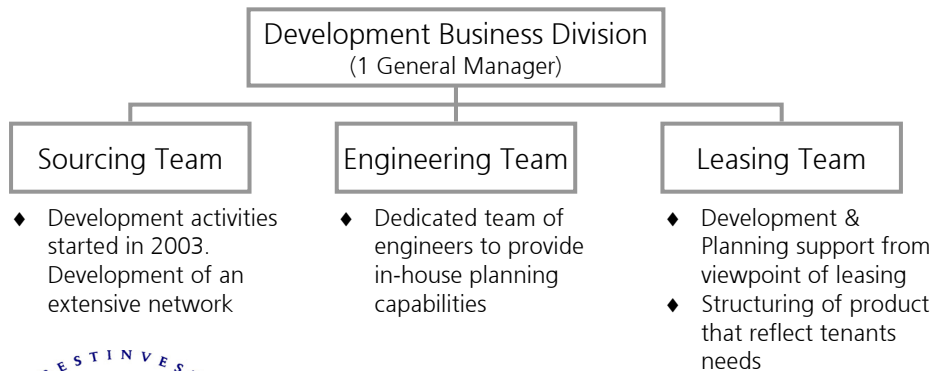
## Kenedix track record for development projects and pipeline



Source: Kenedix Inc. (Nov. 2007)

## Kenedix development structure

Kenedix has a dedicated development force for providing one-stop service comprised of sourcing development projects, engineering and leasing



Source: Kenedix inc.

## Examples of Kenedix office development projects

### KDX Harumi Project

<b>Location</b>	Harumi 3-chome, Chuo-ku, Tokyo
<b>Planned completion</b>	Feb. 2008
<b>Size</b>	1B/11F GFA: 3,907 Tsubo
<b>Key advantages</b>	<ul style="list-style-type: none"> <li>Only 2km to Ginza and excellent access in all directions with Oedo Line</li> <li>260 Tsubo leasable area per floor; shaped astylar space</li> </ul>



### Office development project in Koto-ku

<b>Location</b>	Koto-ku, Tokyo
<b>Planned completion</b>	May 2008
<b>Size</b>	1B/10F GFA c.20,000 Tsubo
<b>Key advantages</b>	<ul style="list-style-type: none"> <li>Large office with c.1,500 Tsubo leasable area per floor</li> <li>Located within the redevelopment area. Excellent access to major business areas</li> <li>Introduction of modern facilities for air-conditioning, telecom and energy saving measures</li> </ul>

### Office development project in Chuo-ku Osaka

<b>Location</b>	Chuo-ku, Osaka Prefecture
<b>Planned completion</b>	Jun. 2009
<b>Size</b>	1B/12F GFA of c.3,300 Tsubo
<b>Key advantages</b>	<ul style="list-style-type: none"> <li>Business area in Osaka</li> <li>Large listed companies to use the building as HQ</li> </ul>

Note: We have no current plans to acquire any of these properties but may consider acquiring one or more of them in the future as appropriate



# Management expertise for mid-sized office buildings (KDX Toranomom Building)

Development of a strong asset base (Portfolio) and leverage expertise in management of mid-sized office buildings

Leverage of Kenedix Group's management expertise to maximum extent

### Acquisition policy

- Acquisition of buildings in prime locations aimed to maximize their potential

### Renovation of the entire building (¥330M)

- Renovation works aimed to achieve quasi new office building quality
- Increase in asset value through renovation works

### Leasing of vacant buildings

- Increase rent levels
- Direct leasing

### A-39 KDX Toranomom Building

- Location : Toranomom, Minato-ku, Tokyo
- Leasable area : 1,966.56m<sup>2</sup>
- Year built : Jun. 1988
- Acquisition date : Apr. 2007
- Acquisition price : ¥4,400M



Entrance hall before renovation

At acquisition in 2007/4	
Appraisal value	¥4.02B (after renovation ¥4.19B)
Occupancy	0% (vacant building)
Rent level (per month/per tsubo)	¥32,000 (estimated post renovation value)
Use of 1 <sup>st</sup> Floor	Game hall (former pachinko arcade)
Use of B1 Floor	Game hall (former pachinko arcade)



Entrance hall after renovation

As of 2007/10	
Appraisal value	¥4.77B
Occupancy	100% (full occupancy)
Rent level (per month/per tsubo)	¥34,500 (average contracted rent)
Use of 1 <sup>st</sup> Floor	Office(branch office of a financial institution)
Use of B1 Floor	Restaurant

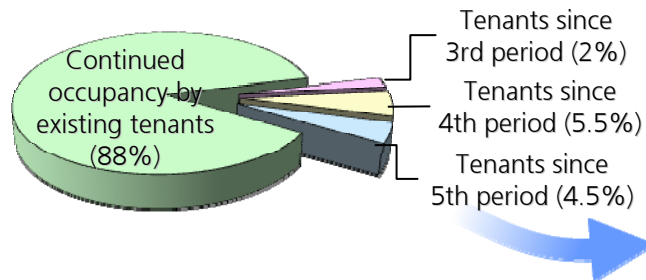
SECTION 2

## Management of Existing Properties



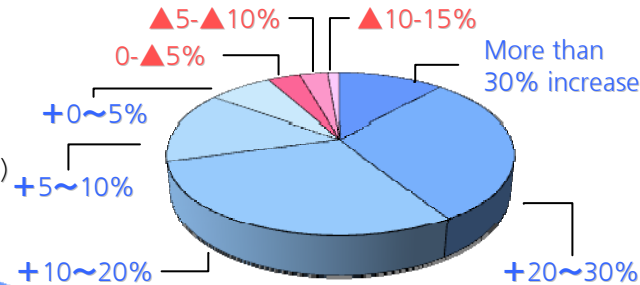
# Management of existing properties — track record for increasing the rent level of office buildings (5th period)

## Acquisition of new contracts (3rd–5th period)



Note: The above breakdown shows the ratio by leased area as of end of 5th period

## Breakdown of change rates for rents of new contracts (5th period)



Note: The above breakdown is based on leased area as of end of 5th period

## Acquisition of new contracts by region (5th period)

	Average Change rate *(# of contracts)	Average rent increase rate (# of contracts)	Average rent reduction rate (# of contracts)
Central Tokyo (5 wards)	22% (10)	22% (10)	- (0)
Other Tokyo metropolitan area	8% (9)	10% (8)	▲0% (1)
Other regional areas	6% (11)	18% (6)	▲8% (5)
<b>Total</b>	<b>12% (30)</b>	17% (24)	▲7% (6)

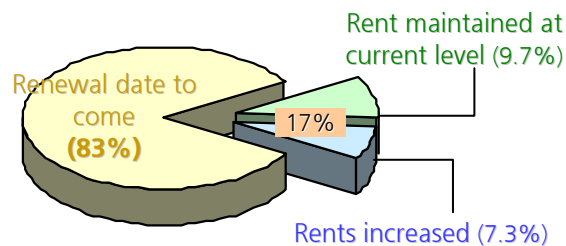
\* Indicates the simple average of the fluctuations in the rent for new contracts. The weighted average of the fluctuations based on leased floor area is 16% for the total portfolio (Central Tokyo: 23%; Other Tokyo metropolitan area: 11%; Other regional areas: 7%).

## Tenants turnover in office portfolio

(Actual and estimated: annualized)

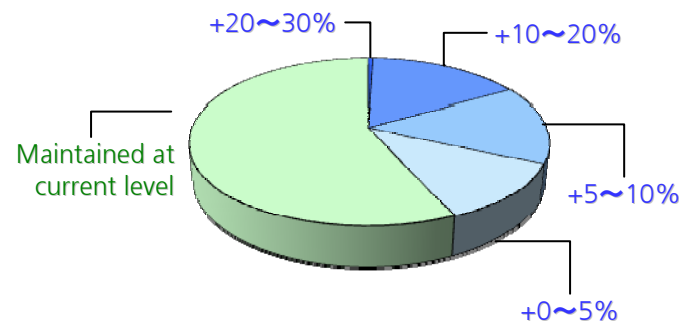
1st period	2nd period	3rd period	4th period	5th period	6th period (E)
12.2%	2.7%	6.1%	14.8%	8.2%	5.3%

## Rents for renewed contracts (5th period)



Note: The above breakdown is based on leased area as of end of 5th period

## Breakdown of change rates for rents of renewed contracts (5th period)



## Rents for renewed contracts (5th period)

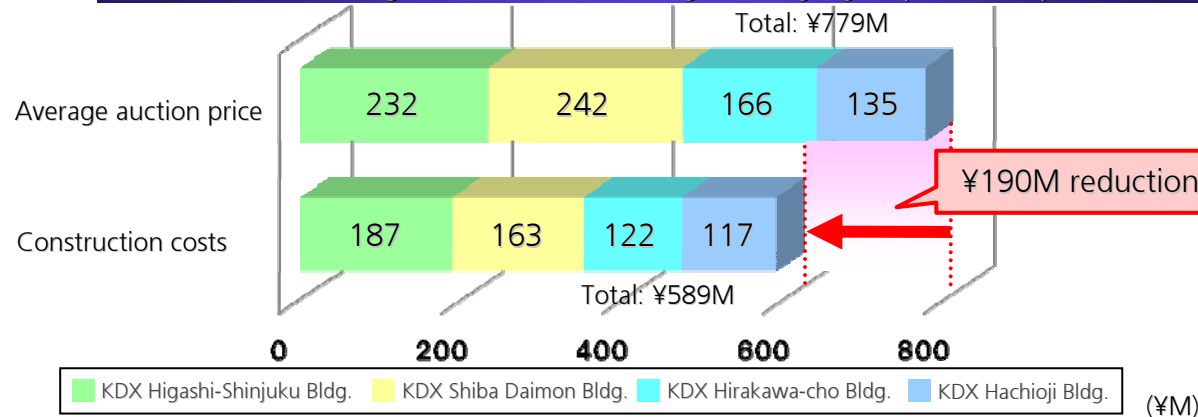
	Rent increased at contract renewal	Average rent increase rate
Total	<b>43.2%</b>	<b>7.6%</b>

# Management of existing properties

## — Lowering of construction costs through auction process

### Management cost reduction based on a strong asset base (portfolio)

Reduction of construction costs by tendering the installation of air-conditioning facilities at 4 buildings through group auction process



	KDX Higashi-Shinjuku	KDX Shiba Daimon	KDX Hirakawa-cho	KDX Hachioji	Total (4 properties)
A Co. (1 contract awarded)	201	220	185	136	762
B Co.	221	242	122	122	716
C Co.	280	253	157	137	827
D Co. (3 contracts awarded)	187	163	148	117	615
E Co.	269	302	199	153	923
F Co.	280	316	202	160	958
Average price submitted	232	242	166	135	779
Order price	187	163	122	117	589

### Key points of the group auction process and construction

- Expanded portfolio allows for bundled handling of similar construction projects
- Schedule coordination via a list of construction work by project type
- Nominate bidders based on track record and credibility
- Costs lowered further through price negotiations after execution of the auction process

#### Merits for KRI:

- ★ Lower construction costs
- ★ Ability to place orders with major construction companies who have high credibility
- ★ Improved specification of air-conditioning systems

#### Merits for construction companies:

- ★ Large-scale renovation work orders
- ★ Lower costs through bulk orders placed to materials suppliers and affiliates

### Case study—Exterior renovation

Exterior renovation of 4 properties (¥M)

	KDX Kiba	Higashi-Kayabacho Yuraku	KDX Minami-Senba Dai-1	KDX Shiba Daimon	Total
G Co. (contracts awarded)	12	20	26.5	36	94.5
H Co.	18.8	20.5	30	54	123.3
I Co.	17	22	25.4	47	111.4
J Co.	20.7	22.2	36.5	40.8	120.2

¥17.8M reduction

Exterior renovation of 3 properties (¥M)

	KDX Funabashi	KDX Hamacho	KDX Kajicho	Total
K Co. (contracts awarded)	39	22	24	85
L Co.	39	26	30	95

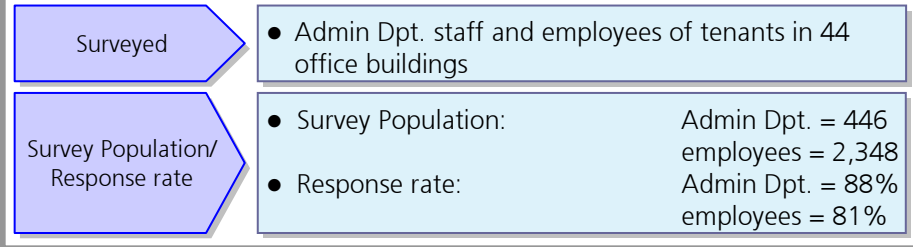
¥5M reduction

# Management of existing properties

## —CS (Customer satisfaction) strategy based management

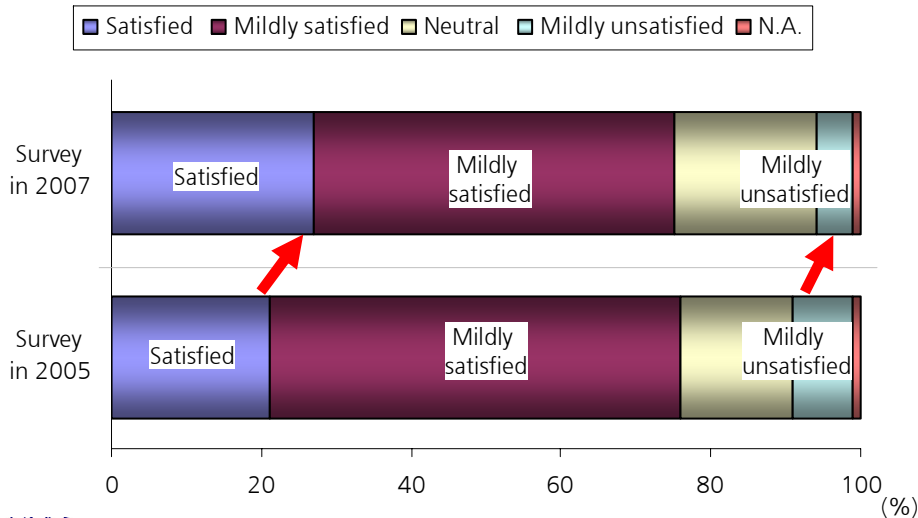
CS survey = Survey on Customer Satisfaction

(Outline of the survey in 2007)

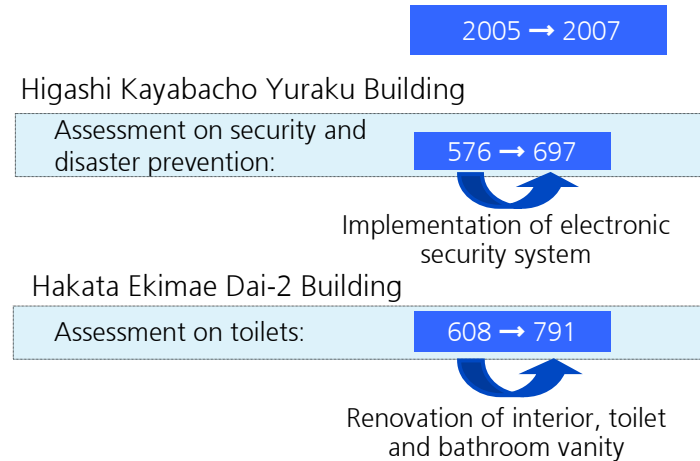


- Survey to customers = tenants conducted through cooperation with J. D. Power Asia Pacific
- Satisfaction measured by checking each item on a five-point scale (satisfied/mildly satisfied/neutral/mildly unsatisfied/unsatisfied)
- Perfect score for overall satisfaction is 1,000 points
- 1st survey conducted in Dec. 2005, 2nd survey conducted in Jul. 2007

Changes in overall satisfaction (Admin Dpt. staff)

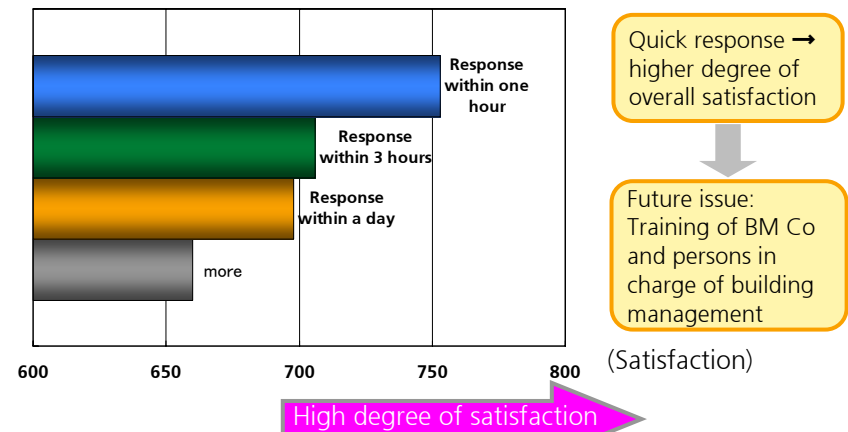


Physical aspects: Case study of increased satisfaction through CS oriented renovation works



Soft aspects: Correlation between the building management company (BM Co)'s response time and overall satisfaction

Correlation between time required to cope with accidents/defects and overall satisfaction



# Management of existing properties

## —Comprehensive property management by Kenedix Group

### Leasing activities

#### Leasing activities for KDX Toranomon Building (2007/10)



	Store	Office	Total
Requests for info material	34	44	78
Tour of premises	11	21	32
Application	9	10	19

#### Leasing activities for KDX Nishi-Gotanda Building (2007/4)

### Kenedix Group comprehensive property management by Kenedix Advisors

### Increase in rent levels

#### Rent increase achieved for new contracts

2007/10: 17% increase on average  
 2007/4: 15% increase on average  
 2006/10: 15% increase on average

### Reduction in total property leasing expenses achieved

#### Reduction in building management costs achieved

Out of 44 office buildings, c.¥80M reduction achieved at 28 office buildings (annualized) (average reduction rate: 8.6%)

#### Reduction in electric utility charge

Planned reduction at 23 office buildings out of 44 (annualized): c.¥12M (pro forma base)

### Renovation and conversion works

#### KDX Toranomon Building: Renovation of the entire building (2007/10)

#### KDX Nishi-Gotanda Building: Entrance and elevator hall renovation (2007/4)

#### KDX Higashi-Shinjuku Building: Former gas station site on 1F converted to a shop

#### KDX Hamacho Building: Residentials and stores converted to offices (2006/10)

### CS survey based management

#### 2nd CS survey: Implemented in Jul. 2007

Surveyed: 43 office buildings  
 1 central urban retail  
 Survey Population: 2,794  
 (Response rate: Admin Dpt. = 88%, employees = 81%)

#### 1st CS survey: Implemented in Dec. 2005

Surveyed: 19 office buildings  
 1 central urban retail

### Implementation of KDX standards

#### Renamed: 34 office buildings out of 44

#### Installation of building name signboard



#### Case study of KDX standard

Introduction of standard specification for elevators and toilets  
 Installation of security cameras  
 Improved security levels and lowered security costs by consolidating security companies

SECTION 3

# Financial Strategies

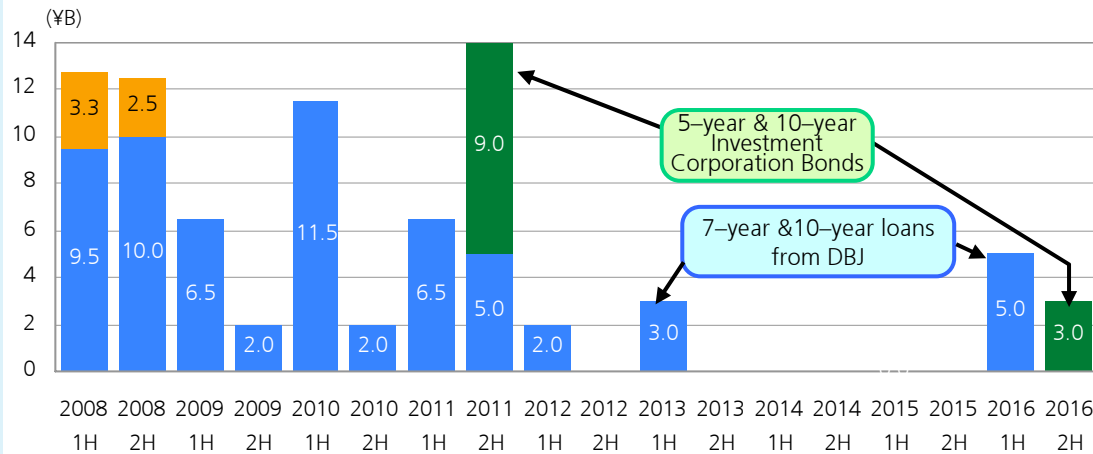


# Stable Financial Management

## —Diversified maturities and Fixed debt interest rates

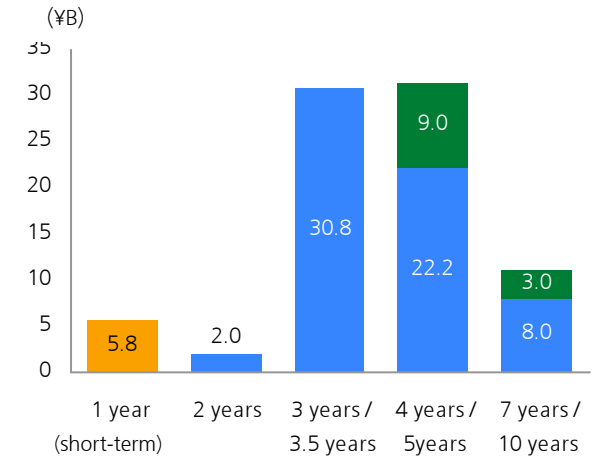
### Diversify debt maturity

Amount of debt maturing in each year (as of Feb. 29, 2008)



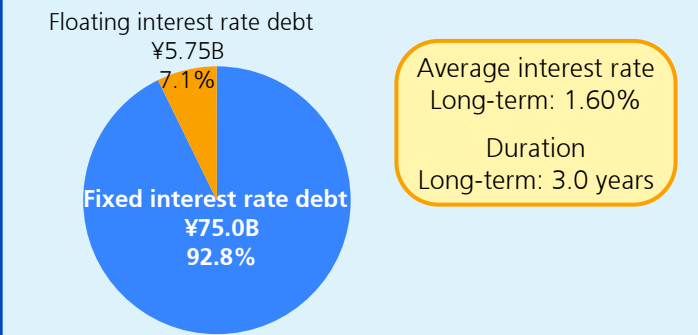
Notes: 1 Shows the amounts of debt maturing in each Half  
 2 1H is from Apr. 1 to Sep. 30, 2H is from Oct. 1 to Mar. 31 of the following year and not identical with the fiscal period of the Investment Corporation (e.g. 2008, 1H is from Apr. 1, 2008 to Sep. 30, 2008)

Breakdown of debt maturities (Initial debt financing)



### Fixed debt interest rates

(as of Feb. 29, 2008)



Notes: 1 "Fixed interest rate debt" includes debt that were converted to fixed from floating through interest rate swap  
 2 Second decimal place omitted for ratios

→Debt financing that focuses on diversifying maturities.

→Leverage of low-interest rate environment by focusing on long-term fixed interest rate debt financing.



# Stable financing strategy—LTV and diversify of debt providers

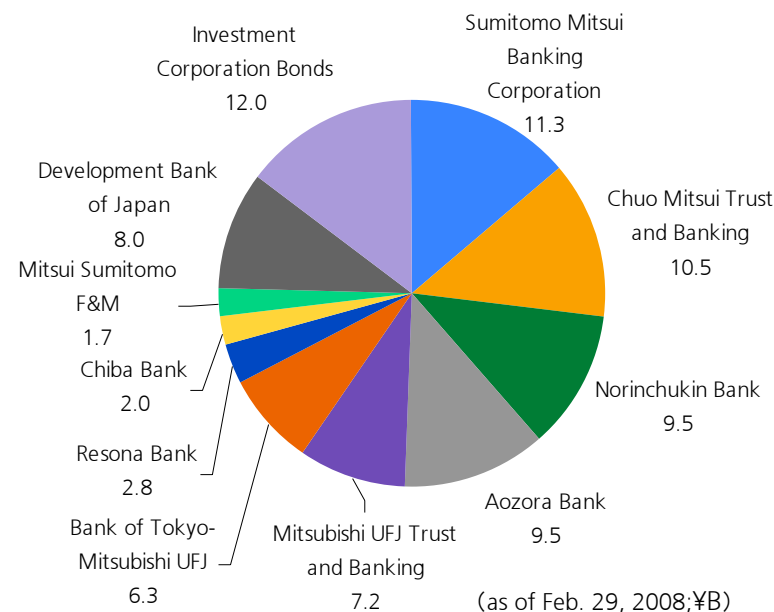
## Changes in LTV

	1st Period	2nd Period	3rd Period	4th Period	5th Period
Total interest-bearing debt (¥B)	29.0	42.0	62.0	88.5	75.5
LTV	37.5%	45.6%	38.7%	47.0%	35.3%

Conservative interest-bearing debt ratio (kept within the mid 30% to c. 50% range)

→ We will stay focused on maintaining conservative LTV

## Breakdown of debt providers



→ We will continue diversifying debt providers

## (Reference) Borrowing capacity estimation

	5th Period
Total interest-bearing debt (¥B)	75.5
LTV	35.3%

Borrowing capacity estimation: c. ¥63B  
(based on the LTV as of end of 5<sup>th</sup> period, calculation assumes increase of LTV to 50% level)

## Commitment Line

### Commitment line

Lender	Amount
Bank of Tokyo-Mitsubishi UFJ	¥2.5B
Citibank	¥2.5B

# Financial strategy—Diversified financing methods

## Credit rating and issuance of investment corporation bonds

### Credit rating

Rating agency	Rating	Rating acquired
Moody's	<b>A3</b> (stable)	Feb. 2006
Japan Credit Rating Agency (JCR)	<b>A+</b> (stable)	Dec. 2006

### Investment Corporation Bonds

Name	Size	Interest rate	Maturity	Payment date
1 <sup>st</sup> Bond	¥9B	1.74%	<b>5 yrs.</b>	Mar. 15, 2007
2 <sup>nd</sup> Bond	¥3B	2.37%	<b>10yrs.</b>	Mar. 15, 2007

Only public offering of 10-year bonds by a single-A rated J-REIT

## Secured diversified financing methods

### Shelf registration

Type	Assumed size	Assumed issuance
Investment Corporation Bond	¥100B	2 years from Feb. 15, 2007
Investment securities	¥100B	2 years from May 7, 2007

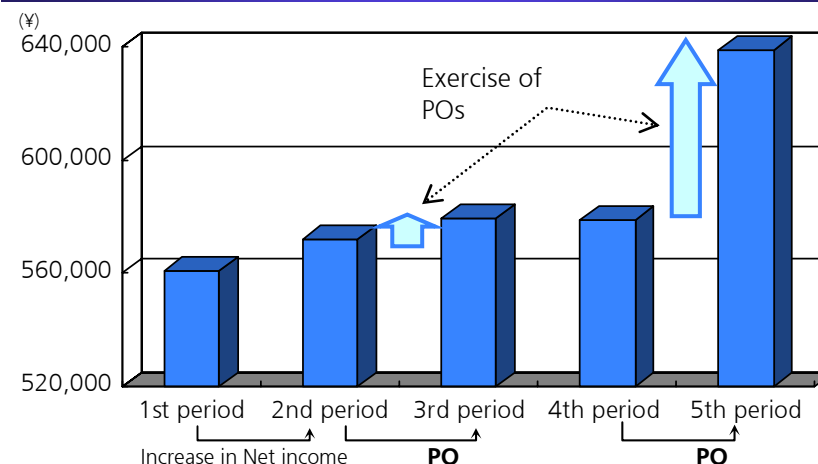
→ We aim to lengthen debt maturity through various financing methods

## Repayment of short-term debt ahead of schedule

(from 4<sup>th</sup> Period – 6<sup>th</sup> Period)

2007/3/15	¥12B	Repayment by issuing <b>Investment Corporation Bonds</b> (Mar. 2007)
2007/5/30	¥6.75B	
2007/6/13	¥4.75B	Repayment of ¥13B through 2 <sup>nd</sup> <b>Public offering</b> (May 2007)
2007/6/22	¥1.5B	
2007/10/31	¥0.5B	Repayment through refinancing with <b>long-term debt</b> (2 yrs., 3.5 yrs.)
2008/2/29	¥1.0B	
<b>¥26.5B</b>		

## Changes in NAV per unit



SECTION 4

# 5th Period Financial Results (ending October 2007)



# 5th period financial results—performance highlights

Performance						
	1st period results (to Oct. 2005)	2nd period results (to Apr. 2006)	3rd period results (to Oct. 2006)	4th period results (to Apr. 2007)	5th period results (to Oct. 2007)	Notes
<b>Operating revenues</b>	¥1,196M	¥2,871M	¥5,288M	¥5,778M	<b>¥7,208M</b>	+ ¥1,430M (+24.7%)
Disposal income	-	-	¥157M	¥130M	-	
Rental business profit	¥677M	¥1,606M	¥2,734M	¥3,040M	¥4,002M	+ ¥962M (+31.6%)
Depreciation	¥268M	¥650M	¥1,135M	¥1,243M	¥1,392M	+ ¥149M (+12.0%)
Net operating income (NOI)	¥945M	¥2,256M	¥3,869M	¥4,283M	¥5,394M	+ ¥1,111M (+25.9%) Rental revenues – Property-related expenses + Depreciation
FFO (Funds from operation)	¥510M	¥1,752M	¥3,102M	¥3,261M	¥4,184M	+ ¥923M (+28.3%) Net income + Depreciation for the Profit on sale of real estate
<b>Net income</b>	¥242M	¥1,101M	¥2,124M	¥2,148M	<b>¥2,792M</b>	+ ¥644M (+30.0%)
Number of units outstanding	79,370units	79,370units	157,000units	157,000units	200,000units	+ 43,000units (+27.4%) 07/5 PO
FFO per unit	¥6,430	¥22,076	¥19,759	¥20,772	¥20,920	+ ¥148 (+0.7%)
<b>Distribution per unit</b>	¥3,052	¥13,884	¥13,529	¥13,682	<b>¥13,960</b>	+ ¥278 (+2.0%)

Financial ratio						
	1st period results (to Oct. 2005)	2nd period results (to Apr. 2006)	3rd period results (to Oct. 2006)	4th period results (to Apr. 2007)	5th period results (to Oct. 2007)	Notes
<b>Total assets</b>	¥77,325M	¥92,053M	¥160,314M	¥188,400M	<b>¥213,763M</b>	+ ¥25,363M (+13.5%)
Total unitsholders' equity	¥44,527M	¥45,387M	¥90,933M	¥90,877M	¥127,761M	+ ¥36,884M (+40.6%)
Total unitsholders' equity per unit	¥561,008	¥571,840	¥579,192	¥578,839	¥638,809	+ ¥59,970 (+10.4%)
Interest-bearing debt ratio	37.5%	45.6%	38.7%	47.0%	35.3%	▲11.7% 07/5PO
Unitholders' equity to total assets	57.6%	49.3%	56.7%	48.2%	59.8%	+ 11.6%
Number of properties	31	35	64	72	77	+ 5 (Office)
Total leasable floor area	81,298.67m <sup>2</sup>	104,868.65m <sup>2</sup>	192,085.34m <sup>2</sup>	223,322.77m <sup>2</sup>	248,653.07m <sup>2</sup>	+ 25,330.3m <sup>2</sup> (+11.3%)
Occupancy rate	96.6%	94.9%	95.3%	95.9%	96.9%	+ 1.0%

# 6th period earnings forecasts

## Operating forecasts for 6th period (to April 2008)

	5th period results (to Oct. 2007)	6th period initial forecasts (to Apr. 2008) (announced on Oct. 26, 2007)	6th period revised forecasts (to Apr. 2008) (announced on Dec. 11, 2007)	Notes
<b>Operating revenues</b>	<b>7,208</b>	<b>7,377</b>	<b>7,935</b>	+¥727M
Operating expenses	3,737	3,873	3,961	+¥224M
Property-related expenses (excl. depreciation)	1,813	1,849	1,916	+¥103M (Property tax and city planning tax were ¥329M in the 5th period)
Depreciation	1,392	1,416	1,415	+¥23M
<b>Operating income</b>	<b>3,470</b>	<b>3,504</b>	<b>3,974</b>	+¥504M
Non-operating expenses	689	683	693	+¥4M
Interest expense	595	584	587	Assumption of the 6th period borrowings ¥63.5B, investment corporation bond issue ¥12B
<b>Ordinary income</b>	<b>2,793</b>	<b>2,828</b>	<b>3,288</b>	+¥495M
<b>Net income</b>	<b>2,792</b>	<b>2,827</b>	<b>3,287</b>	+¥495M
Number of units outstanding	200,000	200,000	200,000	-
<b>Distribution per unit (Yen)</b>	<b>13,960</b>	<b>14,100</b>	<b>16,400</b>	+¥2,440
NOI	5,394	5,528	5,568	+¥173M (Rental revenues – Property-related expenses + Depreciation)
FFO	4,184	4,243	4,206	+¥22M (Net income + Depreciation for the period – Gain on real estate disposals)
(Reference) Gain on real estate disposals	-	-	496 (forecast)	Assumption of the sale of 23 residential
(Reference) Trends in the number of properties	72→77	77→77 (forecast)	77→63 (forecast)	Assumption of the cross-deal

### Preconditions of 6th period forecasts

9 offices acquired and 23 residential disposed on Feb. 1, 2008 (cross-deal)

Funds for acquisition of the 9 offices buildings from sales of the 23 residential and cash on hand

Gain on real estate sale of the 23 residential calculated as planned sales price less assumed book value at time of sale, less disposal costs

As of the end of period, interest-bearing debt ¥75.5B and LTV approx 35%

Note: Preconditions of 7th period forecasts

- ◆ Property tax and city planning tax for 44 office buildings expected to rise ¥81M vs 6th period

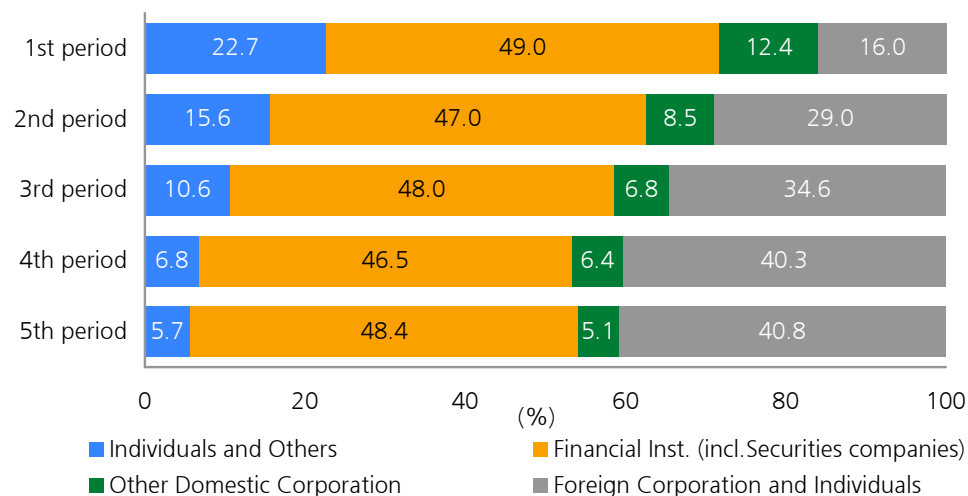
SECTION 5

# Appendix



# KRI unitholders

## Investment units by unitholder



## Type of unitholder (as of October 31, 2007)

Type of unitholder	# of unitholder	(%)	# of units held (unit)	(%)
Individuals and Others	5,252	93.2%	11,364	5.7%
Financial Inst. (incl. Securities companies)	113	2.0%	96,845	48.4%
Other Domestic Corporation	110	1.9%	10,189	5.1%
Foreign Corporation and Individuals	163	2.9%	81,602	40.8%
<b>Total</b>	<b>5,638</b>	<b>100.0%</b>	<b>200,000</b>	<b>100.0%</b>

## Top 10 unitholders (as of October 31, 2007)

Name	# of units held (unit)	(%)
Japan Trustee Services Bank, Ltd. (Trust Acct.)	18,022	9.01
Nikko Cititrust and Banking Co., Ltd. (Investment Trust Acct.)	14,341	7.17
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	14,329	7.16
State Street Bank and Trust Company	12,953	6.47
The Master Trust Bank of Japan, Ltd. (Trust Acct.)	11,499	5.74
The Nomura Trust and Banking Co., Ltd. (Investment Trust Acct.)	9,061	4.53
Kenedix, Inc.	7,850	3.92
The Bank of New York Treaty JASDEC Account	5,950	2.97
Goldman Sachs International	4,556	2.27
JPMC Goldman Sachs Trust JASDEC lending Account	4,382	2.19
<b>TOTAL</b>	<b>102,943</b>	<b>51.47</b>

Note:  
1 Second decimal place omitted for ratios

## (Reference) Reporting of major unitholders

	Submitted on	# of units held (unit)	Ratio (%)
Nomura Securities Co., Ltd	2007/11/22	15,085	7.54
Nomura Asset Management Co., Ltd.		14,515	7.26
Nomura Securities Co., Ltd.		570	0.29
Nikko Asset Management Co., Ltd.	2007/10/5	15,027	7.51
Nikko Asset Management Co., Ltd.		14,585	7.29
Nikko Citigroup Limited		442	0.22
Cohen & Steers Capital Management Inc.	2007/10/30	14,362	7.18
Cohen & Steers Capital Management Inc.		14,266	7.13
Cohen & Steers Europe SA		96	0.05
Mizuho Securities Co., Ltd.	2007/7/23	11,258	5.63
Mizuho Asset Management Co., Ltd.		10,223	5.11
Mizuho Trust & Banking Co., Ltd.		818	0.41
Mizuho Securities Co., Ltd.		217	0.11

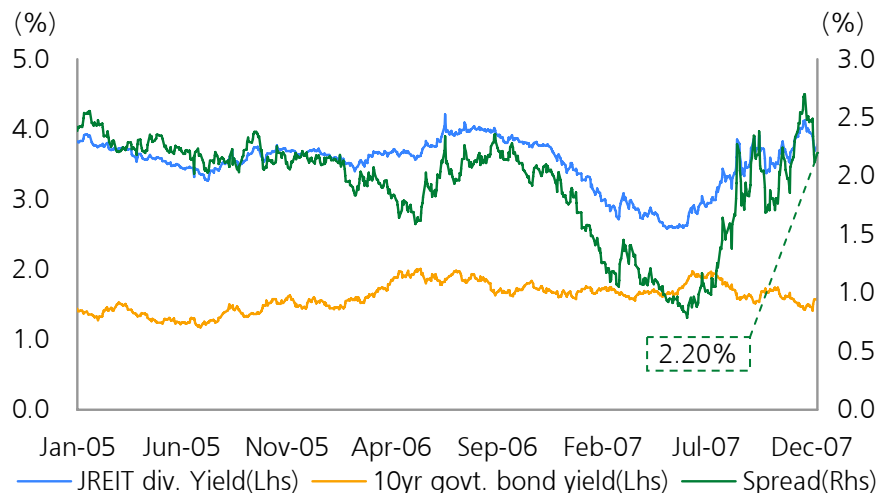
Notes:

- 1 Reports submitted as of Nov. 22, 2007
- 2 Ratio held of 200,000 units outstanding

# Global REIT Market vs. Government Bond

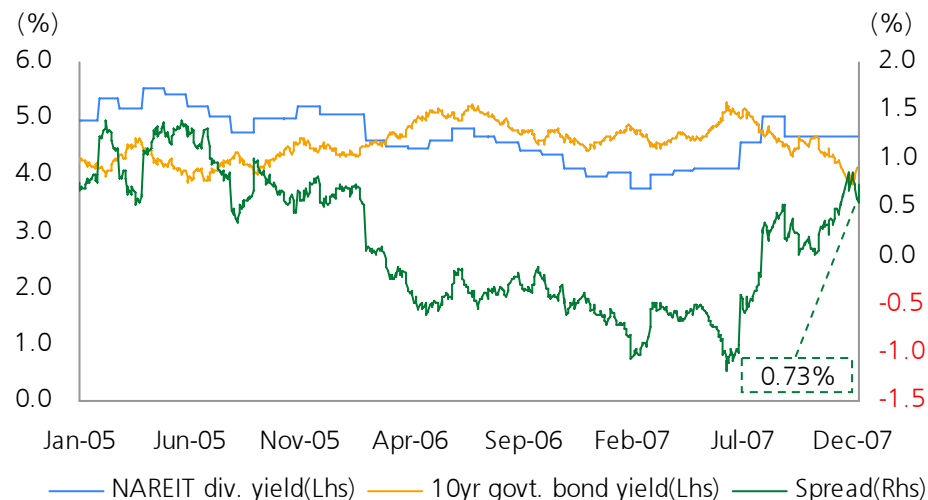
## J-REITs yield spread are still wider than other regions

### Japan



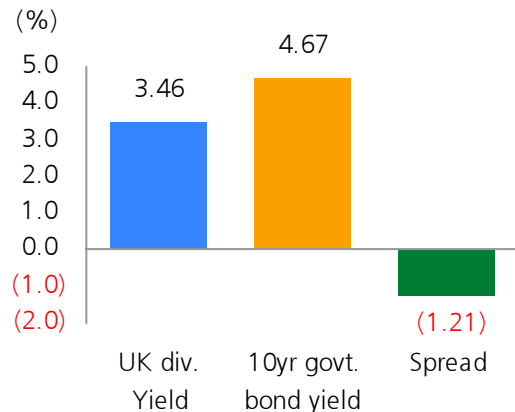
Source: UBS, Bloomberg  
Note : Data as of Dec.11, 2007

### US



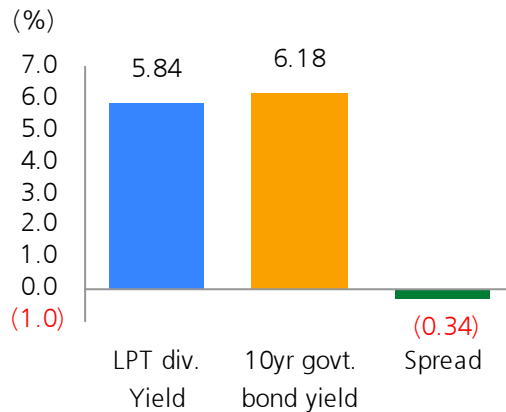
Source: Bloomberg  
Note : Data as of Dec.11, 2007

### UK



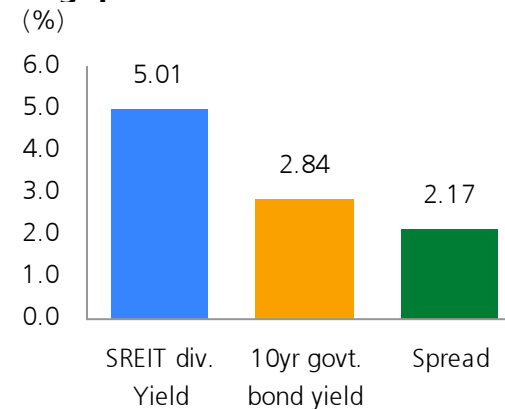
Source: UBS, Bloomberg  
Note : Data as of Dec.11, 2007

### Australia



Source: UBS, Bloomberg  
Note : Data as of Dec.11, 2007

### Singapore

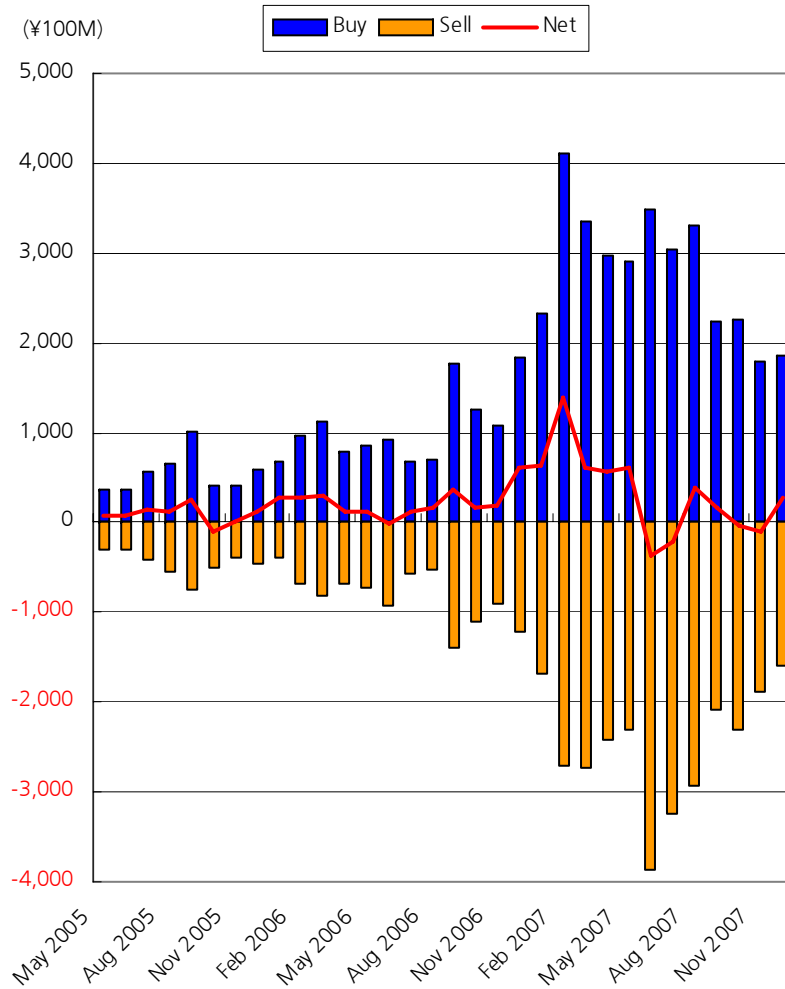


Source: UBS, Bloomberg  
Note : Data as of Dec.11, 2007

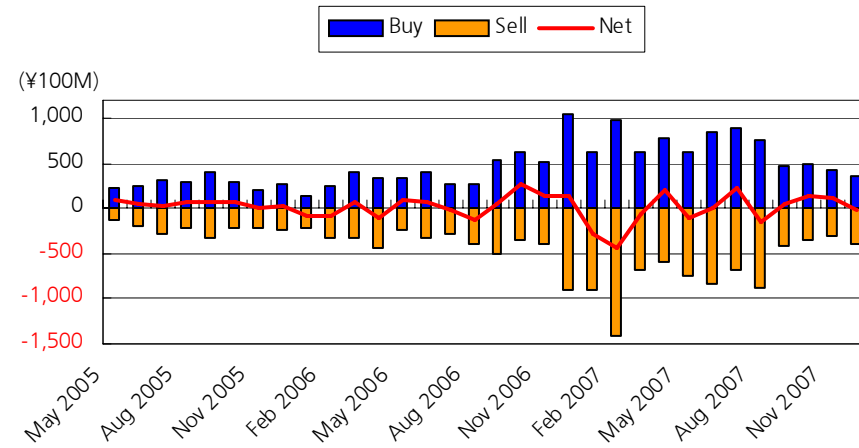


# J-REITs investment trends by investor category

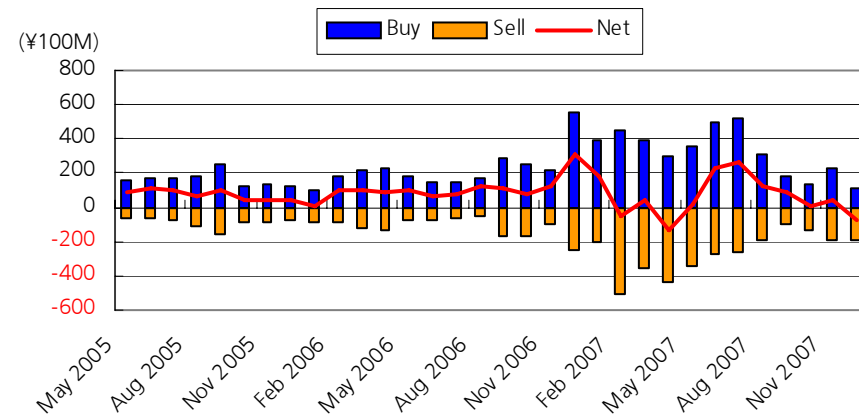
**Foreign Corporation and Individuals**



**Banks**



**Investment Trusts**



Source: Tokyo Stock Exchange

# Disclosure and IR activities

Complete renewal of company website on Mar. 3, 2008

Active information disclosure through our company website

You can check the portfolio and individual properties from the portfolio list and map. The pages for individual properties are linked with Google map



Asset Management Reports (sent to existing investors)



English Annual Reports



## (Reference) Number of investor meetings

Domestic institutions	251
Domestic regional financial institutions	91
International investors (Europe)	93
International investors (US)	93
International investors (other)	100
<b>TOTAL</b>	<b>628</b>

Note:

1 From Jun. 21, 2005 to Dec. 11, 2007 (including conference calls)

Domestic institutions	82
Domestic regional financial institutions	28
International investors (Europe)	15
International investors (US)	29
International investors (other)	43
<b>TOTAL</b>	<b>197</b>

Note:

1 From May 1, 2007 to Dec. 11, 2007

## (Reference) Access to KRI website

	(clicks)
Press release	11,837
Portfolio	7,432
Disclosure material	4,361
KDRM site top	4,681
Dividends	2,426
Occupancy rate	2,426
English Website	1,681
Bank borrowings	1,507
<b>TOTAL TRAFFIC</b>	<b>32,880</b>

Note:

1 Six-months from May 1, 2007 to Oct. 31, 2007

## English

As additional service, we have prepared an English website



Disclosure through English Website <http://www.kdx-reit.com/eng/>

# Financing Strategy—Equity finance and debt finance

## Estimated capital costs

### Asset yield (5th period)

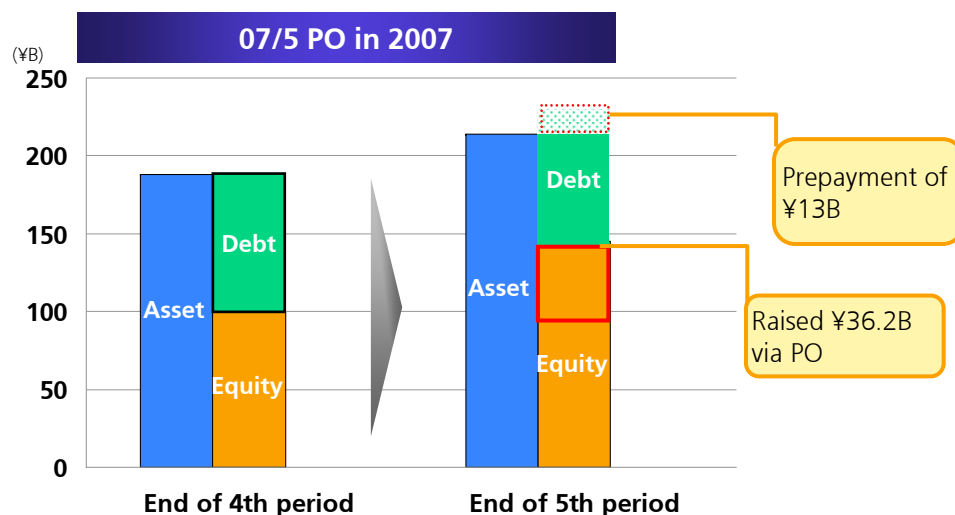
- ◆ NOI from property leasing c.5.4%

### Capital cost

- ◆ Average interest rate for debts as of end of 5th period: c.1.56%
- ◆ Average leverage during the 5th period: c.38%
- ◆ Yield level of dividends as of end of 5th period: c.3.5%
  - Unit price as of end of 5th period: ¥795,000
  - WACC: c.2.7–2.8%

## Lenders

Sumitomo Mitsui Banking Corporation  
 The Chuo Mitsui Trust and Banking Co., Ltd  
 The Norinchukin Bank  
 The Bank of Tokyo Mitsubishi UFJ, Ltd.  
 Mitsubishi UFJ Trust and Banking Corporation  
 Aozora Bank, Ltd.  
 Resona Bank, Ltd.  
 The Chiba Bank, Ltd.  
 Mitsui Sumitomo Insurance Co., Ltd.  
 Development Bank of Japan



## (Reference) Refinance during 5<sup>th</sup> period

# of transaction	Repayment	Borrowing
6 (5 Lenders)	¥7.25B	¥7.25B

## Est. borrowing capacity

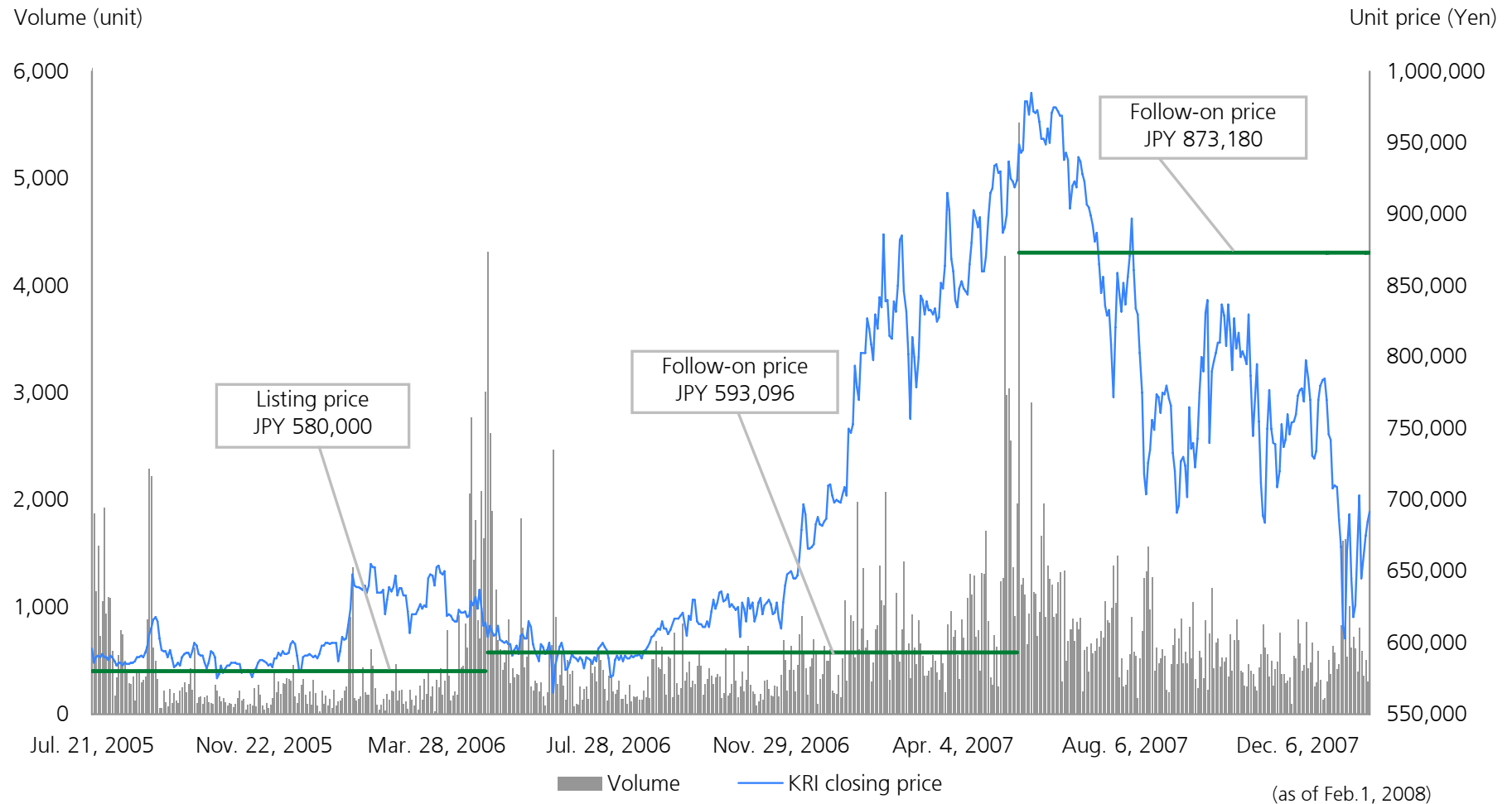
	1st period	2nd period	3rd period	4th period	5th period
Debt (¥B)	29	42	62	88.5	75.5
D/E ratio	37.5%	45.6%	38.7%	47.0%	35.3%

LTV target:  
Mid 30% to 50%

Borrowing capacity estimation is  
¥63B

# Unit price performance/transaction volume

## KRI unit price performance



# Statements of income

	4th period 2006/11/1–2007/4/30		5th period 2007/4/30–2007/10/31	
	Amount (¥ thousand)	Of operating(%)	Amount (¥ thousand)	Of operating(%)
Rental and other operating revenues	4,965,303		6,334,707	
Rental revenues	4,234,864		5,336,255	
Common area charges	730,439		998,452	
Others	682,158		873,538	
Parking space rental revenues	182,047		222,255	
Utility charge reimbursements	274,748		476,613	
Miscellaneous	225,363		174,669	
Total rental and other operating revenues (A)	5,647,461		7,208,246	
Profit on side of trust beneficiary interests in real estate	130,748		-	
Operating revenues	5,778,210	100.0	7,208,246	100.0
Property management fees and management fees	571,265		704,418	
Utilities	275,900		454,312	
Taxes	206,871		329,927	
Repairs and maintenance costs	89,963		119,710	
Other expenses <sup>1</sup>	219,487		205,345	
Depreciation	1,243,900		1,392,013	
Total property-related expenses (B)	2,607,389		3,205,728	
Rental business profit (A-B)	3,040,072		4,002,518	
Net operating income (NOI)	4,283,972		5,394,531	
Asset management fees	306,965		369,009	
Other operating expenses <sup>2</sup>	177,110		162,583	
Operating expenses	3,091,465	53.5	3,737,320	51.8
Operating income	2,686,744	46.5	3,470,925	48.2
Non Operating income	9,716	0.2	11,934	0.2
Interest expense	450,605		481,855	
Investment coporation bonds interest	29,320		113,304	
Financing related expense	20,595		24,338	
Amortization of bond issuance costs	1,501		5,877	
Amortization of unit issuance costs	17,784		41,468	
Amortization of organization costs	5,089		5,089	
Other non-operating expenses	22,685		17,859	
Non-operating expenses	547,581	9.5	689,794	9.6
Non-operating expenses	▲ 537,865	▲ 9.3	▲ 677,860	▲ 9.3
<b>Ordinary income</b>	<b>2,148,879</b>	<b>37.2</b>	<b>2,793,064</b>	<b>38.7</b>
Income before income taxes	2,148,879	37.2	2,793,064	38.7
Income taxes	816	0.0	1,029	0.0
Deferred income taxes	4		▲ 5	
<b>Net income</b>	<b>2,148,058</b>	<b>37.2</b>	<b>2,792,039</b>	<b>38.7</b>
Retained earnings at the beginning of period	59		43	
Retained earnings at the end of period	2,148,117		2,792,083	

Notes:

1 Other expenses:

2 Other operating expenses:

Insurance premium, trust fees, etc.

Directors compensation, asset custodian fees, administrative service fees, audit fees etc.

Net operating days in each period

- ◆ 5th period: 184days (May 1, 2007–Oct. 31, 2007)
- 4th period: 181days (Nov. 1, 2006–Apr. 30, 2007)

To see Income statement by property, please refer to the list in the Kessan Tanshin

◆ Rental and other operating revenues:

- To the 72 properties as of the end of the 4th period, we have added 5 new office buildings
- 77 properties as of the end of the 5th period

◆ Property-related expenses:

- Property tax and city planning tax were included to expenses on tax payment date

◆ Amortization of unit issuance costs:

- Issuance costs were split in three years from the 3rd period

## Summary of the revisions to the 5<sup>th</sup> period (ended October 31, 2007) results forecast

	Initial forecast (announced on Jun. 11, 2007)	Actual results	Differences from original forecast
Operating revenues	7,060	7,208	+148 (+2.1%)
Operating income	3,470	3,350	+120 (+3.6%)
Net income	2,680	2,792	+112 (+4.2%)
Distribution per unit	¥13,400	¥13,960	+¥560 (+4.2%)

# Balance sheet

ASSETS	4th period as of Apr. 30, 2007		5th period as of Oct. 31, 2007	
	Amount (¥ thousand)	(%)	Amount (¥ thousand)	(%)
<b>Current assets</b>	9,333,184	4.9	12,570,970	4.9
Cash and bank deposits	3,740,550		6,561,025	
Entrusted deposits	5,182,512		5,762,315	
Other current assets	410,121		247,630	
<b>Fixed assets</b>	178,896,941	95.0	200,932,798	94.0
Property and equipment at cost	178,516,827	94.8	200,564,337	93.8
Buildings	4,902,623		4,896,943	
Land	7,910,082		7,918,083	
Buildings in trust	60,426,940		64,120,208	
Land in trust	105,277,180		123,629,101	
Intangible assets	285,144	0.1	285,350	0.1
Ground leasehold	285,144		285,350	
Investments and other assets	94,969	0.1	83,110	0.1
Leasehold and security deposits	11,649		12,411	
Long-term prepaid expenses	83,320		68,165	
Deferred income tax asset	-		2,534	
<b>Deferred assets</b>	170,551	0.1	260,220	0.1
Organization costs	30,538		25,448	
Corporate bond issuance costs	68,875		62,997	
Unit issuance costs	71,138		171,774	
<b>TOTAL ASSETS</b>	188,400,678	100.0	213,763,989	100.0

<b>Current liabilities</b>	21,444,151	11.4	21,245,911	9.9
Trade and other payables	275,299		358,328	
Short-term debt	20,000,000		19,500,000	
Other account payables	225,737		168,666	
Rents received in advance	916,372		1,141,332	
Others	26,743		77,584	
<b>Fixed liabilities</b>	76,078,756	40.4	64,756,142	30.3
Corporate bonds	12,000,000		12,000,000	
Long-term debt	56,500,000		44,000,000	
Leasehold and security deposit received	626,499		647,396	
Security deposit received in trust	6,952,256		8,102,312	
Derivative liability	-		6,434	
<b>LIABILITIES</b>	97,522,908	51.8	86,002,054	40.2
Total unitholders' capital	88,729,652	47.1	124,973,750	47.1
Retained earnings	2,148,117	1.1	2,792,084	1.1
Unrealized gain from deferred hedge transactions	-		▲ 3,899	▲ 0.0
<b>EQUITIES</b>	90,877,769	48.2	127,761,934	59.8
<b>TOTAL LIABILITIES AND UNITHOLDERS' EQUITY</b>	188,400,678	100.0	213,763,989	100.0

◆ Properties and equipment at cost  
 – 71 properties held at the end of the 5th period are held in the form of trust beneficiary interests. KDX Funabashi Building, KDX Nogizaka Building, KDX Nishi-Gotanda Building, KDX Okachimachi Building, KDX Nishi-Shinjuku Building, KDX Monzen-Nakacho Building were acquired as real estate

## End of 5th period

(¥M)	① Acquisition value	② Book value	③ Appraisal value at the end of 5th period	③-①		③-②	
				Differences from acquisition value (%)		Differences from book value (%)	
Office	137,979	140,411	156,048	+18,069 (+13.1%)		+15,637 (+11.1%)	
Central urban retail	16,059	16,541	18,250	+2,191 (+13.6%)		+1,709 (+10.3%)	
Residential	43,052	43,896	44,358	+1,306 (+3.0%)		+478 (+1.1%)	
<b>Total</b>	197,090	200,849	218,656	+21,566 (+10.9%)		+17,807 (+8.9%)	

## End of 4th period

(¥M)	Acquisition value	Book value	Appraisal value at the end of 4th period	Differences from acquisition value (%)		Differences from book value (%)	
Office	115,979	118,029	127,187	+11,208 (+9.7%)		+9,158 (+7.8%)	
Central urban retail	16,059	16,606	18,050	+1,991 (+12.4%)		+1,444 (+8.7%)	
Residential	43,052	44,166	44,468	+1,416 (+3.3%)		+302 (+0.7%)	
<b>Total</b>	175,090	178,801	189,705	+14,615 (+8.3%)		+10,904 (+6.1%)	

◆ Measurement of interest swap at fair value recorded as a piece of total unitholders' capital from the 4th period  
 ◆ Out of the interest rate swap transactions, one was accounted for under deferred hedge accounting (Notional principal amount ¥1.5B)

# Portfolio overview

## Office buildings as of the end of October 31, 2007 (44 properties)

Area	# of props.	Name	Location	Acquisition price (¥M) <sup>1</sup>	Completion date <sup>2</sup>	Occupancy Ratio (%) <sup>3</sup>
Office	A-40	Toranomon Toyo Building	Minato ward, Tokyo	9,850	Aug. 1962	97.5%
	A-37	KDX Ochanomizu Building	Chiyoda ward, Tokyo	6,400	Aug. 1982	100.0%
	A-32	KDX Shiba-Daimon Building	Minato ward, Tokyo	6,090	Jul. 1985	100.0%
	A-13	KDX Kojimachi Building	Chiyoda ward, Tokyo	5,950	May 1994	97.1%
	A-1	KDX Nihonbashi 313 Building	Chuo ward, Tokyo	5,940	Apr. 1974	100.0%
	A-16	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	100.0%
	A-2	KDX Hirakawacho Building	Chiyoda ward, Tokyo	5,180	Mar. 1988	100.0%
	A-17	Ebisu East 438 Building	Shibuya ward, Tokyo	4,640	Jan. 1992	100.0%
	A-3	Higashi-Kayabacho Yuraku Building	Chuo ward, Tokyo	4,450	Jan. 1987	100.0%
	A-39	KDX Toranomon Building	Minato ward, Tokyo	4,400	Apr. 1988	100.0%
	A-30	KDX Nishi-Gotanda Building	Shinagawa ward, Tokyo	4,200	Nov. 1992	100.0%
	A-4	KDX Hatchobori Building	Chuo ward, Tokyo	3,680	Jun. 1993	100.0%
	A-18	KDX Omori Building	Ohta ward, Tokyo	3,500	Oct. 1990	100.0%
	A-19	KDX Hamamatsucho Building	Minato ward, Tokyo	3,460	Sep. 1999	100.0%
	A-29	KDX Higashi-Shinjuku Building	Shinjuku ward, Tokyo	2,950	Jan. 1990	92.6%
	A-20	KDX Kayabacho Building	Chuo ward, Tokyo	2,780	Oct. 1987	100.0%
	A-21	KDX Shinbashi Building	Minato ward, Tokyo	2,690	Feb. 1992	100.0%
	A-5	KDX Nakano-Sakaue Building	Nakano ward, Tokyo	2,533	Aug. 1992	100.0%
	A-22	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	99.6%
	A-6	Harajuku F.F. Building	Shibuya ward, Tokyo	2,450	Nov. 1985	100.0%
	A-27	KDX Kajicho Building	Chiyoda ward, Tokyo	2,350	Mar. 1990	85.8%
	A-15	KDX Hamacho Building	Chuo ward, Tokyo	2,300	Sep. 1993	100.0%
	A-41	KDX Shinjuku 286 Building	Shinjuku ward, Tokyo	2,300	Aug. 1989	100.0%
	A-7	FKI Minami Aoyama	Minato ward, Tokyo	2,270	Nov. 1988	100.0%
	A-14	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	100.0%
	A-33	KDX Okachimachi Building	Taito ward, Tokyo	2,000	Jun. 1988	100.0%
	A-8	Kanda Kihara Building	Chiyoda ward, Tokyo	1,950	May 1993	100.0%
	A-23	KDX Yotsuya Building	Shinjuku ward, Tokyo	1,950	Oct. 1989	100.0%
	A-9	KDX Shinjuku-Gyoen Building	Shinjuku ward, Tokyo	1,610	Jun. 1992	100.0%
	A-26	KDX Kiba Building	Koto ward, Tokyo	1,580	Oct. 1992	100.0%
	A-38	KDX Nishi-Shinjuku Building	Shinjuku ward, Tokyo	1,500	Oct. 1992	100.0%
	A-31	KDX Monzen-Nakacho Building	Koto ward, Tokyo	1,400	Sep. 1986	84.4%
	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	85.6%
	A-28	KDX Nogizaka Building	Minato ward, Tokyo	1,065	May 1991	87.7%
	A-10	KDX Koishikawa Building	Bunkyo ward, Tokyo	704	Oct. 1992	100.0%
	A-12	Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	94.6%
	A-42	Karasuma Building	Kyoto, Kyoto	5,400	Oct. 1982	100.0%
	A-43	KDX Hakata Building	Fukuoka, Fukuoka	2,350	Jul. 1982	100.0%
	A-44	KDX Sendai Building	Sendai, Miyagi	2,100	Feb. 1984	97.1%
	A-24	KDX Minami Sembu Dai-1 Building	Osaka, Osaka	1,610	Mar. 1993	100.0%
	A-25	KDX Minami Sembu Dai-2 Building	Osaka, Osaka	1,560	Sep. 1993	93.6%
	A-11	Hakata-Ekimae Dai-2 Building	Fukuoka, Fukuoka	1,430	Sep. 1984	94.4%
	A-36	KDX Niigata Building	Niigata, Niigata	1,305	Jul. 1983	71.2%
Office (Total 44 properties) Sub Total				137,979	-	-

## Properties acquired on February 1, 2008 (9 properties)

Area	# of props.	Name	Location	Acquisition price (¥M) <sup>1</sup>	Completion date <sup>2</sup>	Occupancy Ratio (%) <sup>3</sup>
Office	A - 46	Hiei Kudan-Kita Building	Chiyoda ward, Tokyo	7,600	Mar. 1988	100.0%
	A - 47	KDX Shin-Yokohama 381 Building	Yokohama, Kanagawa	4,700	Mar. 1988	97.5%
	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	100.0%
	A - 50	Ikejiri-Oohashi Building	Meguro ward, Tokyo	2,400	Sep. 1988	71.8%
	A - 51	KDX Hamacho Nakanohashi Building	Chuo ward, Tokyo	2,310	Sep. 1988	100.0%
	A - 52	KDX Kanda Misaki-cho Building	Chiyoda ward, Tokyo	1,380	Oct. 1992	100.0%
	A - 53	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun. 1973	94.2%
	A - 54	KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	88.1%
Office (Total 9 properties) Sub Total				31,980	-	-

## Property acquired on January 10, 2008 (1 property)

Area	# of props.	Name	Location	Acquisition price (¥M) <sup>1</sup>	Completion date <sup>2</sup>	Occupancy Ratio (%) <sup>3</sup>
Office	1	A - 45 KDX Roppongi 228 Building	Minato ward, Tokyo	3,300	Apr. 1989	91.3%
Office (Total 1 property) Sub Total				3,300	-	-

## Central urban retail properties as of the end of October 31, 2007 (3 properties)

Area	# of props.	Name	Location	Acquisition price (¥M) <sup>1</sup>	Completion date <sup>2</sup>	Occupancy rate (%) <sup>3</sup>
Central Urban Retail	C-1	Frame Jinnan-zaka	Shibuya ward, Tokyo	9,900	Mar. 2005	100.0%
	C-2	KDX Yoyogi Building	Shibuya ward, Tokyo	2,479	Aug. 1991	100.0%
	C-3	ZARA Tenjin Nishi-dori	Fukuoka, Fukuoka	3,680	Nov. 2005	100.0%
Office (Total 9 properties) Sub Total				16,059	-	-

### Notes:

- The acquisition price equals the transaction value of the trust beneficiary and other rights the investment corporation has acquired (before taxes, and rounded down to the nearest million)
- The building completion date refers to the registered month/year when the building was initially built. The weighted average of the building ages on acquisition prices of 77 properties as of the end of Oct., 2007 is 16.2 years. The weighted averages of the building ages of 44 office buildings, 3 central urban retail properties, 30 residential properties are 20.8 years, 4.4 years, 5.6 years, respectively
- The occupancy rate is calculated by dividing the occupied area (as of Oct. 31, 2007) by the total leasable area (rounded to the first decimal place), and the occupancy rates of 1 office building property acquired on Jan. 10, 2008 and 9 office buildings properties acquired on Feb. 1, 2008 are calculated as of Nov. 30, 2007. The weighted average of the occupancy rates on acquisition prices of 77 properties as of the end of Oct. 2007 is 96.9%. The weighted averages of the occupancy rates of 44 office buildings, 3 central urban retail properties, 30 residential properties are 97.5%, 100.0%, 95.5%, respectively

# Portfolio overview

## Residential properties as of the end of October 31, 2007 (30 properties)

Area	# of props.	Name	Location	Acquisition price (¥M) <sup>1</sup>	Completion date <sup>2</sup>	Occupancy Ratio (%) <sup>3</sup>	
Residential	Tokyo metropolitan area	B-19	Residence Charmante Tsukishima	Chuo ward, Tokyo	5,353	Jan. 2004	100.0%
		B-20	Regalo Ochanomizu I-II	Bunkyo ward, Tokyo	3,600	I: Jan. 2006 II: Feb. 2006	97.2%
		B-1	Storia Sirokane	Minato ward, Tokyo	3,150	Feb. 2003	93.5%
		B-2	Tre di Casa Minami Aoyama	Minato ward, Tokyo	2,460	Feb. 2004	94.8%
		B-21	Regalo Shiba-Kouen	Minato ward, Tokyo	2,260	Nov. 2005	94.9%
		B-3	Court Mejiro	Shinjuku ward, Tokyo	1,250	Mar. 1997	100.0%
		B-4	Apartments Motoazabu	Minato ward, Tokyo	1,210	Jan. 2004	97.4%
		B-5	Apartments Wakamatsu Kawada	Shinjuku ward, Tokyo	1,180	Feb. 2004	94.6%
		B-22	Chigasaki Socie Ni-bankan	Chigasaki, Kanagawa	1,160	Jan. 1991	89.6%
		B-6	Court Nihonbashi-Hakozaki	Chuo ward, Tokyo	1,130	Feb. 2004	96.7%
		B-23	Court Nishi-Shinjuku	Shinjuku ward, Tokyo	1,130	Oct. 2005	100.0%
		B-7	Side Denenchofu	Ohta ward, Tokyo	1,110	Feb. 1997	97.2%
		B-34	Gradito Kawaguchi	Kawagushi, Saitama	1,038	Feb. 2006	100.0%
		B-8	S-court Yokohama-Kannai II	Yokohama, Kanagawa	945	Mar. 2003	97.4%
		B-24	Regalo Komazawa-Kouen	Setagaya ward, Tokyo	912	Feb. 2006	97.8%
		B-9	Court Motoasakusa	Taito ward, Tokyo	880	Jan. 2005	88.3%
		B-25	Court Shin-Okachimachi	Taito ward, Tokyo	878	Oct. 2005	90.7%
		B-11	Bloom Omotesando	Shibuya ward, Tokyo	875	Mar. 2003	82.8%
		B-13	Human Heim Okachimachi	Taito ward, Tokyo	830	Dec. 2004	100.0%
		B-26	Primo Regalo Kagurazaka	Shinjuku ward, Tokyo	762	Jan. 2006	97.2%
	B-27	Primo Regalo Youga	Setagaya ward, Tokyo	730	Dec. 2005	100.0%	
	B-28	Court Shimouma	Setagaya ward, Tokyo	638	Oct. 2005	96.9%	
	Other regional areas	B-29	Ashiya Royal Homes	Ashiya, Hyogo	2,330	Jun. 1991	100.0%
		B-18	Venus Hibarigaoka	Sapporo, Hokkaido	1,800	Mar. 1989	94.4%
		B-30	Regalo Ibaraki I-II	Ibaraki, Osaka	1,600	I: May. 1991 II: Mar. 1993	90.1%
		B-31	Collection Higashi-Sakura	Nagoya, Aichi	1,264	Mar. 2006	85.1%
		B-32	Renaissance 21 Hirao Jousui-machi	Fukuoka, Fukuoka	900	Oct. 2005	95.8%
		B-33	Montore Nishikouen Bay Court	Fukuoka, Fukuoka	826	Feb. 2006	97.2%
		B-16	Abreast Hara	Nagoya, Aichi	444	Feb. 2000	97.8%
		B-17	Abreast Hirabari	Nagoya, Aichi	407	Mar. 2000	100.0%
Residential (Total 30 properties) Sub Total				43,052	-	-	

### Notes:

- 1 The acquisition price equals the transaction value of the trust beneficiary and other rights the investment corporation has acquired (before taxes, and rounded down to the nearest million)
- 2 The building completion date refers to the registered month/year when the building was initially built
- 3 The occupancy rate is calculated by dividing the occupied area (as of Oct. 31, 2007) by the total leasable area (rounded to the first decimal place)
- 4   : Disposed on Feb. 1, 2008



# The cross-deal of properties

## Acquisition of offices

Property name	Area	Appraisal value (¥M)	Acquisition price (¥M)	Note	
				Specified asset	Line
Hiei Kudan-Kita Building	Tokyo metropolitan area	7,910	7,600	Trust	Prop
KDX Hakata-Minami Building	Other regional areas	4,900	4,900	Prop	Prop
KDX Shin-Yokohama 381 Building	Tokyo metropolitan area	4,700	4,700	Trust	Prop
KDX Kawasaki-Ekimae Honcho Building	Tokyo metropolitan area	3,760	3,760	Prop	Prop
Nissou Dai-17 Building	Tokyo metropolitan area	2,300	2,710	Trust	WH
Ikejiri-Oohashi Building	Tokyo metropolitan area	2,450	2,400	Trust	Prop
KDX Hamacho Nakanohashi Building	Tokyo metropolitan area	2,360	2,310	Trust	Prop
KDX Kitahama Building	Other regional areas	2,220	2,220	Trust	Prop
KDX Kanda Misaki-cho Building	Tokyo metropolitan area	1,380	1,380	Prop	WH
<b>TOTAL</b>		<b>31,980</b>	<b>31,980</b>		



## Sale of residential

Property No.	Property name	Initial acquisition price (¥M)	Area	Appraisal value (¥M)	Sale price (¥M)
B-1	Storia Sirokane	3,150	Tokyo metropolitan area	3,370	3,370
B-2	Tre di Casa Minami Aoyama	2,460	Tokyo metropolitan area	2,680	2,680
B-6	Court Nihonbashi-Hakozaki	1,130	Tokyo metropolitan area	1,220	1,220
B-7	Side Denenchofu	1,110	Tokyo metropolitan area	1,110	1,110
B-8	S-court Yokohama-Kannai II	945	Tokyo metropolitan area	1,020	1,020
B-9	Court Motoasakusa	880	Tokyo metropolitan area	943	943
B-11	Bloom Omotesando	875	Tokyo metropolitan area	962	962
B-13	Human Heim Okachimachi	830	Tokyo metropolitan area	905	905
B-16	Abreast Hara	444	Other regional areas	494	494
B-17	Abreast Hirabari	407	Other regional areas	457	457
B-20	Regalo Ochanomizu I-II	3,600	Tokyo metropolitan area	3,670	3,670
B-21	Regalo Shiba-Kouen	2,260	Tokyo metropolitan area	2,280	2,280
B-22	Chigasaki Socie Ni-bankan	1,160	Tokyo metropolitan area	1,140	1,140
B-23	Court Nishi-Shinjuku	1,130	Tokyo metropolitan area	1,160	1,160
B-24	Regalo Komazawa-Kouen	912	Tokyo metropolitan area	943	943
B-26	Primo Regalo Kagurazaka	762	Tokyo metropolitan area	770	770
B-27	Primo Regalo Youga	730	Tokyo metropolitan area	737	737
B-28	Court Shimouma	638	Tokyo metropolitan area	644	644
B-29	Ashiya Royal Homes	2,330	Other regional areas	2,420	2,420
B-30	Regalo Ibaraki I-II	1,600	Other regional areas	1,620	1,620
B-31	Collection Higashi-Sakura	1,264	Other regional areas	1,150	1,150
B-32	Renaissance 21 Hirao Jousui-machi	900	Other regional areas	964	964
B-33	Montore Nishikouen Bay Court	826	Other regional areas	831	831
<b>TOTAL</b>		<b>30,343</b>		<b>31,490</b>	<b>31,490</b>

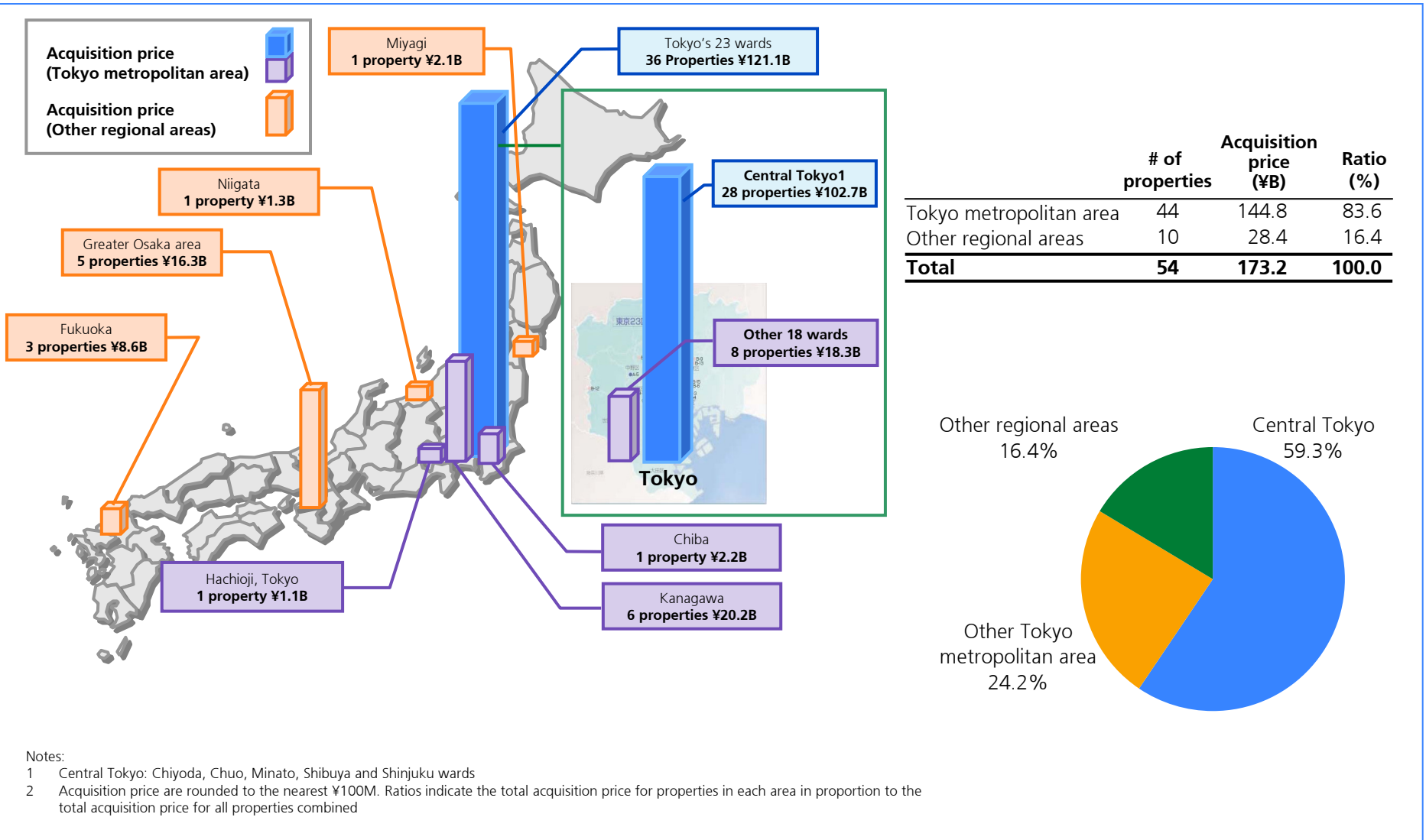
## Source of acquisition

	Acquisition of office	Support-line	Own (WH)
Number of properties	9	7	2
Acquisition price (¥M)	31,980	27,890	4,090
Average acquisition price	3,553	3,984	2,045
Appraisal value (¥M)	31,980	28,300	3,680
Differences between acquisition price and appraisal value	0	-410	+410

# Emphasis on mid-sized office buildings in Tokyo metropolitan area

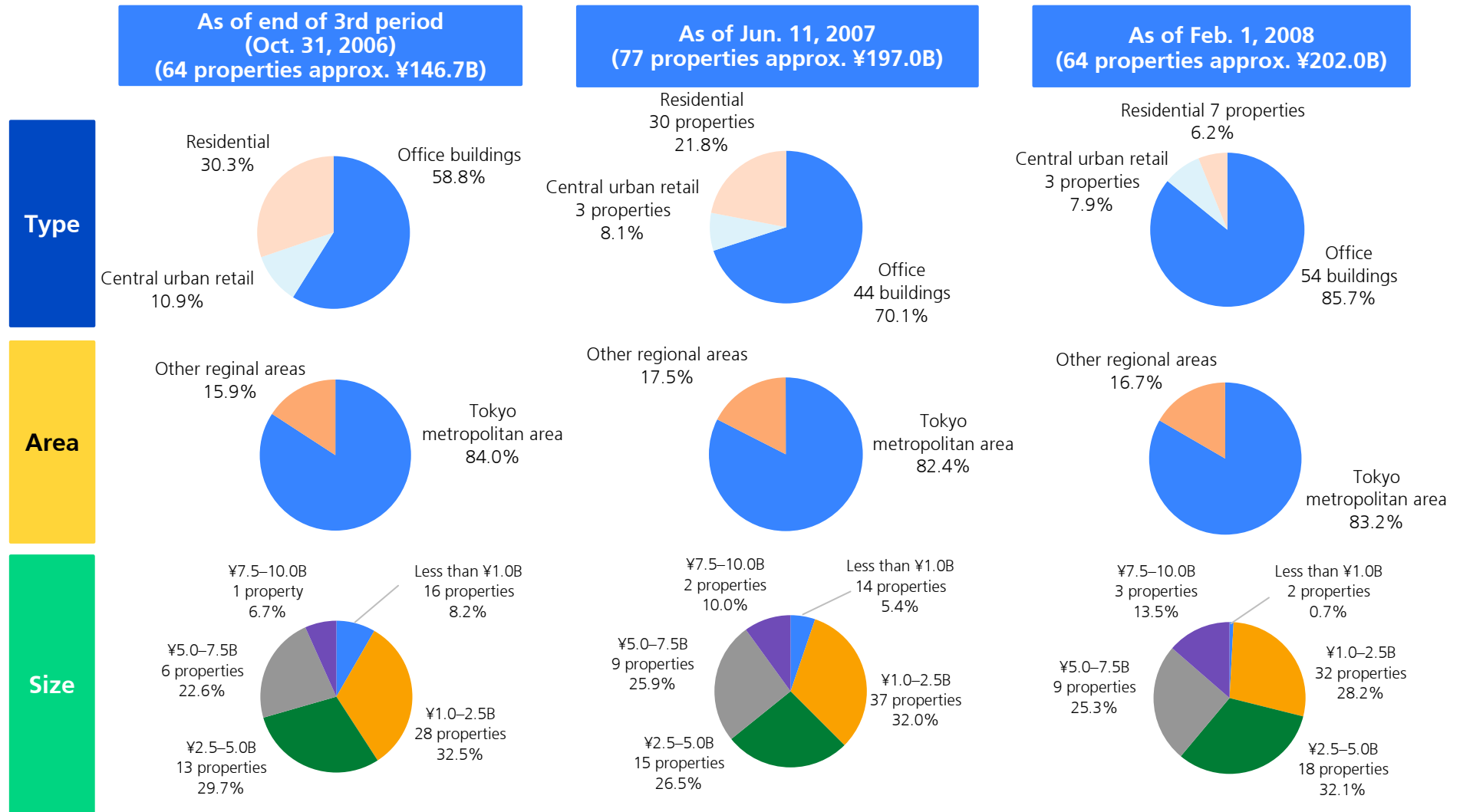
Office 54 properties, total acquisition price of ¥173.2B

(as of February 1, 2008)



# Focus on office buildings

## Portfolio overview



Note:  
1 Share (%) is rounded to the first decimal place. Ratios indicate the acquisition price for properties in each portion to the total acquisition price for all properties combined

# Management of existing properties—NOI yield and occupancy rates

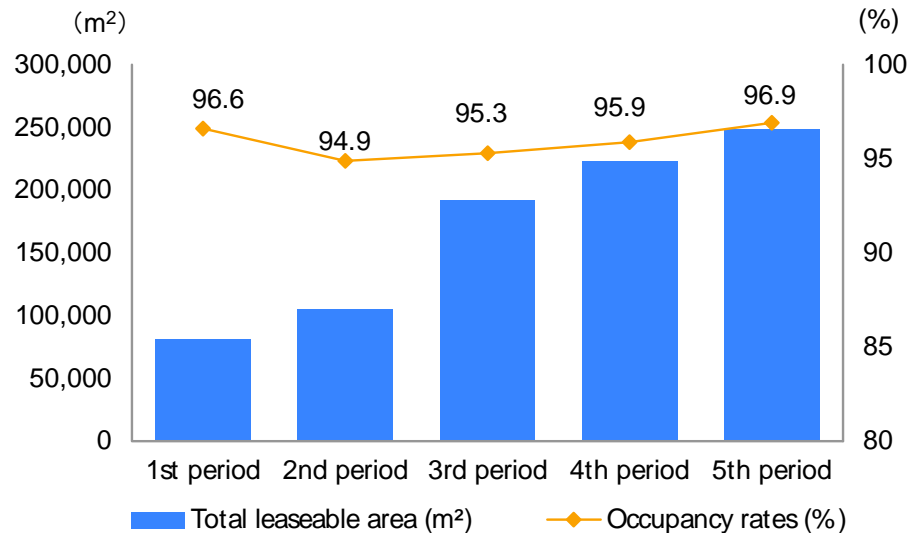
## NOI yield from property leasing of the portfolio (annualized)

	4th period	5th period *	5th period (Before Tax adjusted)
Office	5.3%	<b>5.5%</b>	5.7%
Urban retail centers	5.2%	<b>5.1%</b>	5.1%
Residentials	5.4%	<b>5.3%</b>	5.3%
Total	5.3%	<b>5.4%</b>	5.5%

Notes:

- 1 NOI yield from property leasing (rounded up): income from property business (before depreciation) / acquisition price
- 2 Calculation of NOI yield after including Property & City Planning Tax to expenses

## Leasable area and Occupancy rates

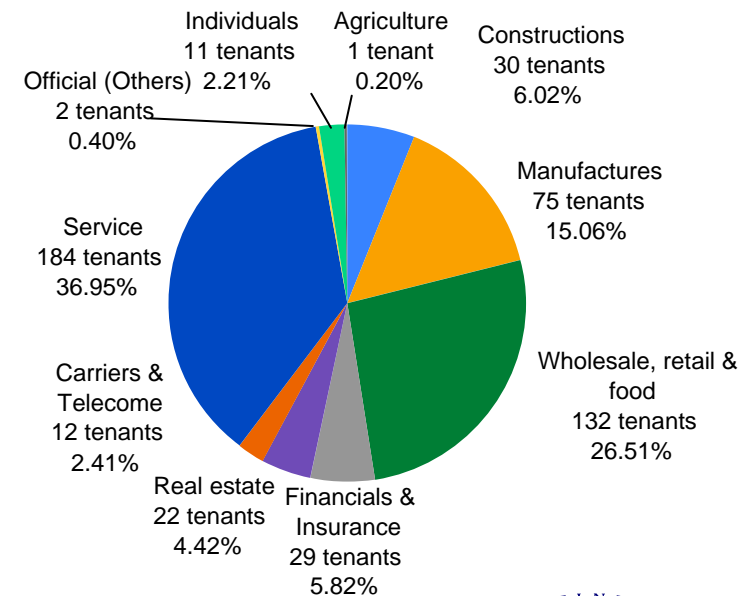


## Changes in # of end-tenants (by type)

	2nd period	3rd period	4th period	5th period
Office	187	318	400	516
Central urban retail	20	22	25	26
Residential	542	1,081	1,124	1,120

Note: Including type duplication

## Diversification in tenant mix (as of the end of 5th period) (Offices: 44 properties, Number of tenants: 498)



# KDX Toranomom Building. —Renovation of the entire building

After renovation—Typical floor



Before renovation



After renovation—Elevator hall

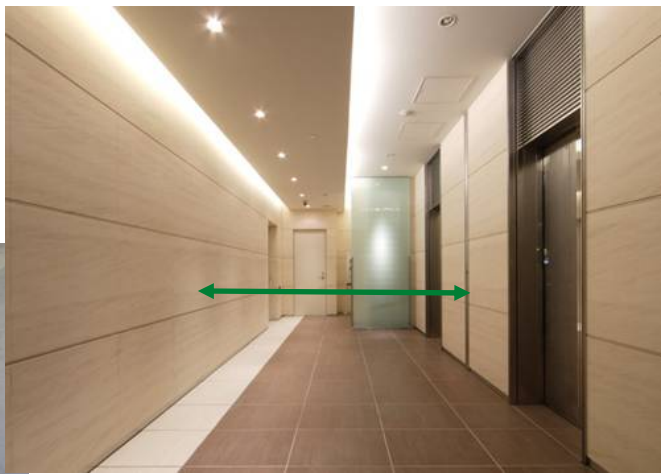


Before renovation



ELV Hall: Glass partition installed

After renovation—Entrance hall



Before renovation



After renovation—Toilet

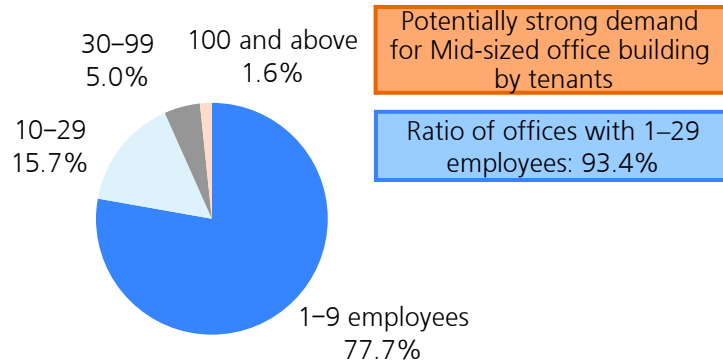


Before renovation



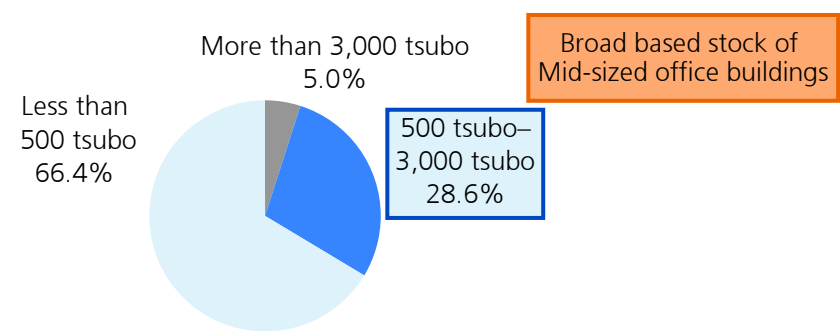
# (Reference data) Market environment for office buildings

## 1. Percentage of entities based on number of employees per office



Source: KDRM, based on Tokyo office statistics report as of 2006 (MPHPT Statistics Bureau)

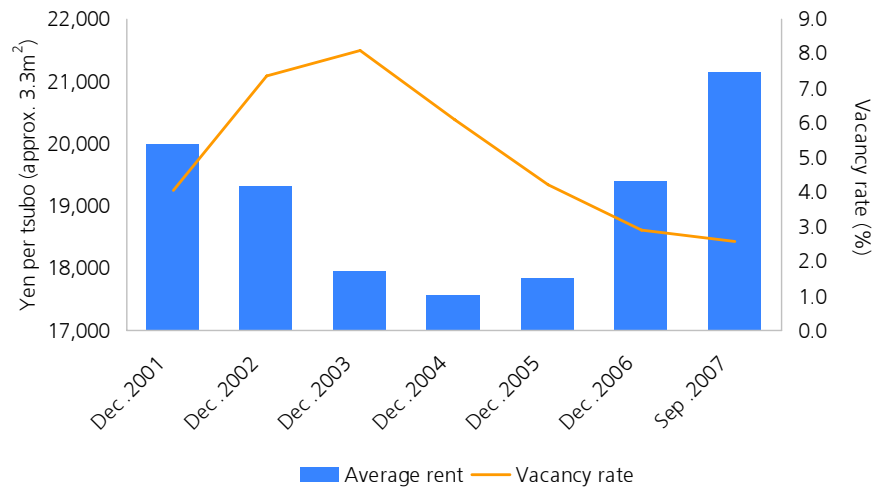
## 2. Distribution of office buildings by tsubo (Central Tokyo)



Source: Survey conducted by Ikoma Data Service System based on KRI's requests (survey as of end of Mar. 2007) "Macro market survey of Tokyo's central 5 wards"

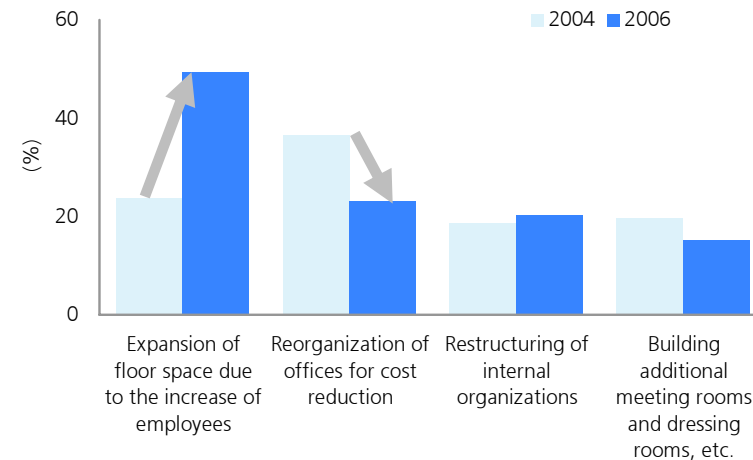
Note: The above data covers rental office buildings located in Tokyo's central 5 wards that were surveyed by Ikoma Data Service System. Please note that the above data may not include the data of all properties in the said 5 wards

## 3. Office building average rent and vacancy rates (Central Tokyo)



Source: Miki Shoji "Latest office building market conditions in Central Tokyo", Miki Shoji Co., Ltd.

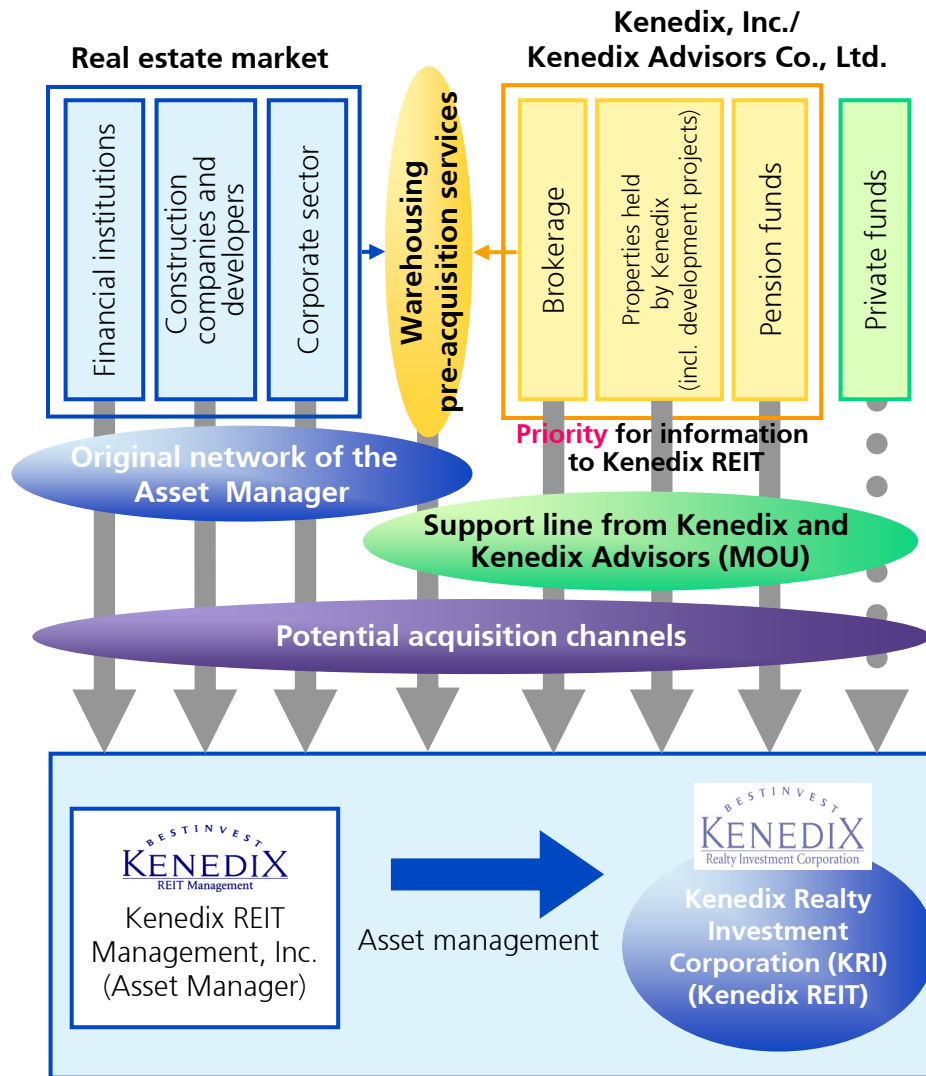
## 4. Reasons cited by companies in Tokyo if they were to relocate



Source: "Real Estate White Paper 2000", K.K. Ikoma Data Service System

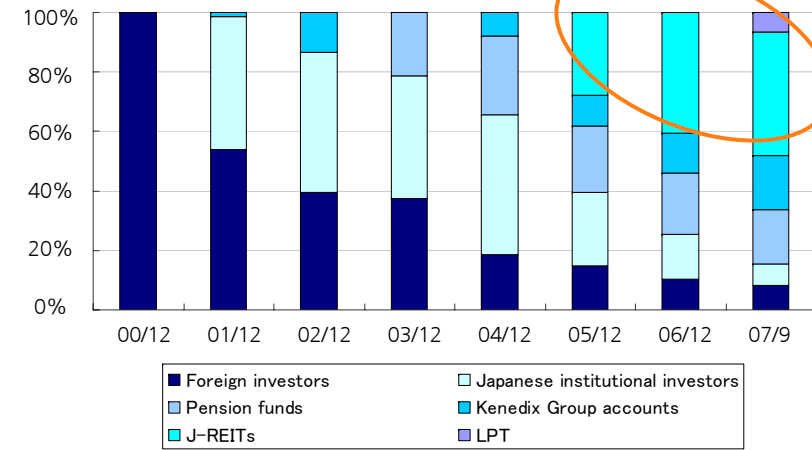
# Leverage of multi-pipeline and Kenedix Group's successful track record

## Property acquisition leveraging multiple acquisition pipelines

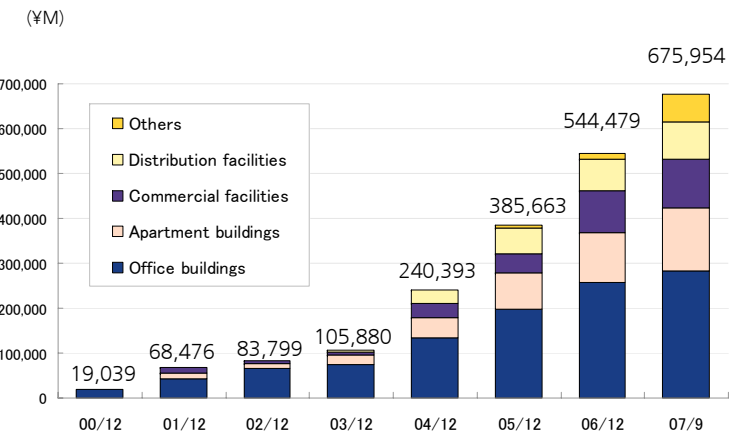


## Assets by type of investor

Increased importance of J-REITs within Kenedix Group



## Assets by type of property



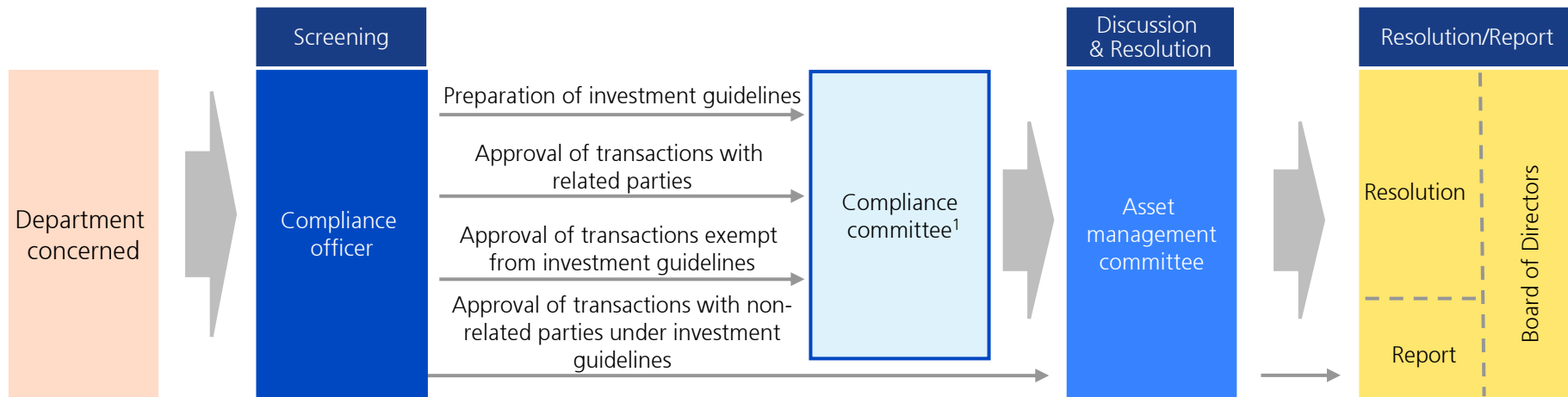
Source: Kenedix, Inc. as of Sep. 30, 2007

Note:

1 Includes properties of Japan Logistics Fund, which are entrusted to an affiliate of Kenedix, Inc. for asset management, and properties held by KRI

# Management structure of the asset management company

## Decision making flow chart



Note:

<sup>1</sup> One lawyer works as an external commission member

## Policy on transaction with related parties

- (1) Asset acquisition: **Must not acquire properties for more than appraised price (except for properties pre-acquired by Kenedix Inc. pursuant to the MOU)**
- (2) Asset disposal: **Must not sell properties for less than appraised price**
- (3) Real estate leasing: Proper conditions must be determined in conjunction with research on market price and conditions as well as reference to third party opinion
- (4) Real estate agency business such as trading and leasing properties: commissions must be within range specified in Building Lots and Buildings Transaction Business Law

### <Reference>

#### Meetings held by the various committees, Board of Directors of the asset management company/investment corporation

	1st period	2nd period	3rd period	4th period	5th period	Total
Compliance committee	7	7	7	8	6	35
Asset management committee	21	35	39	39	38	172
Board of Directors	9	7	9	8	9	42
<b>Board of Directors of investment co</b>	<b>11</b>	<b>7</b>	<b>7</b>	<b>9</b>	<b>7</b>	<b>41</b>

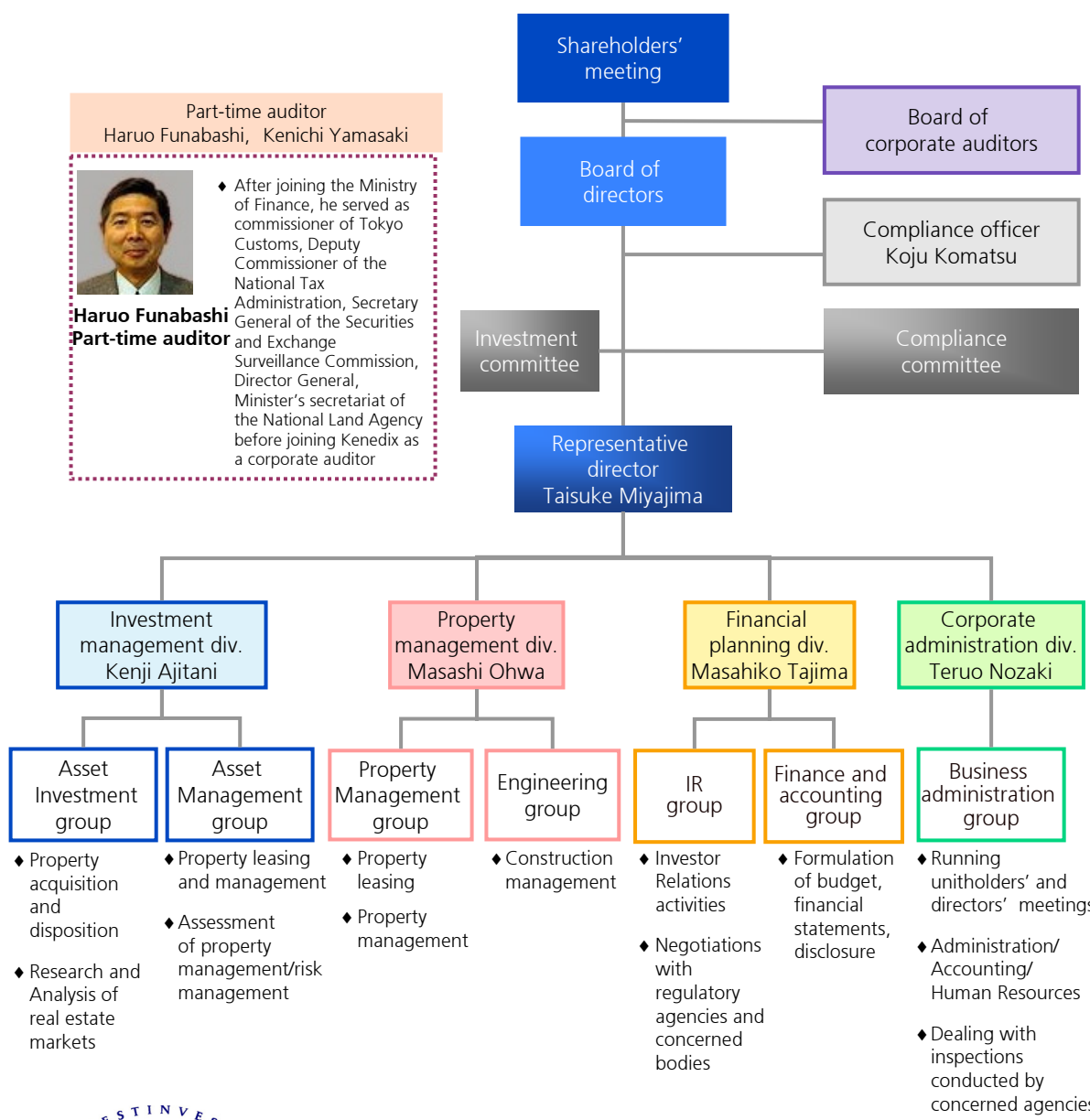
### <Reference>

#### Asset management company's management fee structure

- Management fee I: 0.15% of total assets
- Management fee II: 3.0% of money available for distribution in each fiscal period
- Acquisition fee: 0.5% of acquisition price (0.25% if interested parties)
- Transfer fee: capped at 0.5% of transfer price



# Kenedix REIT Management, Inc.—Organizational chart



Part-time auditor  
Haruo Funabashi, Kenichi Yamasaki



**Haruo Funabashi**  
Part-time auditor

- ◆ After joining the Ministry of Finance, he served as commissioner of Tokyo Customs, Deputy Commissioner of the National Tax Administration, Secretary General of the Securities and Exchange Surveillance Commission, Director General, Minister's secretariat of the National Land Agency before joining Kenedix as a corporate auditor

### Major members

**Taisuke Miyajima**  
CEO & President

- ◆ Worked for **Mitsubishi Trust and Banking** (debt capital market group, Los Angeles branch). Seven years of experience in real estate investment advisory division after joining Kenedix, Inc.
- ◆ Transferred to Kenedix REIT Management to become CEO and president

**Kenji Ajitani**  
Director & General Manager,  
Investment Management Division

- ◆ Worked for 10 years for **Sojitz Corporation** (incl. Construction Department)
- ◆ After joining Kenedix, he worked for Kenedix Advisors before being transferred to Kenedix REIT Management

**Masashi Ohwa**  
Director & General Manager,  
Property Management Division

- ◆ Worked for Asahi Urban Development Corporation, Nihonjisho, others before he joined Kenedix
- ◆ Executive Officer & General Manager of REIT Management Division, Kenedix Advisors before joining Kenedix REIT Management

**Masahiko Tajima**  
Director & General Manager,  
Financial Planning Division

- ◆ Worked for 12 years at **Chuo Mitsui Trust and Banking**, where he was responsible for securitization
- ◆ Joined Kenedix, Inc. after four years of experience in various securitized paper investments at **Sumitomo Life Insurance**
- ◆ MBA from Columbia Business School

**Koju Komatsu**  
Compliance Officer

- ◆ Worked for c.7 years for **Chuo Mitsui Trust and Banking** (Property Sales Department, Property Investment Advisory Department, Asset Finance Department)
- ◆ Joined Kenedix, Inc after having worked for Cititrust & Banking
- ◆ Property appraiser

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