

## Financial Section

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## Financial Summary (Unaudited)

Historical Operating Trends  
For the 14th–18th Fiscal Periods

Period	Unit	14th Period (as of Apr. 30, 2012)	15th Period (as of Oct. 31, 2012)	16th Period (as of Apr. 30, 2013)	17th Period (as of Oct. 31, 2013)	18th Period (as of Apr. 30, 2014)
Operating revenues	mn yen	9,090	10,212	9,867	9,819	10,895
(Rental revenues)	mn yen	9,090	9,617	9,306	9,501	10,330
Operating expenses	mn yen	5,004	5,696	5,465	5,578	6,611
(Property-related expenses)	mn yen	4,284	4,822	4,740	4,845	5,047
Operating income	mn yen	4,086	4,516	4,401	4,240	4,283
Ordinary income	mn yen	2,551	3,011	3,003	2,832	2,887
Net income (a)	mn yen	2,540	3,009	3,002	2,831	2,885
Total assets (b)	mn yen	303,284	306,734	308,172	316,753	355,167
(Period-on-period change)	%	(+10.3)	(+1.1)	(+0.5)	(+2.8)	(+12.1)
Interest-bearing debt (c)	mn yen	137,372	140,581	142,369	150,558	167,746
(Period-on-period change)	%	(+23.9)	(+2.3)	(+1.3)	(+5.8)	(+11.4)
Unitholders' equity (d)	mn yen	150,063	150,389	150,653	150,781	170,109
(Period-on-period change)	%	(-0.1)	(+0.2)	(+0.2)	(+0.1)	(+12.8)
Unitholders' capital	mn yen	147,153	147,153	147,153	147,153	166,261
(Period-on-period change)	%	(0.0)	(0.0)	(0.0)	(0.0)	(+13.0)
Number of investment units issued and outstanding (e)	unit	286,550	286,550	286,550	286,550	332,540
Unitholders' equity per unit (d)/(e)	yen	523,688	524,828	525,747	526,195	511,546
Total distribution (f)	mn yen	2,683	2,738	2,703	2,665	3,205
Distribution per unit (f)/(e)	yen	9,364	9,557	9,434	9,302	9,638
(Earnings distributed per unit)	yen	9,364	9,557	9,434	9,302	9,638
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	0.9 (1.8)	1.0 (2.0)	1.0 (2.0)	0.9 (1.8)	0.9 (1.7)
Return on net assets (annualized) (Notes 2 and 3)	%	1.7 (3.4)	2.0 (4.0)	2.0 (4.0)	1.9 (3.7)	1.8 (3.6)
Net assets ratio at end of period (d)/(b)	%	49.5	49.0	48.9	47.6	47.9
(Period-on-period change)	%	(-5.2)	(-0.5)	(-0.1)	(-1.3)	(+0.3)
Interest-bearing debt ratio at end of period (c)/(b)	%	45.3	45.8	46.2	47.5	47.2
(Period-on-period change)	%	(+5.0)	(+0.5)	(+0.4)	(+1.3)	(-0.3)
Payout ratio (Note 4) (f)/(a)	%	105.6	90.9	90.0	94.1	111.0
<b>Other references</b>						
Number of properties	properties	83	84	83	85	89
Total leasable floor area	m <sup>2</sup>	340,589.96	351,153.72	347,853.97	358,517.31	386,659.01
Occupancy ratio at end of period	%	95.4	95.5	93.9	95.8	96.0
Depreciation expenses for the period	mn yen	1,578	1,621	1,662	1,696	1,826
Capital expenditures for the period	mn yen	918	904	772	894	711
Leasing NOI (Net Operating Income) (Note 5)	mn yen	6,384	6,416	6,228	6,352	7,109
FFO (Funds From Operation) (Note 6)	mn yen	4,119	4,187	4,202	4,293	5,031
FFO per unit (Note 7)	yen	14,374	14,612	14,664	14,984	15,130

Notes: 1. Return on assets = Ordinary income / ((Total assets at beginning of period + Total assets at end of period) / 2) × 100

2. Annualized values for the 14th Fiscal Period are calculated based on a period of 182 days, 184 days for the 15th Fiscal Period, 181 days for the 16th Fiscal Period, 184 days for the 17th Fiscal Period and 181 days for the 18th Fiscal Period.

3. Return on net assets = Net income / ((Total net assets at beginning of period + Total net assets at end of period) / 2) × 100

4. Payout ratio is rounded down to the first decimal place.

5. Leasing NOI = Rental revenues – Rental expenses + Depreciation expenses for the period

6. FFO = Net income + Depreciation expenses for the period – Gain on sale of real estate property + Loss on sale of real estate property

7. FFO per unit = FFO / Number of investment units issued and outstanding (figures below ¥1 rounded down)

8. Where applicable, figures are rounded down to the nearest million.



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## Independent Auditor's Report

The Board of Directors  
 Kenedix Office Investment Corporation

Pursuant to Article 130 of the Act on Investment Trusts and Investment Corporations, we have audited the accompanying financial statements of Kenedix Office Investment Corporation ("the Investment Corporation"), which comprise the balance sheet as of April 30, 2014, and the statement of income and retained earnings, statement of changes in net assets and notes to the financial statements for the six-month period then ended and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Office Investment Corporation as of April 30, 2014, and its financial performance for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

June 13, 2014  
 Tokyo, Japan

## Balance Sheets

Kenedix Office Investment Corporation  
As of April 30, 2014 and October 31, 2013

	In thousands of yen	
	As of April 30, 2014	As of October 31, 2013
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits (Note 12)	¥ 18,055,433	¥ 11,452,986
Rental receivables	252,557	254,059
Consumption tax refundable	219,447	100,159
Other current assets (Note 7)	74,267	228,433
<b>Total current assets</b>	<b>18,601,704</b>	<b>12,035,637</b>
<b>Property and equipment, at cost: (Notes 3, 11 and 13)</b>		
Land	238,469,273	215,346,646
Buildings and structures (Note 5)	112,658,980	103,827,730
Machinery and equipment	1,973,320	1,766,278
Tools, furniture and fixtures	472,990	455,837
Construction in progress	1,785	4,914
Less-accumulated depreciation	(21,048,808)	(19,630,791)
<b>Net property and equipment</b>	<b>332,527,540</b>	<b>301,770,614</b>
<b>Other assets:</b>		
Ground leasehold (Notes 11 and 13)	355,557	356,332
Investment securities (Note 12)	2,006,886	1,106,339
Corporate bond issuance costs	31,328	35,651
Unit issuance costs	107,995	18,903
Other assets (Notes 11 and 13)	1,536,342	1,429,698
<b>Total assets</b>	<b>¥355,167,352</b>	<b>¥316,753,174</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade and other payables	¥ 978,541	¥ 810,169
Short-term debt and current portion of long-term debt (Notes 4 and 12)	42,246,500	46,800,000
Deposits received	29,071	6,162
Rents received in advance	1,792,248	1,506,618
Other current liabilities	164,039	202,575
<b>Total current liabilities</b>	<b>45,210,399</b>	<b>49,325,524</b>
Corporate bonds (Notes 4 and 12)	6,300,000	6,300,000
Long-term debt (Notes 4 and 12)	119,200,000	97,458,000
Leasehold and security deposits received	14,347,418	12,888,425
<b>Total liabilities</b>	<b>185,057,817</b>	<b>165,971,949</b>
<b>Net Assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	166,261,746	147,153,820
Units authorized: 2,000,000 units		
Units issued and outstanding: 332,540 and 286,550 units		
As of April 30, 2014 and October 31, 2013, respectively		
<b>Surplus</b>		
Voluntary retained earnings		
Reserve for reduction entry	961,750	795,928
Retained earnings	2,886,039	2,831,477
<b>Total surplus</b>	<b>3,847,789</b>	<b>3,627,405</b>
<b>Total unitholders' equity</b>	<b>170,109,535</b>	<b>150,781,225</b>
<b>Total net assets (Note 8)</b>	<b>170,109,535</b>	<b>150,781,225</b>
<b>Total liabilities and net assets</b>	<b>¥355,167,352</b>	<b>¥316,753,174</b>

See accompanying notes to the financial statements.

## Statements of Income and Retained Earnings

Kenedix Office Investment Corporation

For the six months period from November 1, 2013 to April 30, 2014 and May 1, 2013 to October 31, 2013

	In thousands of yen	
	From November 1, 2013 to April 30, 2014	From May 1, 2013 to October 31, 2013
<b>Operating revenues:</b>		
Rental revenues (Notes 10 and 11)	¥10,330,338	¥9,501,700
Gain on sale of real estate property (Note 10)	497,482	234,506
Dividends income	67,467	82,984
Total operating revenues	10,895,287	9,819,190
<b>Operating expenses:</b>		
Property-related expenses (Notes 10 and 11)	5,047,051	4,845,827
Loss on sale of real estate property (Note 10)	816,665	—
Asset management fees	564,461	549,899
Administrative service and custodian fees	69,161	69,226
Other operating expenses	114,550	113,451
Total operating expenses	6,611,888	5,578,403
<b>Operating income</b>	<b>4,283,399</b>	<b>4,240,787</b>
<b>Non-operating expenses:</b>		
Interest expense	1,039,564	1,050,678
Financing-related expenses	301,079	321,587
Amortization of unit issuance costs	40,502	18,903
Amortization of corporate bond issuance costs	4,323	6,143
Others, net	10,793	10,495
Total non-operating expenses	1,396,261	1,407,806
<b>Ordinary income</b>	<b>2,887,138</b>	<b>2,832,981</b>
Income before income taxes	2,887,138	2,832,981
Income taxes (Note 7)	1,266	1,504
<b>Net income</b>	<b>2,885,872</b>	<b>2,831,477</b>
Retained earnings at the beginning of period	167	—
<b>Retained earnings at the end of period</b>	<b>¥ 2,886,039</b>	<b>¥2,831,477</b>

See accompanying notes to the financial statements.

## Statements of Changes in Net Assets

Kenedix Office Investment Corporation

For the six months period from November 1, 2013 to April 30, 2014 and May 1, 2013 to October 31, 2013

	In thousands of yen					
	Unitholders' capital	Unitholders' equity			Total unitholders' equity	Total
		Surplus		Total surplus		
		Voluntary retained earnings	Retained earnings			
Reserve for reduction entry						
<b>Balance as of April 30, 2013</b>	<b>¥147,153,820</b>	<b>¥497,043</b>	<b>¥3,002,199</b>	<b>¥3,499,242</b>	<b>¥150,653,062</b>	<b>¥150,653,062</b>
Changes during the fiscal period						
Provision of reserve for reduction entry	—	298,885	(298,885)	—	—	—
Payments of dividends	—	—	(2,703,314)	(2,703,314)	(2,703,314)	(2,703,314)
Net income	—	—	2,831,477	2,831,477	2,831,477	2,831,477
Total changes during the fiscal period	—	298,885	(170,722)	128,163	128,163	128,163
<b>Balance as of October 31, 2013</b>	<b>¥147,153,820</b>	<b>¥795,928</b>	<b>¥2,831,477</b>	<b>¥3,627,405</b>	<b>¥150,781,225</b>	<b>¥150,781,225</b>
Changes during the fiscal period						
New unit issuance	19,107,926	—	—	—	19,107,926	19,107,926
Provision of reserve for reduction entry	—	165,822	(165,822)	—	—	—
Payments of dividends	—	—	(2,665,488)	(2,665,488)	(2,665,488)	(2,665,488)
Net income	—	—	2,885,872	2,885,872	2,885,872	2,885,872
Total changes during the fiscal period	19,107,926	165,822	54,562	220,384	19,328,310	19,328,310
<b>Balance as of April 30, 2014</b>	<b>¥166,261,746</b>	<b>¥961,750</b>	<b>¥2,886,039</b>	<b>¥3,847,789</b>	<b>¥170,109,535</b>	<b>¥170,109,535</b>

See accompanying notes to the financial statements.

## Notes to Financial Statements

Kenedix Office Investment Corporation

For the six months period from November 1, 2013 to April 30, 2014 and May 1, 2013 to October 31, 2013

### 1. ORGANIZATION AND BASIS OF PRESENTATION

#### ORGANIZATION

Kenedix Office Investment Corporation (Note) ("the Investment Corporation") was established on May 6, 2005 under the Act on Investment Trusts and Investment Corporations of Japan ("the Investment Trust Act"). 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 five public offerings and other means including global offerings. As a result, as of April 30, 2014, the end of the eighteenth fiscal period, the number of investment units issued and outstanding totaled 332,540 units. (Note: On effective from February 3, 2014, the Investment Corporation was renamed Kenedix Office Investment Corporation from Kenedix Realty Investment Corporation.)

The Investment Corporation is externally managed by Kenedix Real Estate Fund Management, Inc. ("the Asset Management Company") as its asset management company. The Investment Corporation entrusts the Asset Management Company and in collaboration 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 the basic policy of conducting dynamic and flexible investment stance that seeks to respond to its environment and market trends, and endeavors to ensure a timely response to opportunities.

During the period ended April 30, 2014, the Investment Corporation acquired seven office buildings (KDX Shinbashi Building (additional acquisition): acquisition price of ¥1,038 million, KDX Takanawadai Building: acquisition price of ¥5,250 million, KDX Ikebukuro Building: acquisition price of ¥3,900 million, KDX Mita Building: acquisition price of ¥3,180 million, KDX Akihabara Building: acquisition price of ¥2,600 million, Aplu Tokyo Building: acquisition price of ¥4,350 million, KDX Musashi-Kosugi Building: acquisition price of ¥12,000 million) located in the Tokyo Metropolitan Area, one other property (Shinjuku 6-chome Building (Land): acquisition price of ¥2,880 million), an equity interest in a Japanese silent partnership (tokumei kumiai, "TK") for a trust beneficiary interest in Shinjuku Sanei Building (acquisition price of ¥1,107 million) and sold KDX Niigata Building (initial acquisition price of ¥1,305 million, Kabutocho Nikko Building II (initial acquisition price of ¥1,280 million) and Court Mejiro (initial acquisition price of ¥1,250 million) (with a total disposition price of ¥3,559 million)). As of April 30, 2014, the Investment Corporation had total unitholders' capital of ¥166,262 million with 332,540 investment units outstanding. The balance of interest-bearing debt amounted to ¥167,747 million as of April 30, 2014, comprising ¥161,447 million in borrowings (¥155,447 million in long-term borrowings and ¥6,000 million in short-term borrowings) and ¥6,300 million in investment corporation bonds. The Investment Corporation owned a portfolio of 89 properties with a total acquisition price of ¥336,164 million containing a total leasable area of 386,659.01m<sup>2</sup> and 2 investment securities with a total acquisition price of ¥1,998 million. The occupancy ratio was approximately 96.0%. A portfolio of 89 properties consists of 83 office buildings, 2 residential properties, 3 central urban retail properties and 1 other property. 74 properties are located in the Tokyo Metropolitan Area and 15 properties are located in Other Regional Areas.

#### BASIS OF PRESENTATION

The Investment Corporation maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The financial statements are prepared in accordance with the Investment Trust Act.

The financial statements are basically a translation of the Japanese audited financial statements of the Investment Corporation. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a format which is familiar to readers outside Japan. Certain information in the business report and supplementary schedule has been omitted. Additional information has been added to the Japanese audited financial statements for the convenience of readers outside Japan and this includes disclosing the prior year's comparatives as supplemental information in the English translated financial statements although the Japanese audited financial statements only need to disclose the current year's information.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (A) SECURITIES

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. Concerning silent partnership (tokumei kumiai, "TK") interests, the method of incorporating the amount of equity equivalent to the portion that corresponds to the net gain or loss of TK is adopted.

**(B) PROPERTY AND EQUIPMENT**

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

	From November 1, 2013 to April 30, 2014	From May 1, 2013 to October 31, 2013
Buildings and structures	2-49 years	2-49 years
Machinery and equipment	3-17 years	3-17 years
Tools, furniture and fixtures	3-20 years	3-20 years

**(C) UNIT ISSUANCE COSTS**

Unit issuance costs are amortized over a period of 3 years under the straight-line method.

**(D) CORPORATE BOND ISSUANCE COSTS**

Corporate bond issuance costs are amortized over a maturity 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 sheets and statements of income and retained earnings.

**(F) GROUND LEASEHOLD**

Fixed term leasehold on a building and the special agreement on building sales, and the building are amortized over a contractual period of 48 years and 9 months under the straight-line method.

**(G) REVENUE RECOGNITION**

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

**(H) TAXES ON PROPERTY AND EQUIPMENT**

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

When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥84,126 thousand and ¥26,946 thousand as of April 30, 2014 and October 31, 2013, respectively. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period to which the installments of such taxes correspond.

**(I) INCOME TAXES**

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

**(J) CONSUMPTION TAXES**

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

**(K) DERIVATIVE FINANCIAL INSTRUMENTS**

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

**(L) ROUNDING OF AMOUNTS PRESENTED**

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

**3. SCHEDULE OF PROPERTY AND EQUIPMENT**

	In millions of yen					
	As of April 30, 2014			As of October 31, 2013		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥238,469	¥ —	¥238,469	¥215,346	¥ —	¥215,346
Buildings and structures	112,659	20,012	92,647	103,828	18,638	85,190
Machinery and equipment	1,973	787	1,186	1,766	732	1,034
Tools, furniture and fixtures	473	249	224	456	260	196
Construction in progress	2	—	2	5	—	5
<b>Total</b>	<b>¥353,576</b>	<b>¥21,048</b>	<b>¥332,528</b>	<b>¥321,401</b>	<b>¥19,630</b>	<b>¥301,771</b>

**4. SHORT-TERM DEBT, LONG-TERM DEBT AND CORPORATE BONDS**

The following summarizes short-term debt, long-term debt and corporate bonds outstanding as of April 30, 2014:

Classification	Drawdown date	Last Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	October 31, 2013	October 31, 2014	0.55%	¥ 3,000
	January 10, 2014	July 10, 2014	0.58%	3,000
<b>Subtotal</b>				<b>6,000</b>
Current portion of long-term debt	July 13, 2011	July 14, 2014	1.54%	¥ 1,000
	July 30, 2010	July 31, 2014	1.73%	3,700
	July 29, 2011	July 31, 2014	1.02%	2,200
	July 29, 2011	July 31, 2014	1.02%	1,000
	July 29, 2011	July 31, 2014	1.40%	300
	September 1, 2011	August 29, 2014	1.15%	1,000
	March 22, 2011	September 22, 2014	1.63%	2,700
	September 30, 2011	September 30, 2014	1.27%	1,000
	December 26, 2011	October 31, 2014	1.24%	2,500
	December 26, 2011	October 31, 2014	1.26%	2,000
	December 26, 2011	October 31, 2014	1.26%	2,000
	December 26, 2011	October 31, 2014	1.26%	1,000
	January 29, 2010	January 30, 2015	2.17%	984
	January 31, 2012	January 30, 2015	1.19%	1,500
	February 18, 2010	February 18, 2015	2.19%	1,783
	February 18, 2010	February 18, 2015	2.19%	1,318
	February 18, 2010	February 18, 2015	2.19%	775
	February 18, 2010	February 18, 2015	2.19%	388
	August 31, 2011	February 17, 2015	0.97%	1,500
	March 12, 2012	March 12, 2015	1.08%	1,000
	September 30, 2011	March 31, 2015	1.29%	2,500
	April 2, 2010	April 2, 2015	2.22%	1,600
	October 31, 2012	April 30, 2015	1.01%	2,500
<b>Subtotal</b>				<b>36,247</b>
Long-term debt	May 1, 2006	April 30, 2016	2.73%	¥ 5,000
	November 12, 2010	November 12, 2015	1.79%	1,200
	November 12, 2010	November 12, 2015	1.79%	800
	November 12, 2010	November 12, 2017	2.02%	2,300
	December 1, 2010	November 12, 2015	1.42%	800
	December 1, 2010	November 12, 2015	1.42%	200
	December 1, 2010	November 12, 2017	2.21%	700
	January 31, 2011	January 29, 2016	1.94%	800
	February 28, 2011	August 31, 2015	1.91%	3,000
	February 28, 2011	January 29, 2016	1.95%	500

Classification	Drawdown date	Last Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	March 31, 2011	January 29, 2016	1.91%	¥ 2,000
	March 31, 2011	March 31, 2016	1.27%	1,000
	April 28, 2011	October 31, 2015	1.86%	1,500
	April 28, 2011	January 29, 2016	1.89%	1,000
	December 26, 2011	October 31, 2015	1.34%	2,500
	December 26, 2011	October 31, 2015	1.32%	2,500
	December 26, 2011	October 31, 2015	1.34%	2,000
	December 26, 2011	October 31, 2016	1.44%	2,500
	December 26, 2011	October 31, 2016	1.42%	2,500
	December 26, 2011	October 31, 2016	1.44%	2,000
	January 10, 2012	January 29, 2016	1.27%	2,500
	March 28, 2012	March 28, 2017	1.36%	500
	March 28, 2012	March 28, 2019	1.77%	1,400
	March 28, 2012	March 28, 2019	1.77%	1,000
	March 30, 2012	September 30, 2015	1.21%	2,000
	April 27, 2012	October 30, 2015	1.27%	1,000
	June 29, 2012	June 30, 2017	1.29%	1,500
	September 21, 2012	September 21, 2017	1.16%	5,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	October 31, 2012	October 31, 2016	1.06%	2,500
	October 31, 2012	October 31, 2016	1.05%	1,500
	October 31, 2012	October 31, 2017	1.10%	2,500
	October 31, 2012	October 31, 2018	1.25%	2,500
	December 10, 2012	December 12, 2016	0.98%	500
	December 28, 2012	December 28, 2016	1.01%	2,000
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500
	January 15, 2013	January 15, 2017	0.97%	1,000
	February 18, 2013	February 18, 2016	0.84%	1,500
	March 26, 2013	March 26, 2018	1.04%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	April 30, 2013	April 30, 2016	0.72%	1,000
	July 31, 2013	July 29, 2016	0.62%	1,500
	July 31, 2013	July 31, 2018	0.72%	500
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	500
	August 19, 2013	August 19, 2018	0.97%	500
	August 19, 2013	August 19, 2018	0.95%	500
	August 30, 2013	August 31, 2018	1.08%	700
	August 30, 2013	August 31, 2018	1.08%	500
	August 30, 2013	August 31, 2018	1.08%	300
	August 30, 2013	August 31, 2020	1.42%	1,500
	September 30, 2013	September 30, 2019	1.06%	1,800
	September 30, 2013	September 30, 2019	1.06%	900
	October 31, 2013	October 31, 2018	0.89%	500
	November 12, 2013	November 12, 2018	0.82%	1,000
	November 12, 2013	November 12, 2020	1.07%	2,000
	November 12, 2013	November 12, 2020	1.07%	500
	November 29, 2013	November 30, 2018	0.84%	200
	November 29, 2013	November 30, 2020	1.12%	1,000
	November 29, 2013	November 30, 2020	1.12%	900
January 10, 2014	January 31, 2021	1.21%	1,300	
January 31, 2014	January 31, 2017	0.67%	1,200	
January 31, 2014	January 31, 2020	0.93%	3,700	
January 31, 2014	January 31, 2021	1.13%	2,300	
March 12, 2014	March 12, 2018	0.75%	2,250	
March 12, 2014	March 31, 2019	0.78%	450	
March 12, 2014	March 12, 2020	0.92%	1,800	
March 12, 2014	March 12, 2023	1.36%	1,800	
March 20, 2014	March 12, 2020	0.91%	3,000	



Classification	Drawdown date	Last Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	March 20, 2014	September 20, 2021	1.01%	¥ 4,000
	March 20, 2014	March 20, 2022	1.20%	3,000
	March 20, 2014	March 12, 2023	1.35%	2,000
	March 31, 2014	March 31, 2019	0.76%	2,500
	April 22, 2014	October 31, 2020	0.95%	2,900
Subtotal				119,200
Corporate bonds	March 15, 2007	March 15, 2017	2.37%	¥ 3,000
	March 8, 2012	September 8, 2017	2.00%	1,500
	September 12, 2013	September 12, 2018	1.00%	1,800
Subtotal				6,300
Total				¥167,747

## 5. REDUCTION ENTRY

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

	In thousands of yen	
	As of April 30, 2014	As of October 31, 2013
Buildings and structures	¥26,230	¥26,230

## 6. PER UNIT INFORMATION

	Yen	
	From November 1, 2013 to April 30, 2014	From May 1, 2013 to October 31, 2013
Net asset value per unit	¥511,546	¥526,195
Net income per unit	¥ 8,767	¥ 9,881
Weighted average number of units (units)	329,164	286,550

The weighted average number of units outstanding of 329,164 and 286,550 as of April 30, 2014 and October 31, 2013 was used for the computation of the amount of net income per unit. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

## 7. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 37%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement that it currently distributes in excess of 90% of its distributable profits as defined in the Special Taxation Measures Law of Japan 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 in excess of 90% of its distributable profit in the form of cash distributions totaling ¥3,205 million (adding ¥319 million as the reversal of reserve for reduction entry) and ¥2,665 million (deducting ¥166 million as the provision of reserve for reduction entry) for the periods ended April 30, 2014 and October 31, 2013. Such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.04% and 0.05% for the periods ended April 30, 2014 and October 31, 2013. The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	As of April 30, 2014	As of October 31, 2013
Statutory tax rate	36.59%	36.59%
Deductible cash distributions	(40.62)	(34.43)
Provision of reserve for reduction entry	—	(2.14)
Others	4.07	0.03
Effective tax rate	0.04%	0.05%

The significant components of deferred tax assets and liabilities as of April 30, 2014 and October 31, 2013 were as follows:

	In thousands of yen	
	As of April 30, 2014	As of October 31, 2013
Deferred tax assets:		
Enterprise tax payable	¥ 34	¥ 47
Amortization of leasehold rights	1,808	1,543
Subtotal deferred tax assets	1,842	1,590
Valuation allowance	1,808	1,543
Total deferred tax assets	¥ 34	¥ 47

Tax rate changes after the eighteenth fiscal period

With the Act on Partial Revision of the Income Tax Act (Act No.10, 2014) which was promulgated on March 31, 2014, the Act on Special Measures for Securing Necessary Financial Resources to Implement Measures to Rebuild Areas Devastated by the Great East Japan Earthquake (Act No. 117, 2011) was partially amended to set the taxation period of special corporation tax for reconstruction through March 31, 2014. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities concerning temporary differences, etc. expected to be resolved in accounting periods starting on April 1, 2014 and after will be changed to 34.16%. The effect of the announced tax rate changes is immaterial.

## 8. NET ASSETS

The Investment Corporation issues only non-par value units in accordance with the Investment Trust Act. 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 Act.

## 9. RELATED-PARTY TRANSACTIONS

### TRANSACTIONS WITH KENEDIX REAL ESTATE FUND MANAGEMENT, INC.

Kenedix Real Estate Fund Management, Inc., a consolidated subsidiary of Kenedix, Inc., provides the Investment Corporation with property management services and related services. For these services, the Investment Corporation pays Kenedix Real Estate Fund Management, Inc. property management fees in accordance with the terms of its Property Management Agreements. For these services, the Investment Corporation paid ¥399 million to Kenedix Real Estate Fund Management, Inc.

### TRANSACTIONS WITH OTHER RELATED-PARTIES.

The Investment Corporation acquired trust beneficiary interests in real estate from GK KRF 41 and GK KRF 35 with the acquisition price of ¥12,000 million and ¥3,900 million, respectively. The acquisition prices were determined based on the related-parties' transaction rule.

## 10. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY

Rental and other operating revenues, property-related expenses, gain and loss on sale of real estate property for the six months periods from November 1, 2013 to April 30, 2014 and May 1, 2013 to October 31, 2013 consist of the following:

	In thousands of yen	
	From November 1, 2013 to April 30, 2014	From May 1, 2013 to October 31, 2013
<b>Rental and other operating revenues:</b>		
Rental revenues	¥ 7,380,878	¥6,649,670
Common area charges	1,695,193	1,587,331
Subtotal	9,076,071	8,237,001
<b>Others:</b>		
Parking space rental revenues	326,300	299,884
Utility charge reimbursement	804,404	851,381
Miscellaneous	123,563	113,434
Subtotal	1,254,267	1,264,699
Total rental and other operating revenues	10,330,338	9,501,700
<b>Property-related expenses:</b>		
Property management fees and facility management fees	1,016,938	951,025
Depreciation	1,826,542	1,696,849
Utilities	¥ 916,744	¥ 928,822

Taxes	¥ 847,466	¥ 851,090
Insurance	14,825	14,372
Repairs and maintenance	193,972	173,604
Trust fees	45,142	42,377
Loss on retirement of fixed assets	—	10,114
Others	185,422	177,574
<b>Total property-related expenses</b>	<b>5,047,051</b>	<b>4,845,827</b>

**Gain on sale of real estate property:**

Revenue from sale of investment property	2,929,105	1,970,000
Cost of investment property	2,405,839	1,672,153
Other sales expenses	25,784	63,341
<b>Gain on sale of real estate property</b>	<b>497,482</b>	<b>234,506</b>

**Loss on sale of real estate property:**

Revenue from sale of investment property	630,000	—
Cost of investment property	1,427,549	—
Other sales expenses	19,116	—
<b>Loss on sale of real estate property</b>	<b>¥ 816,665</b>	<b>¥ —</b>

# 11

## PROPERTY INFORMATION

Type	Office Buildings		Residential Properties		Central Urban Retail Properties	Others
	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Tokyo Metropolitan Area
Number of properties	69	14	1	1	3	1
Property information	(In millions of yen)					
Acquisition price	¥252,961	¥50,990	¥5,353	¥1,800	¥22,180	¥2,880
Percentage of total acquisition price	75.25%	15.17%	1.59%	0.53%	6.60%	0.86%
Net book value	252,185	49,282	4,802	1,724	21,917	2,973
Appraisal value	240,871	43,811	4,710	1,570	22,580	2,900
Percentage of total appraisal value	76.12%	13.84%	1.49%	0.50%	7.13%	0.92%

**Financial results for the period from November 1, 2013 to April 30, 2014**

(In thousands of yen)

Rental and other operating revenues	¥7,345,894	¥2,093,844	¥181,462	¥90,039	¥614,187	¥4,912
Rental revenues	6,490,264	1,791,962	161,621	79,304	548,008	4,912
Other revenues	855,630	301,882	19,841	10,735	66,179	0
Property-related expenses	2,187,302	810,391	50,089	41,881	130,845	1
Property management fees	680,879	264,072	21,013	7,957	43,017	—
Taxes	599,548	205,910	14,385	7,621	20,001	1
Utilities	649,805	209,603	2,613	2,647	52,076	—
Repairs and maintenance	112,283	55,693	2,993	13,602	9,401	—
Insurance	8,977	4,825	351	296	376	—
Trust fees and other expenses	135,810	70,288	8,734	9,758	5,974	—
NOI (Net Operating Income)	5,158,592	1,283,453	131,373	48,158	483,342	4,911
Depreciation expenses	1,233,410	416,820	52,240	21,452	102,620	—
Operating income from property leasing activities	3,925,182	866,633	79,133	26,706	380,722	4,911
Capital expenditures	498,253	209,992	1,463	519	810	—
<b>NCF (Net Cash Flow)</b>	<b>¥4,660,339</b>	<b>¥1,073,461</b>	<b>¥129,910</b>	<b>¥47,639</b>	<b>¥482,532</b>	<b>¥4,911</b>

A breakdown of property-type as of April 30, 2014 was as follows:

Class of assets	Property type	Area	Balance at the end of period (In millions of yen)	Percentage of total assets
Property and equipment	Office Buildings	Tokyo Metropolitan Area	¥252,185	71.0%
		Other Regional Areas	49,282	13.9%
		Subtotal	301,467	84.9%
	Residential Properties	Tokyo Metropolitan Area	4,802	1.4%
		Other Regional Areas	1,724	0.5%
		Subtotal	6,526	1.8%
	Central Urban Retail Properties	Tokyo Metropolitan Area	21,917	6.2%
		Subtotal	21,917	6.2%
	Other	Tokyo Metropolitan Area	2,973	0.8%
		Subtotal	2,973	0.8%
Total			332,883	93.7%
Investment securities			2,007	0.6%
Bank deposits and other assets			20,277	5.7%
Total assets			355,167	100.0%
Total liabilities			185,058	52.1%
Net assets			¥170,110	47.9%

## 12 ■ FINANCIAL INSTRUMENTS

Eighteenth Fiscal Period (November 1, 2013 to April 30, 2014)

### (A) OVERVIEW

#### (1) POLICY FOR FINANCIAL INSTRUMENTS

The Investment Corporation procures essential funds for acquiring properties and undertaking the repayment of loans primarily through bank loans and the issuance of corporate bonds and new investment units. The Investment Corporation uses derivatives for the purpose of hedging its exposure to changes in interest rates and does not enter into derivatives for speculative or trading purposes. Management of surplus funds is undertaken in a prudent manner that considers fully such factors as safety, liquidity, interest rate conditions and cash flows.

#### (2) TYPES OF FINANCIAL INSTRUMENTS AND RELATED RISK

Investment securities are preferred equity securities issued by a special purpose entity (tokutei mokuteki kaisha, "TMK") as set forth by the Act on Securitization of Assets and Japanese silent partnership (tokumei kumiai, "TK") interests are exposed to credit risk of the issuer and risk of fluctuation of value of its property.

Debt and corporate bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately nine years following the accounting date. Although a certain portion of said liabilities are subject to interest rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap and interest-rate cap transactions) in order to reduce such risk.

Interest-rate swap and interest-rate cap transactions are used as derivative financial instruments. Utilizing interest-rate swap and interest-rate cap transactions, the Investment Corporation fixes its interest expense for long-term debt bearing interest at a variable rate. With regard to hedge accounting methods, hedging instruments and hedged items, hedge policy, and the assessment of the effectiveness of hedging activities, please see 2. (K) DERIVATIVE FINANCIAL INSTRUMENTS.

#### (3) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

##### (a) Monitoring of market risk (the risks arising from fluctuations in interest rates and others)

The Investment Corporation uses interest-rate swap transactions and interest-rate cap transaction in order to minimize risk arising from fluctuations in interest rates on funds procured. The Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to investment securities.

##### (b) Monitoring of liquidity risk (the risk that the Investment Corporation may not be able to meet its obligations on scheduled due dates) associated with funds procurement

Although loans and other liabilities are subject to liquidity risk, the Investment Corporation reduces such risk by spreading out payment due dates and by using diversified fund procurement methods. Liquidity risk is also managed by such means as regularly checking the balance of cash reserves.

#### (4) SUPPLEMENTARY EXPLANATION OF THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

**(B) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying value of financial instruments on the balance sheet as of April 30, 2014 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to \*2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
① Cash and bank deposits	¥ 18,055,433	¥ 18,055,433	¥ —
Subtotal	18,055,433	18,055,433	—
① Short-term debt	6,000,000	6,000,000	—
② Corporate bonds (including current portion of corporate bonds)	6,300,000	6,483,690	183,690
③ Long-term debt (including current portion of long-term debt)	155,446,500	155,707,337	260,837
Subtotal	¥167,746,500	¥168,191,027	¥444,527
Derivative Transactions (*)	—	—	—

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

**\*1: METHODS TO DETERMINE THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER MATTERS RELATED TO SECURITIES AND DERIVATIVE TRANSACTIONS**

**ASSETS**

## ① Cash and bank deposits

Since these items are settled in a short period of time, their carrying value approximates fair value.

**LIABILITIES**

## ① Short-term debt

Since these items are settled in a short period of time, their carrying value approximates fair value.

## ② Corporate bonds

The fair value of corporate bonds is based on quoted market prices.

## ③ Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into. The fair value of long-term debt bearing interest at variable rates, which is subject to fixed interest rates resulting from interest-rate swaps and special treatment applied to said swaps, is based on the present value of the total of principal and interest, which is handled together with the applicable interest-rate swaps, discounted by the interest rate to be applied if similar loans were entered into.

**DERIVATIVE TRANSACTIONS**

## ① Hedge accounting not applied

Not applicable

## ② Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	¥57,700,000	¥50,200,000	*	—
Special treatment of interest-rate cap	Interest-rate cap	Long-term debt	3,000,000	3,000,000	*	—
Total			¥60,700,000	¥53,200,000		—

(\*) Interest-rate swaps and interest-rate caps for which the special treatment is applied are accounted for together with the underlying hedged item. As a result, their fair value is included in the fair value of the hedged long-term debt.

**\*2: FINANCIAL INSTRUMENTS FOR WHICH IT IS EXTREMELY DIFFICULT TO DETERMINE THE FAIR VALUE**

Classification	Carrying value (In thousands of yen)
Investment securities	¥2,006,886

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above preferred equity securities of TMK and TK interests are not included in the preceding table.

**\*3: REDEMPTION SCHEDULE FOR RECEIVABLES**

	Due within 1 year or less (In thousands of yen)
Cash and bank deposits	¥18,055,433
Total	¥18,055,433

**\*4: REDEMPTION SCHEDULE FOR DEBT AND CORPORATE BONDS**

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	¥ 6,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	—	3,000,000	1,500,000	1,800,000	—
Long-term debt	¥36,246,500	¥32,800,000	¥17,700,000	¥19,250,000	¥15,050,000	¥34,400,000

## 13. INVESTMENT AND RENTAL PROPERTIES

Eighteenth Fiscal Period (November 1, 2013 to April 30, 2014)

The Investment Corporation owns real estate for rental purposes mainly in the Tokyo Metropolitan Area for the purpose of generating rental revenues.

The carrying value in the balance sheets and corresponding fair value of those properties are as follows:

As of October 31, 2013	Carrying value (In thousands of yen)		As of April 30, 2014	Fair value as of April 30, 2014 (In thousands of yen)
	Net change			
¥302,127,261	¥30,756,034		¥332,883,295	¥316,442,000

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

2: The fair value is the appraisal value or the survey value determined by outside appraisers.

3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increases and decreases were the acquisition of 8 properties totaling ¥35,708,056 thousand, the sale of 3 properties totaling ¥3,833,388 thousand and depreciation amounting to ¥1,826,542 thousand.

Income and loss in the fiscal period ended April 30, 2014 for real estate for rental purposes is listed in Note "10. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY".

## 14. SUBSEQUENT EVENTS

### ISSUANCE OF THE NEW INVESTMENT UNITS

On May 8 and May 20, 2014, the Board of Directors of the Investment Corporation resolved to issue new investment units as detailed below. The payments were completed on May 27, 2014 through issuance of public offering. As a result of the issuance of new investment units, the Investment Corporation had total unitholders' capital of ¥176,138,701,670 with 353,940 investment units outstanding as of May 27, 2014.

Furthermore, when new investment units are issued through a third-party allotment with Nomura Securities Co. Ltd. as the allottee in connection with the secondary offering, the payment date will be June 24, 2014 (planned).

(Issuance of New Investment Units through Public Offering)

Issuance of New Investment Units	:21,400 units (Domestic Offering 10,700 units, International Offering 10,700 units)
Issue Price (Offer Price)	:¥478,725 per unit
Aggregate Issue Price (Total Offer Price)	:¥10,244,715,000
Issue Amount (Paid-in Value)	:¥461,540 per unit
Total Issue Amount (Aggregate Paid-in Value)	:¥9,876,956,000
Payment Date	:May 27, 2014

(Issuance of New Investment Units through Third-Party Allotment)

Issuance of New Investment Units (Maximum)	:1,070 units
Issue Amount (Paid-in Value)	:¥461,540 per unit
Total Issue Amount (Aggregate Paid-in Value) (Maximum)	:¥493,847,800
Payment Date	:June 24, 2014 (Planned)
Allottee	:Nomura Securities Co., Ltd.

(Use of proceeds)

The funds from the Domestic Offering and International Offering allocated as a portion of the funds for the acquired properties in the nineteenth fiscal period. Furthermore, the funds from the issuance of new investment units by third-party allotment are allocated to as proceeds to a portion of fund for future acquisition of specified assets and repayment of borrowings.

## Statements of Cash Flows (Unaudited)

Kenedix Office Investment Corporation

For the six months period from November 1, 2013 to April 30, 2014 and May 1, 2013 to October 31, 2013

	In thousands of yen	
	From November 1, 2013 to April 30, 2014	From May 1, 2013 to October 31, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before income taxes	¥ 2,887,138	¥ 2,832,981
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	2,158,841	2,023,561
Interest income	(572)	(565)
Interest expense	1,039,564	1,050,678
Loss on retirement of fixed assets	—	10,114
<b>Changes in assets and liabilities:</b>		
Rental receivables	1,501	(69,012)
Consumption tax refundable	(119,288)	(100,159)
Accrued consumption tax	(24,903)	(155,406)
Trade and other payables	(40,304)	109,022
Rents received in advance	285,630	(179,837)
Property and equipment due to sale	3,833,388	1,672,153
Others, net	(375,523)	(212,763)
Subtotal	9,645,472	6,980,767
Interest income received	572	565
Cash payments of interest expense	(1,049,144)	(1,056,258)
Cash payments of income taxes	(946)	(890)
<b>Net cash provided by operating activities</b>	<b>8,595,954</b>	<b>5,924,184</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(36,179,723)	(15,090,275)
Purchases of investment securities	(1,109,906)	(202,400)
Proceeds from investment securities	213,076	—
Proceeds from leasehold and security deposits received	2,339,795	1,161,189
Payments of leasehold and security deposits received	(759,482)	(623,098)
Payments of restricted bank deposits	(94,114)	(94,092)
Proceeds from restricted bank deposits	80,657	32,279
Others, net	180	(292)
<b>Net cash used in investing activities</b>	<b>(35,509,517)</b>	<b>(14,816,689)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term debt	3,000,000	7,900,000
Payments of short-term debt	(6,100,000)	(4,500,000)
Proceeds from long-term debt	37,800,000	11,700,000
Payments of long-term debt	(17,511,500)	(7,211,500)
Proceeds from issuance of investment units	18,978,331	—
Proceeds from issuance of investment corporation bonds	—	1,784,250
Redemption of investment corporation bonds	—	(1,500,000)
Payment of dividends	(2,664,276)	(2,702,999)
<b>Net cash provided by financing activities</b>	<b>33,502,555</b>	<b>5,469,751</b>
Net change in cash and cash equivalents	6,588,992	(3,422,754)
Cash and cash equivalents at the beginning of period	10,948,849	14,371,603
<b>Cash and cash equivalents at the end of period</b>	<b>¥ 17,537,841</b>	<b>¥ 10,948,849</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 April 30, 2014 and October 31, 2013:

	In thousands of yen	
	As of April 30, 2014	As of October 31, 2013
Cash and bank deposits	¥18,055,433	¥11,452,986
Restricted bank deposits (Note)	(517,592)	(504,137)
<b>Cash and cash equivalents</b>	<b>¥17,537,841</b>	<b>¥10,948,849</b>

Note: Restricted bank deposits are retained for repayment of tenant leasehold and security deposits.