

# 1. Current Status after the Earthquake

## Unresolved Issues

**Fukushima Nuclear Plant**

- Significant time is expected to be necessary before the cold shutdowns of all reactors
- Damage to the Japanese reputation of safety; additional damage caused by rumors/misinformation
- No outbreak of panic within Japan due to a generally calm reaction by the general public

**Power Outage**

- Energy saving and rolling power outage to negatively affect economic activities
- Certain amount of additional power supply to be provided by the summer, through the construction of new gas turbine generators and the operation of dormant generators
- Expectation of subdued power demand from a widespread consciousness to save energy

**Consumer Confidence**

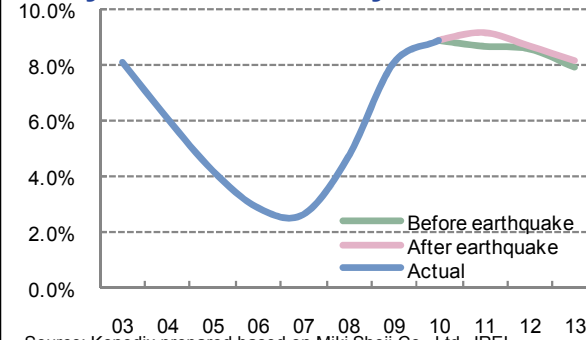
- General decline in spendings, due to the nuclear fear, energy saving, and anxiety over the stability of employment
- Rise of mindset to rectify unnecessary "restraint" on economic activities

## Snapshots of Current Lives



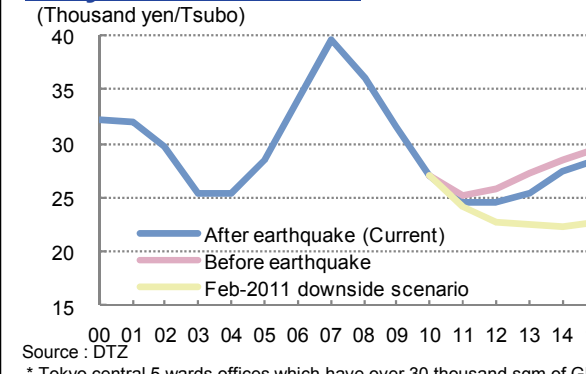
# 3. Real Estate Fundamentals

## Tokyo Office Vacancy Rate\*



Source: Kenedix prepared based on Miki Shoji Co., Ltd. JREI  
\* Vacancy rate after earthquake is calculated by Kenedix  
Tokyo central 5 wards.

## Tokyo Office Rents\*



Source: DTZ  
\* Tokyo central 5 wards offices which have over 30 thousand sqm of GFA

## Recent Trends

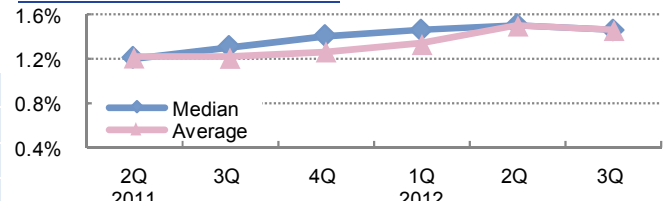
- Office**
  - Less moving activity by tenants; no significant change in vacancy rates of existing buildings
  - Scarcity in new demand that would match upcoming new supply
  - Rise in demand to move to more earthquake-resistant buildings among tenants of old buildings
  - Emerging trend of financial institutions and IT-related businesses moving certain business sections to the Kansai area, such as Osaka, where there are sufficient power supply
- Residential**
  - Less moves of Tokyo tenants, due to reasons such as the postponement of personnel transfers; no significant change in vacancy rates
  - Significant rise in occupancy rates in areas victimized by the earthquake, such as Sendai
  - Expected demand for rental condominiums in the Kansai area, such as Osaka, due to the increase in the move of offices into the area
  - Stable demand for rental condominiums due to slow down for apartment purchases
  - Falling demand for high-end rental condominiums designed for foreigners
- Retail**
  - NSCs, which handle daily necessities, are relatively stable
  - Revenues suffering in urban retail facilities and outlets
  - Significant damage to business for restaurants
- Others**
  - Logistics:**
    - Occupancy rates are rising in areas not victimized by the earthquake
    - Revaluation of inland assets, from assets in bay area where liquefaction occurred
  - Data Center:**
    - Physical damage was limited, as these facilities tend to be built on firm ground
    - No significant new moves due to the earthquake or power outage, as most companies in Tokyo own backup facilities in the Kansai area

# 2. Economic Outlook

## Real GDP Growth Rate

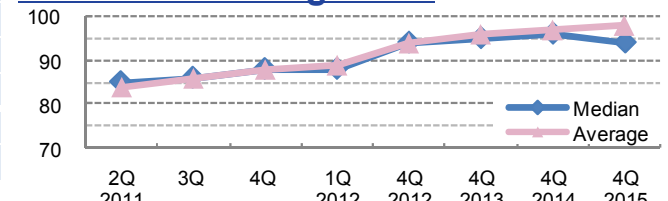
	2011		2012	
	before	after	before	after
Morgan Stanley MUFG	2.0%	(0.5%)	1.9%	2.9%
Mizuho Securities	1.8%	0.1%	2.2%	3.2%
Citi	1.7%	1.1%	1.9%	2.6%
J. P. Morgan	1.7%	0.8%	1.8%	3.2%
BofAML	1.7%	0.5%	2.2%	3.1%
UBS	1.5%	1.0%	2.1%	2.5%
Daiwa	1.4%	0.4%	2.3%	3.6%
Nomura	1.3%	0.9%	2.2%	2.5%
Goldman Sachs	1.3%	0.7%	2.0%	2.3%
Average	1.6%	0.6%	2.1%	2.9%
Median	1.7%	0.7%	2.1%	2.9%

## 10-Years JGB Yield



Source: Kenedix, based on publicly available reports by 6 companies as of Apr 11

## USD/JPY Exchange Rate



Source: Kenedix, based on publicly available reports by 30 companies as of Apr 11

## Sensitivity of Real GDP Growth Rate

**Impact from Electric Power Reduction**

Months	Impact from Electric Power Reduction					
	1	2	3	4	5	6
-5%	0.0%	(0.1%)	(0.1%)	(0.2%)	(0.2%)	(0.3%)
-10%	(0.1%)	(0.2%)	(0.3%)	(0.3%)	(0.4%)	(0.5%)
-15%	(0.1%)	(0.3%)	(0.4%)	(0.5%)	(0.6%)	(0.8%)
-20%	(0.2%)	(0.3%)	(0.5%)	(0.7%)	(0.9%)	(1.0%)
-25%	(0.2%)	(0.4%)	(0.6%)	(0.9%)	(1.1%)	(1.3%)
-30%	(0.3%)	(0.5%)	(0.8%)	(1.0%)	(1.3%)	(1.5%)
-35%	(0.3%)	(0.6%)	(0.9%)	(1.2%)	(1.5%)	(1.8%)

Source: UBS Securities Japan Ltd.

**Impact from Economic Growth in US and Exchange Rate**

Real GDP Growth rate in US	USD/JPY									
	¥65	¥70	¥75	¥80	¥85	¥90	¥95	¥100	¥105	¥110
0.0%	(1.7%)	(1.5%)	(1.3%)	(1.1%)	(0.9%)	(0.7%)	(0.5%)	(0.3%)	(0.1%)	(0.0%)
0.5%	(1.6%)	(1.4%)	(1.2%)	(1.0%)	(0.8%)	(0.6%)	(0.4%)	(0.2%)	(0.1%)	(0.0%)
1.0%	(1.4%)	(1.2%)	(1.0%)	(0.8%)	(0.6%)	(0.4%)	(0.2%)	(0.1%)	(0.0%)	(0.0%)
1.5%	(1.2%)	(1.0%)	(0.8%)	(0.6%)	(0.4%)	(0.2%)	(0.1%)	(0.0%)	(0.0%)	(0.0%)
2.0%	(1.1%)	(0.9%)	(0.6%)	(0.4%)	(0.2%)	(0.1%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)
2.5%	(0.9%)	(0.7%)	(0.5%)	(0.3%)	(0.1%)	(0.1%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)
3.0%	(0.7%)	(0.5%)	(0.3%)	(0.1%)	(0.1%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)
3.5%	(0.6%)	(0.3%)	(0.1%)	0.1%	0.3%	0.5%	0.7%	0.9%	1.1%	1.2%
4.0%	(0.4%)	(0.2%)	0.0%	0.2%	0.4%	0.6%	0.8%	1.1%	1.4%	1.7%
4.5%	(0.2%)	0.0%	0.2%	0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%
5.0%	0.0%	0.2%	0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%	1.8%

Source: UBS Securities Japan Ltd.

# 4. Real Estate Investors

## Recent Trends

- Overseas Investors**
  - Wait-and-see attitude, until the stabilization of the nuclear plant situation
  - Certain investors aggressively seeking opportunistic investment opportunities because of less competition
  - Expectation of heightened activity from investors seeking performance after the stabilization of the nuclear plant situation, with additional support from the weak yen
- Japanese Pension Funds**
  - Sudden drop in interest towards real estate investments, which had been rising from the latter half of 2010
  - Closely watching the activities of other domestic investors; they may make a quick comeback when they return to the market
- J-REITs**
  - Fathoming trends in the financial markets and seeking the right timing to begin conducting equity financings again
  - High likelihood of heightened asset acquisition activity in association with the recommencement of financings
  - Access to debt capital remains open; asset acquisition activities have been ongoing in certain areas post the earthquake
- Developers**
  - Slowing down acquisitions due to an expected rise in construction costs
  - Aware of the risk of potentially protracted development periods due to the strain in construction resources in Tokyo, caused by heightened demand in victimized areas
  - Developers of apartments offered for sale seem to be the most cautious

## Announced Transactions after the Earthquake (J-REITs)

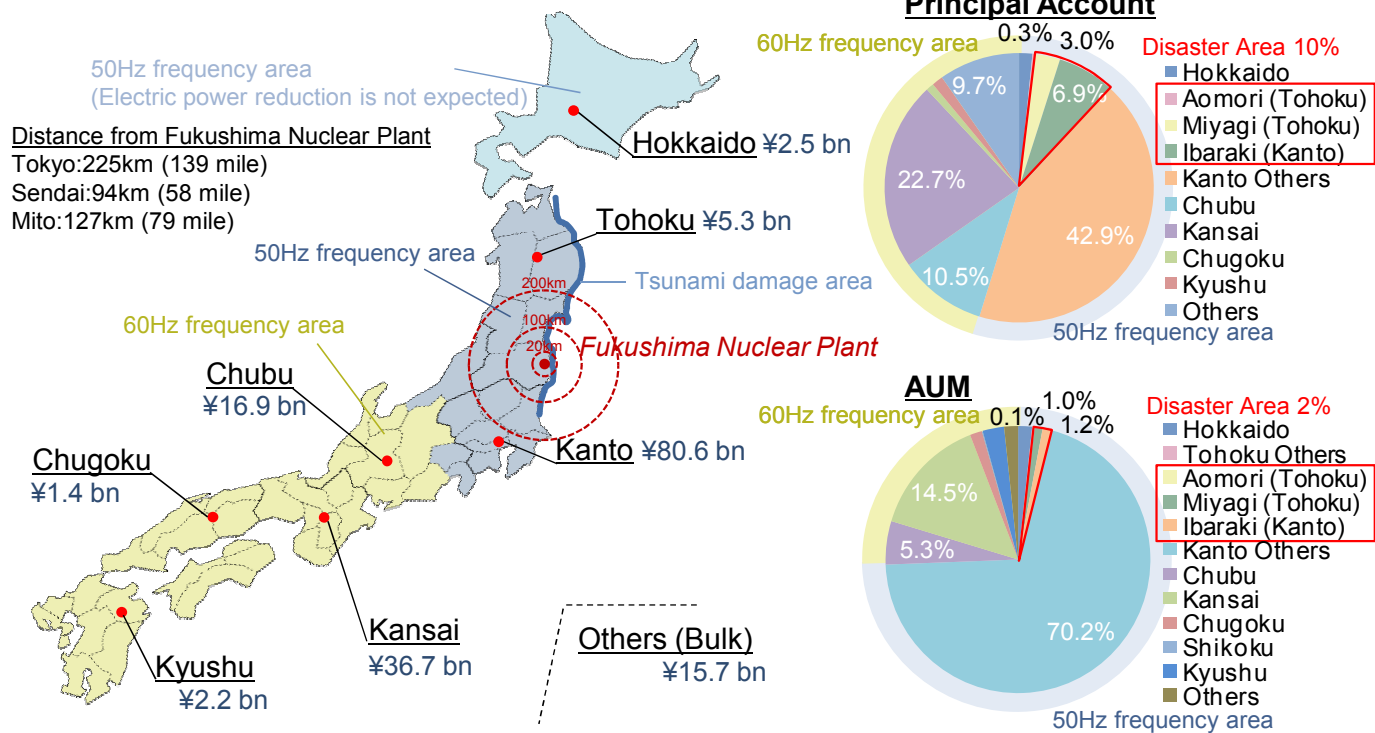
J-REIT	Property	Announce Date	Location	Type	Price (JPY bn)	NOI Cap Rate
Japan Hotel and Resort (Buyer)	Hakone Setsugetsuka	Mar 18	Kanagawa	Hotel	¥3.5	N/A
Nippon Hotel Fund (Buyer)	Nihonbashi Bakuro-cho NH Bldg	Mar 22	Tokyo	Hotel	3.7	6.4%
	Kumamoto NH Bldg.		Kumamoto	Hotel	2.3	7.4%
Kenedix Realty (Buyer)	Kitananajo SIA Bldg.	Mar 23	Sapporo	Office	2.0	6.6%
Japan Rental Housing (Buyer)	Gala Place Shinjuku Gyoen	Mar 23	Tokyo	Residential	2.2	6.0%
Sekisui House SI (Buyer)	Tredicasa Sangenjaya	Mar 25	Tokyo	Residential	0.7	5.6%
Kenedix Realty Investment (Seller)	KDX Hirakawa-cho Bldg	Apr 5	Tokyo	Office	5.8	3.9%

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## 5. Impact on Properties of Kenedix

### Regional Breakdown of Principal Account (As of Dec 2010)



\* There are no properties Kenedix manages or owns in Fukushima or Iwate.

### Case of Roseo Mito (Mito-city, Ibaraki, as of Apr 7, 2011)

- 12 tenants restarted their business, and 5 tenants are in remedial work for restarting their business by the end of May.

#### Coffee Shop: crack of bulkheading



#### Sporting-Goods Store: broken glass window, etc.



#### Sports Club: falling of ceiling panel, break of bulkheading



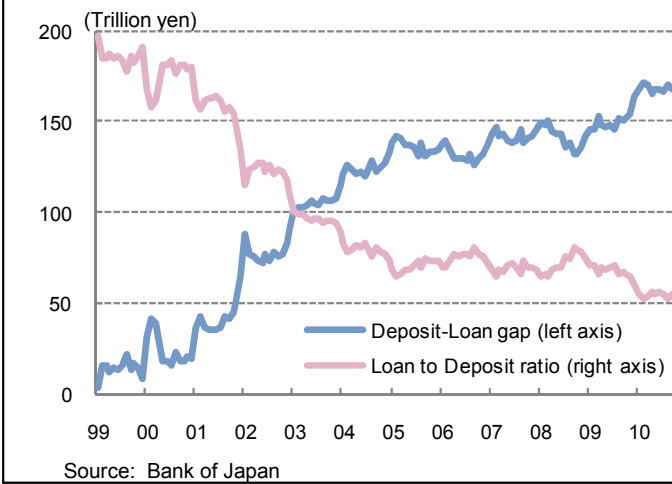
Tenant	NRA(sqm)	Status
Coffee Shop	138.32	Operating
Sushi Restaurant	500.00	Operating
Super Market	4,040.50	Operating
Apparel Store A	318.02	Non-operating
Apparel Store B	463.21	Non-operating
Apparel Store C	544.36	Non-operating
Apparel Store D	1,069.45	Operating
Sporting-Goods Store	2,803.67	Non-operating
Eye Glasses Shop	134.35	Operating
Beauty Parlor	165.45	Operating
Mobile Phone Shop	100.20	Operating
Esthetic Clinic	165.45	Operating
Insurance Agent	46.28	Operating
Massage Parlor	119.01	Operating
Lottery	NA	Operating
Sports Club	4,549.60	Non-operating
Home Center	13,047.79	Operating
<b>Operating</b>	<b>19,526.80</b>	<b>69.2%</b>
<b>Non-operating</b>	<b>8,678.86</b>	<b>30.8%</b>

## 6. Funding Status

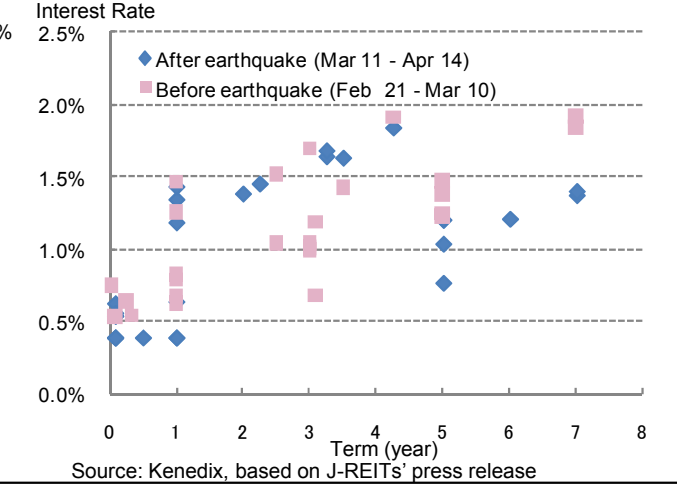
### Recent Financial Transactions of Kenedix

Lender	Transaction Date	Amount (bn yen)	Note
Domestic Large Bank	Mar 31	¥1.5	Extension of maturity date
Leasing Company	Mar 31	0.3	Extension of maturity date
Regional Bank	Mar 31	4.0	Extension of maturity date

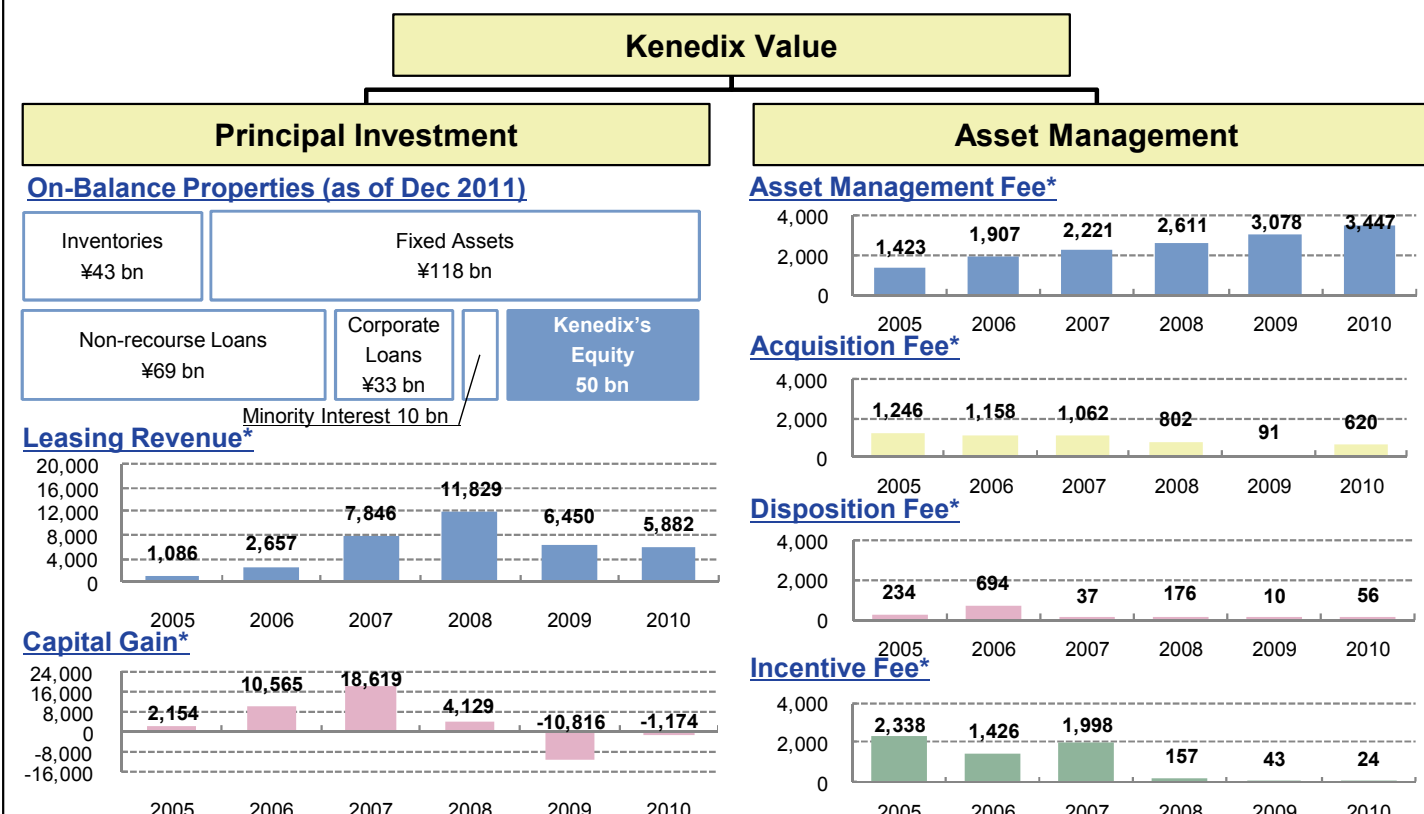
### Deposit-Loan Gap of Japanese Banks



### J-REIT Finances



## 7. Kenedix Value Structure



\* These graphs in this section express a Gross Operating Profits in millions yen.

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