18th Fiscal Period

SEMIANNUAL REPORT

November 1, 2013–April 30, 2014

KENEDIX-REIT

Focusing on Mid-sized Office Buildings in the Tokyo Metropolitan Area

TSE 8972

Top Message

Accelerating Growth with a Greater Focus on Mid-sized Office Buildings

The 18th Fiscal Period saw a major step forward as we pursue our strategy of focusing on mid-sized office buildings in the Tokyo Metropolitan Area.

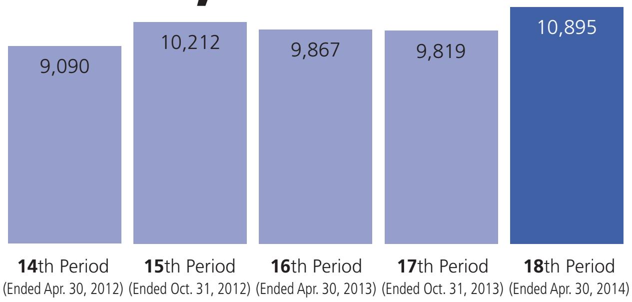
We started the period by raising 19.1 billion yen in capital and, toward the period end, announced another public offering, which took place in May 2014 and resulted in a 10.3 billion yen capital increase.

Backed by a sound financial basis, our portfolio grew to 92 properties, with a total acquisition price of over 350 billion yen. It has also achieved a greater focus on mid-sized office buildings in the Tokyo Metropolitan Area, further solidifying our position as the No. 1 J-REIT for mid-sized office buildings.

Naokatsu Uchida
Executive Director
Kenedix Office Investment Corporation

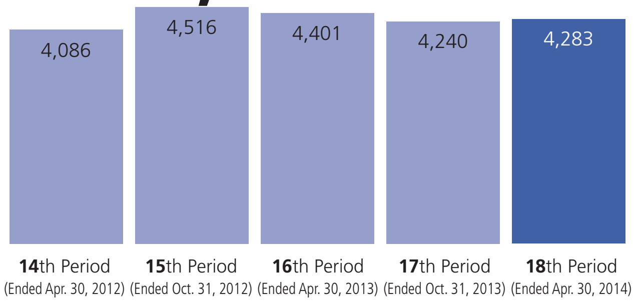
Operating Revenues

10,895 million yen



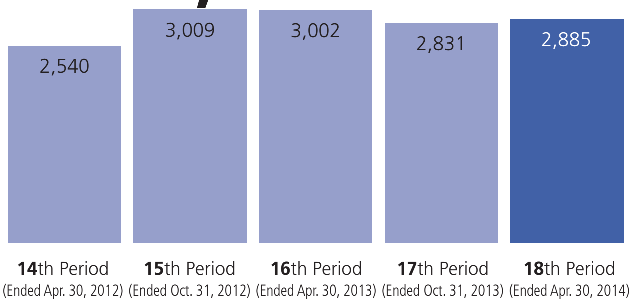
Operating Income

4,283 million yen



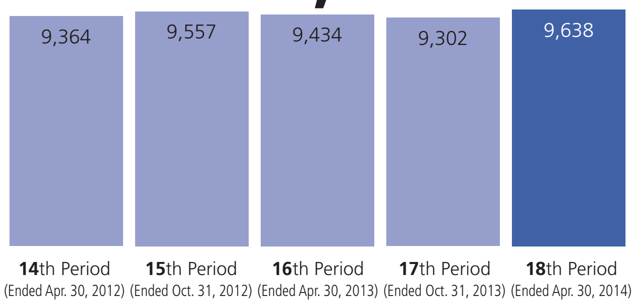
Net Income

2,885 million yen



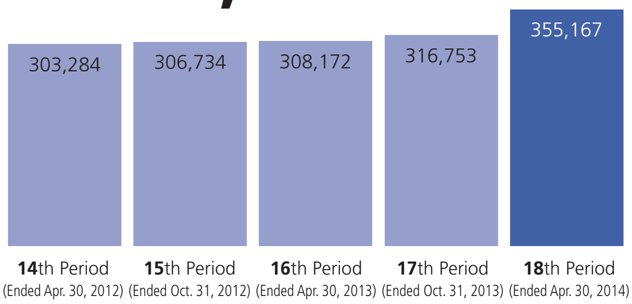
Distribution per Unit

9,638 yen



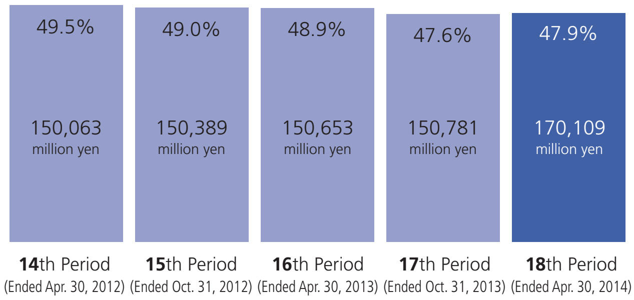
Total Assets

355,167 million yen



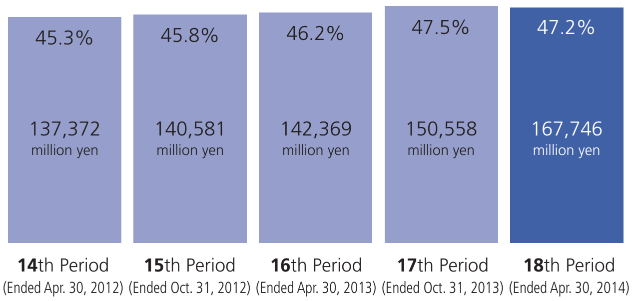
Net Assets Ratio / Unitholders' Equity

47.9%



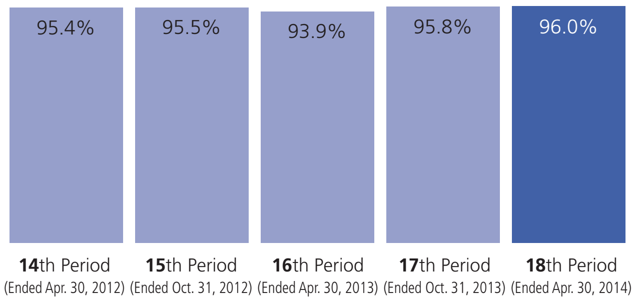
Interest-Bearing Debt Ratio (LTV Ratio) / Interest-Bearing Debt

47.2%



Occupancy Rate

96.0%



The following article is based on the interview conducted in May 2014.

Q.1 Could you please begin with an overview of the 18th Fiscal Period (ended April 2014)?

A. Kenedix Office Investment Corporation (KDO) continued to aggressively pursue external growth even as the real estate market began heating up and the market tightened for acquiring properties. KDO started the fiscal period by raising 19.1 billion yen in capital through a public offering and acquiring five office buildings* at a total acquisition price of 15.9 billion yen. Using loans and cash on hand, we then acquired the Aplus Tokyo Building, a mid-sized office building with

excellent accessibility, located just five minutes on foot from Iidabashi station; the KDX Musashi-Kosugi Building, a high-spec office building located in the rapidly developing area surrounding Musashi-Kosugi Station; and land with leasehold of the Shinjuku 6-chome Building, a mid-sized office building located in Tokyo's Shinjuku Ward, for a total acquisition cost of 19.2 billion yen. Furthermore, with a 1.1 billion yen investment, KDO acquired a 27% equity interest in a silent partnership that co-owns 59% of the Shinjuku Sanei Building in West Shinjuku.

While acquiring additional mid-sized office buildings, we also worked to reshuffle the property portfolio to maintain and improve its quality. During the fiscal period under review we sold the KDX Niigata Building, an office building in other regional area; the Kabutocho Nikko Building II, a relatively small office building in the portfolio; and Court Mejiro, a residential property.

In the ten years we have been operating the Investment Corporation, we have built a strong track record in acquiring mid-sized office buildings and built a rich store of expertise in managing these properties. We have nurtured our capabilities to gather information using the support line from our sponsor, the Kenedix Group, and the Asset Management Company's original network, as well as our problem solving and negotiation capabilities based on the information gathered. I believe that these abilities are the foundation of our competitiveness, and enabled KDO to continue making property acquisitions during the fiscal period despite the difficult environment.

In terms of internal growth, the occupancy rate of our office buildings at the end of the 18th Fiscal Period stood at 95.9%, an improvement of 0.3 percentage points from the end of the previous fiscal period. The rate is improving even if we exclude leases in rent-free periods, looking just at KDO's office buildings that are yielding leasing revenue. In terms of revising rents, the proportion of properties where rent is falling is decreasing, and there are also signs of bottoming out in rental income from existing properties, including cases in which negotiations with tenants led to partial rent increases.

Tenants of mid-sized office buildings tend to change location more frequently than tenants in large-scale office buildings. This provides more opportunities to revise leasing rates, making it easier to track changes in market rates.

KDO also conducts ongoing investment to renovate and upgrade its properties in ways that maintain and improve their competitiveness. Furthermore, we work to enhance customer satisfaction by responding to tenant needs property by property based on the results of regular customer satisfaction surveys. I believe that these initiatives will help KDO achieve internal growth.

On the financial front, our focus remained on stable financial management, which we achieved by diversifying debt maturities and reducing interest costs amid sustained favorable funding conditions. We still hold some high-interest debt, and will continue to reduce financing costs by seeking better terms at the time of refinancing.

Furthermore, the risk remains that interest rates may rise in the future. We will thus continue our policy of maintaining a high proportion of fixed-rate debt and diversifying maturity dates.

* Includes additional portion in the KDX Shinbashi Building. For details, please see the 17th Fiscal Period Semiannual Report.

Q.2 What was the intention behind the capital increase at the beginning of the 19th Fiscal Period?

A. The public offering in May raised 10.3 billion yen in capital. We used these funds, together with new loans and cash on hand, to acquire three office buildings at a total acquisition price of about 14.6 billion yen. These were the KDX Toyosu Grand Square Building (25% co-ownership interest), a high-spec, large-scale building located in the Toyosu area, which is growing commercially and in population; the Grace Building Takadanobaba, a mid-sized building located near Takadanobaba Station, with excellent access to major urban hub stations; and the Fumix STM Building, a high-spec building located next to Utsunomiya Station.

The public offering and the property acquisitions enabled by the capital increase served three purposes. First, they helped to increase our portfolio's profitability and support unitholders' value. Second, the larger portfolio size ensures greater stability in terms of revenue generation and enhances economies of scale. And third, by lowering the LTV ratio, we strengthened our financial foundation and enhanced our borrowing capacity for other property acquisitions.

As a result of these three acquisitions, the portfolio of the Investment Corporation as of the end of May 2014 comprises 92 properties, with a total acquisition price of over 350 billion yen, further solidifying our position as the No. 1 J-REIT for mid-sized office buildings.

Q.3 Please tell us about the distribution during the 18th Fiscal Period (ended April 2014) and plans for the 19th Fiscal Period, ending October 2014.

A. Distribution per unit for the fiscal period under review was 9,638 yen, up 336 yen from the previous fiscal period. Positive factors behind this increase included the full period contribution of properties acquired in the 17th Fiscal Period, income from properties acquired during the 18th Fiscal Period and progress in the leasing of existing properties. On the other hand, a net loss on the sales of three properties led to a reversal of reserve for reduction entry of 319 million yen.

The distribution per unit for the 19th Fiscal Period is expected to be 9,810 yen, reflecting the full period contributions of properties acquired during the fiscal period under review and income from the three properties acquired by means of the capital increase through public offering. We are enhancing our business with an eye to increasing the distribution beyond the 10,000 yen threshold in the near future.

Q.4 Please tell us more about the outlook for both the J-REIT market and Kenedix Office Investment Corporation.

A. Buoyed by a favorable funding environment, the J-REIT market is expanding steadily. Both initial public offerings and additional public offerings by existing REITs are continuing. There is a sense that more individual investors are entering the J-REIT market indirectly via funds, such as index funds and ETFs, that invest in J-REITs. The commencement of the Nippon Individual Savings Account (NISA) program, a tax-break scheme for small investments launched in Japan, also provides a good opportunity for J-REITs. With their appealing rates of return, J-REITs look set to attract the attention of individual investors. Furthermore, the news that the Government Pension Investment Fund (GPIF) began investing in J-REITs is also expected to encourage more investors into J-REITs and to further the development of the market.

In the office building market, we are seeing increasing polarization of buildings in each size category into those that are competitive and those that are not.

Rental income from existing properties is bottoming out, and we are now beginning to shift into a stage fueled by internal growth. Mid-sized office buildings are often thought to be slow to recover, but this is not necessarily the case. Indeed, we are seeing that competitive mid-sized buildings can recover faster than lackluster large-scale office buildings, such as those that are aging and losing competitiveness.

We will continue our aggressive efforts to solidify KDO's position as the No. 1 mid-sized office building owner, maximizing unitholders' value and fulfilling our social mission as a J-REIT.

内田直克

Naokatsu Uchida
Director and COO, General Manager of Office REIT Division,
Kenedix Real Estate Fund Management, Inc.

Management Team

❶ Naokatsu Uchida
Director and COO, General Manager of Office REIT Division

- Worked for Mitsubishi UFJ Trust and Banking Corporation for approximately 17 years (Real Estate Division, Real Estate Project Origination Division)
- After working for Joint Asset Management Co., Ltd. as its Representative Director, joined Kenedix Office Partners, Inc. and was a member of the Financial Planning Division for approximately two years
- Appointed Representative Director of Kenedix Office Partners, Inc. on February 2, 2012
- Appointed Director and COO, General Manager of Office REIT Division on October 1, 2013

❷ Keisuke Sato
General Manager of Investment Management Dept., Office REIT Division

- Worked for Tokyu Land Corporation for approximately nine years (Urban Business Division)
- Joined Kenedix, Inc. after having worked for JPMorgan Securities Japan Co. Ltd., Prudential Real Estate Investors (Japan) K.K.
- Property appraiser
- Appointed General Manager of Investment Management Division, Kenedix Office Partners, Inc. on August 1, 2012
- Appointed General Manager of Investment Management Department, Office REIT Division on October 1, 2013

❺ Tetsushi Ichikawa
General Manager of Finance & Accounting Dept.

- Worked for Sumitomo Mitsui Trust Bank for 15 years (Engaged in real estate finance, etc.)
- Joined Kenedix after having engaged in investment banking and having served as director responsible for asset management business at Touchstone Capital Securities
- Appointed General Manager of Finance & Accounting Dept. on October 1, 2013 after serving as General Manager of Finance Group for Kenedix Residential Partners

❸ Fumihiko Shimodomae
General Manager of Property Management Dept., Office REIT Division

- Worked for Mitsui Fudosan Building Management for 12 years
- Joined Kenedix Office Partners, Inc. in January 2011 after having worked as a director for the asset management companies of Pacific Management and Nippon Commercial Investment Corporation
- Appointed General Manager of Property Management Division on July 1, 2012 after working as PM Manager of Property Management Division
- Appointed General Manager of Property Management Department, Office REIT Division on October 1, 2013

❹ Hikaru Teramoto
General Manager of Planning Dept., Office REIT Division

- After working for Sakura Bank for six years, worked at Sakura Securities, Daiwa Securities SMBC, and Goldman Sachs in investment banking business for ten years
- Joined Kenedix Office Partners, Inc. after having worked for Goldman Sachs Realty Japan
- Appointed General Manager of Financial Planning Division, Kenedix Office Partners, Inc. on August 1, 2012
- Appointed General Manager of Planning Department, Office REIT Division on October 1, 2013

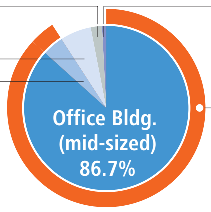
External Growth

01

Accelerating Growth with a Greater Focus on Mid-sized Office Buildings, Backed by Advantageous Financing

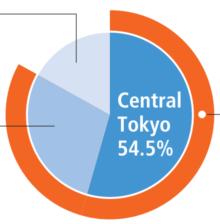
Portfolio expanded to **92** properties with a total acquisition price over **350** billion yen

Distribution by Property Type



Note: Based on acquisition price. The percentage breakdown by property type based on the acquisition price after the 6th public offering (As of May 30, 2014) (Figures are rounded down to the first decimal place).

Distribution of Office Buildings by Region



Notes:
1. Based on acquisition price after the 6th public offering (As of May 30, 2014) (Figures are rounded down to the first decimal place).
2. Central Tokyo represents Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards.

Note: Figures are rounded down to the nearest ¥100 million.

The fiscal period under review started with a capital increase of 19.1 billion yen through public offering and acquisition of five office buildings* at a total acquisition price of 15.9 billion yen.

* Includes additional portion in the KDX Shinbashi Building. For details, please see the 17th Fiscal Period Semiannual Report.

With its reinforced financial foundation, Kenedix Office Investment Corporation (KDO or the "Investment Corporation") then moved on to acquire three properties: the Aplus Tokyo Building, the KDX Musashi-Kosugi Building and land with leasehold of the Shinjuku 6-chome Building at a total acquisition price of 19.2 billion yen. Furthermore, 1.1 billion yen was invested to acquire a 27% equity interest in a silent partnership of the Shinjuku Sanei Building.

As the portfolio expanded in size, the ratio of mid-sized office buildings in the Tokyo Metropolitan Area has also increased. In tandem with property acquisitions, we worked to improve the portfolio quality through reshuffling. During the fiscal period under review, the Investment Corporation sold the KDX Niigata Building, an office building outside the Tokyo Metropolitan Area; the Kabutocho Nikko Building II, a relatively small office building; and Court Mejiro, a residential property.

As of April 30, 2014, KDO's portfolio comprised 89 properties with a total acquisition price of 336.1 billion yen.

The portfolio will continue to grow in the 19th Fiscal Period (ending October 2014). At the start of the period, the Investment Corporation raised 10.3 billion yen through another public offering, which was used to fund the acquisition of three properties, the KDX Toyosu Grand Square (25% co-ownership interest), the Grace Building Takadanobaba and the Fumix STM Building, at a total acquisition price of 14.6 billion yen.

With its portfolio standing at 92 properties and 350.8 billion yen as of May 30, 2014, KDO is accelerating growth backed by a favorable financing environment.

● Number of Properties by Property Type

	End of 18th Period (2014/4)	After the 6th public offering (As of May 30, 2014)
Office	83	86
Central urban retail	3	3
Residential	2	2
Other	1	1
Total	89	92

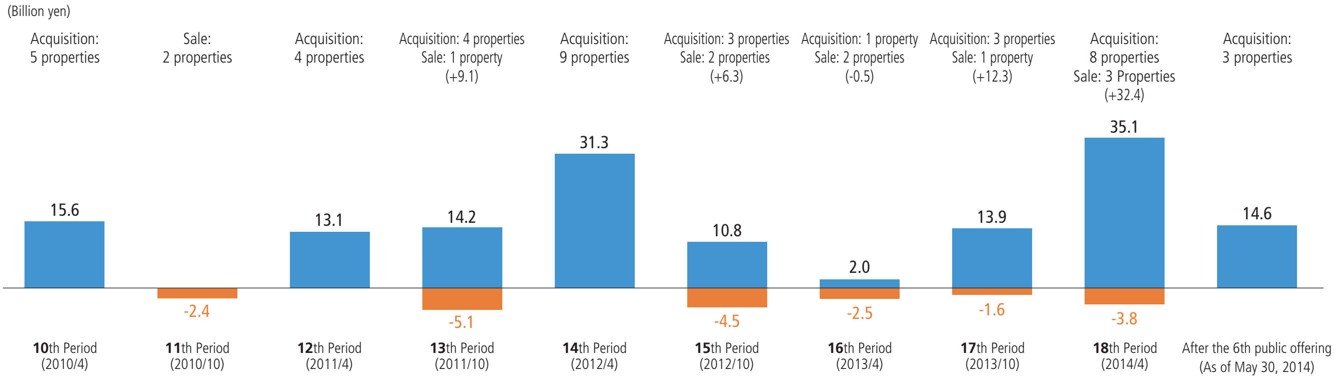
Proportion of office buildings

86.4% (April 30, 2008)

90.8% (May 30, 2014)

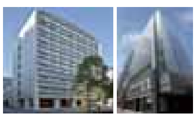
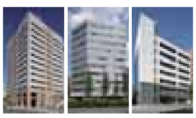
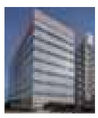
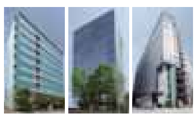
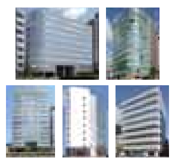
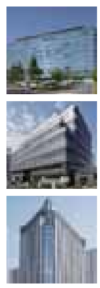
● Portfolio Growth (Based on acquisition price)

● Change in Asset Size



Note: Change in asset size is calculated based on acquisition price and is truncated to the nearest 100 million yen.

● Track Record of Property Acquisitions and Dispositions (Note 1)

14th Period (2012/4)	15th Period (2012/10)	16th Period (2013/4)	17th Period (2013/10)	18th Period (2014/4)	After the 6th public offering
Acquisition: 9 properties Total acquisition price: ¥31.3 billion 	Acquisition: 3 properties Total acquisition price: ¥10.8 billion 	Acquisition: 1 property Total acquisition price: ¥2.0 billion 	Acquisition: 3 properties Total acquisition price: ¥13.9 billion 	Acquisition: 8 properties Total acquisition price: ¥35.1 billion 	Acquisition: 3 properties Total acquisition price: ¥14.6 billion (Note 2) 
No sale	Sale: 2 properties Total sale price: ¥5.0 billion (Gain on sale: ¥0.4 billion)	Sale: 2 properties Total sale price: ¥3.1 billion (Gain on sale: ¥0.4 billion)	Sale: 1 property Sale price: ¥1.9 billion (Gain on sale: ¥0.2 billion)	Sale: 3 properties Sale price: ¥3.8 billion (Loss on sale: ¥0.2 billion)	
Change in asset size +¥31.3 billion	Change in asset size +¥6.3 billion	Change in asset size -¥0.5 billion	Change in asset size +¥12.3 billion	Change in asset size +¥46.0 billion	

Notes: 1. Figures are truncated to the nearest 100 million yen. 2. As of May 30, 2014 3. Change in asset size is calculated based on acquisition price.

Internal Growth

02

Improving Profitability through Enhanced Property Management and Customer Satisfaction

Office building occupancy rate at **95.9**% at the end of the 18th Fiscal Period

* The number of tenants and leasable floor area are calculated based on floors. For example, an end-tenant vacating a floor and leasing another floor at any of our properties is counted as one each for incoming and outgoing.

The fiscal period under review saw continued improvements in the occupancy rates and the leasing conditions.

The occupancy rate of our office buildings at the end of the 18th Fiscal Period stood at 95.9%, up 0.3 percentage points from the end of the previous fiscal period.

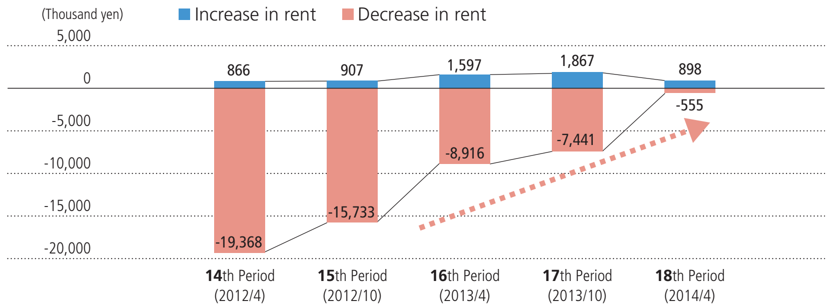
Looking at the tenant turnover trend of office buildings, "move-ins" outpaced "move-outs" for two consecutive periods both in terms of cases and net leased area*. Tenants are increasingly moving in/out for floor expansion purposes, reflecting improving business sentiment among SMEs.

Moreover, the status of rent revision, tenants with reduced rental rates are decreasing in proportion. Also, the total amount of rent increase exceeded that of rent reduction (see the bar graph below).

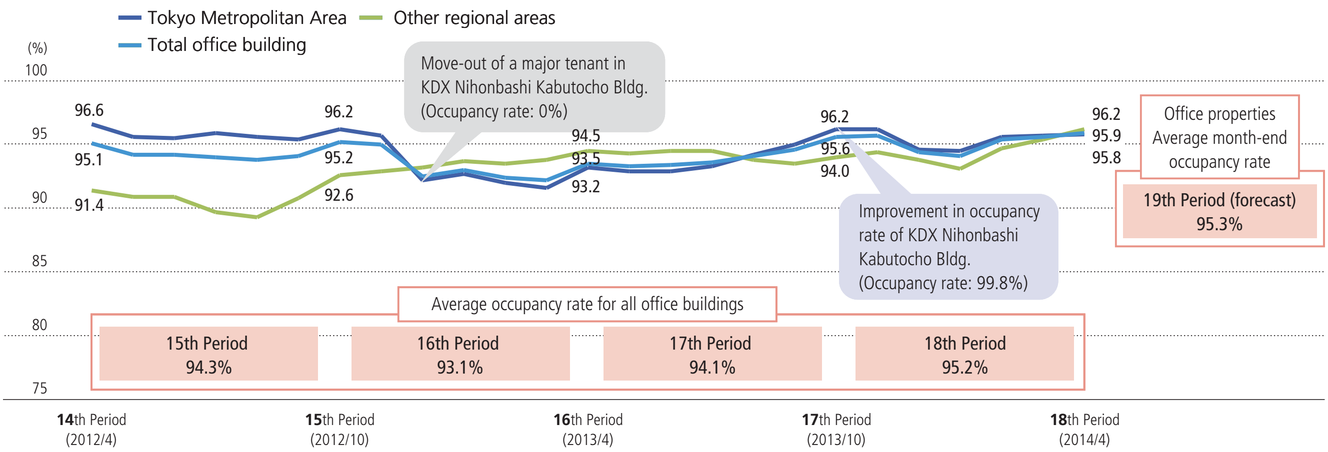
Furthermore, with expiring of rent-free periods, we saw a 0.6% improvement in rental revenue of 71 office properties owned as of the beginning of the 15th Fiscal Period (ended October 2012), excluding properties sold, compared to the 17th Fiscal Period.

● Change in Rent Level at Time of Rent Revision**

** The figures are the monthly rent level difference before and after the rent revision and are calculated separately for each tenant, rounded to the nearest ¥1,000.



● Occupancy Rate Performance of Office Buildings (By region)



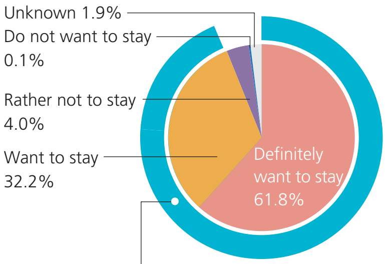
Note: Occupancy rate is calculated by dividing leased area by leasable area and is rounded to the first decimal place. Average month-end occupancy rate of office properties is a simple average of monthly-end occupancy rates for each period. The forecast occupancy rate for the 19th Fiscal Period (2014/10) is calculated based on the Asset Management Company's earnings forecast for the 19th Fiscal Period.

In tandem with ongoing investment to renovate and upgrade the existing properties, we conduct regular customer satisfaction surveys, which are extremely helpful in understanding exactly what tenants need at each property. Based on the results of these surveys, we are conducting renovations to upgrade or replace such important features as toilets, air-conditioning, elevators, lighting systems and security systems, while improving property management-related services.

These kinds of improvement are also one of the key factors to finding new tenants at favorable leasing terms. A case in point is the KDX Shinbashi Building, where the occupancy rate was 29.4% when we acquired the entire property. With renovated entrance and common areas on each floor and an updated security system, the building's occupancy rate rose to 86.8% at the end of the 18th Fiscal Period. Moreover, the contracted unit rent increased 18.9% compared to August 1, 2012.

Over many years we have been operating the Investment Corporation, we have built a rich store of expertise in managing mid-sized office buildings. Leveraging this knowhow, we stand poised to further improve the profitability of our portfolio and increase unitholders' value.

Motivation for Continuous Occupancy



94.0% of tenants shows high motivation for continuous occupancy

Effects of Value-upgrading Measures for KDX Shinbashi Bldg.

Additional acquisition

Acquired additional portion of KDX Shinbashi Building (6-8 floors) at the acquisition price of 1,038 million yen on December 2, 2013, providing KDO with the ownership of the entire building

Increase in occupancy rate

- At time of acquisition (whole property): 29.4%
- End of 18th Fiscal Period (2014/4): 86.8%

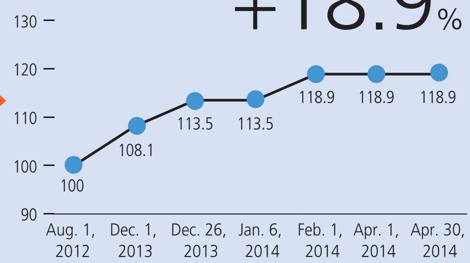
Renewal works

Renovated entrance and common area on each floor and updated security system, etc. (Total cost: 92 million yen)

- Elevator hall (standard floor)
- Restroom on each floor

Increase in contracted rent per unit (Note)

+18.9%



Leasing activities

- Invited tenants at high rent per unit leveraging the property's locational advantages: close proximity with major business areas including Toranomon/Kasumigaseki and access to a multiple subway lines
- Looked for tenants with floor expansion needs

Improvement of unrealized gain

+305 mn yen

(mn yen)	2013/10/31	2014/4/30	Difference
Book value	2,676	3,811	+1,135
Appraisal value	2,380	3,820	+1,440
Unrealized gain	-296	+9	+305

Note : The chart shows the actual rent (including common area charge) of the tenants whose lease began in the relevant period, with the actual rent (including common area charge) of the tenant whose lease began on August 2012 given a value of 100.

Financial Strategy

03

Proactive Capital Increases to Support Property Acquisitions and Stable Financial Management

Capital increases of **19.1** billion yen in the 18th Fiscal Period and **10.3** billion yen in the 19th Fiscal Period

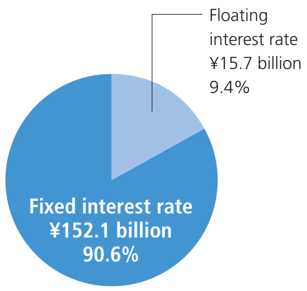
At the start of the fiscal period under review, we raised 19.1 billion yen through the issuance of new investment units. This was followed by another capital increase of 10.3 billion yen through public offering at the start of the 19th Fiscal Period. Thanks to these moves, the interest bearing debt ratio (LTV ratio) stands at 46.2% as of June 30, 2014, compared to 47.2% at the end of the 18th Fiscal Period, in spite of high-paced property acquisitions.

Maintaining a conservation LTV ratio helps us swiftly procure funds when the opportunity arises to acquire new properties. We are thus continuing our policy of keeping our LTV ratio at the level below 50%.

Meanwhile, we are continuing our efforts to reduce debt costs through refinancing. During the fiscal period under review, we managed to reduce the average interest rate of our interest-bearing debt from 1.77% at the end of the previous fiscal period to 1.65%. We also managed to extend the average remaining term to maturity from 2.3 years to 3.1 years. These achievements, combined with our effort to diversify debt maturities, help us maintain a stable financial base.

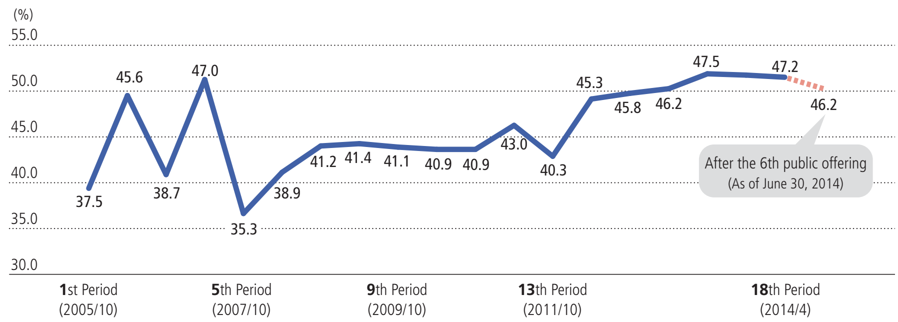
Thus shielding ourselves from the risk of rising interest rates, we are building up a competitive advantage in a market where prompt access to funds is the key to maintaining competitiveness.

● Fixed Interest Rate (2014/4)



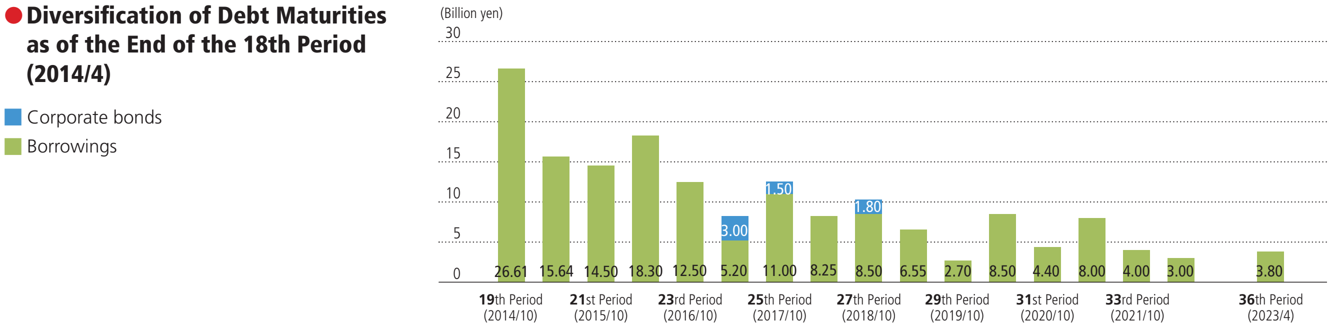
Note: Fixed rate includes borrowings that are fixed through interest rate swap but excludes those that are hedged by interest rate cap (numbers are rounded to the first decimal place).

● Changes in the LTV Ratio



Note: LTV = Interest-bearing debt / Total assets

● Diversification of Debt Maturities as of the End of the 18th Period (2014/4)



Note: The chart illustrates total debt amounts that reach maturity in each period, including repayment of a part of principle based on the contracts (rounded to the first decimal place).

Corporate Governance

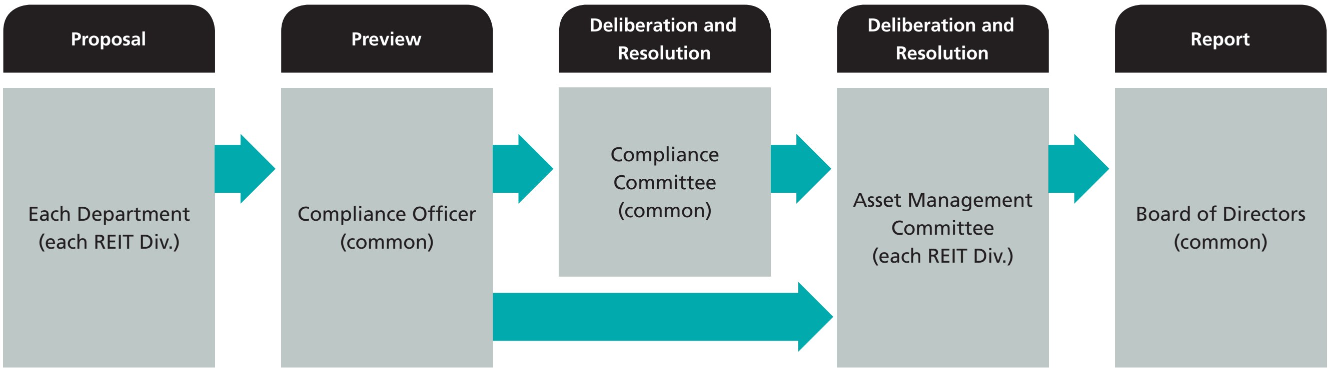
Investment and Management Decision-making System of Kenedix Real Estate Fund Management

As the asset management company of KDO, Kenedix Real Estate Fund Management creates guidelines governing KDO's asset management. These Asset Management Guidelines define KDO's fundamental philosophy including its investment policy, rules concerning transactions with related parties, distribution policy and its disclosure policy.

Kenedix Real Estate Fund Management may also propose property management plans in accordance with the Asset Management Guidelines, identify properties for possible investment and decide whether to support particular acquisitions.

The structure of the decision-making process outlined below illustrates the creation and revision of individual Asset Management Guidelines, as well as property management plans for the acquisition and sale of properties.

Decision-making Process



1. Decision-making Process on Asset Management Investment Policy

The Investment Management Department of Office REIT Division proposes any revision of the Asset Management Guidelines to the Compliance Officer. After review by the Officer, the revisions are advanced to the Compliance Committee where they are deliberated and resolved. Lastly, the Office REIT Division Asset Management Committee deliberates and reaches resolution on the revisions.

The Asset Management Guidelines may be revised to reflect changes in investment conditions and KDO's investment policy, as well as other reasons such as changes in the legal or regulatory environment. Whenever the Management Guidelines are changed, the General Manager of Office REIT Division is responsible for reporting each revision to the Board of Directors.

2. Decision-making Process on Asset Management

▶ Property Management Plans

Relevant departments of Office REIT Division may propose property management plans to the Compliance Officer. After review by the Officer, the plans are deliberated and resolved in the Compliance Committee. Following that, the Office REIT Division Asset Management Committee deliberates and reaches resolution on these plans.

Each time a new property management plan is approved or revised, the General Manager of Office REIT Division is charged with reporting this to the Board of Directors.

▶ Acquisition and Sale of Properties

The Investment Management Department of Office REIT Division selects properties for possible acquisition according to an agreed upon process. The Investment Management Department first proposes property acquisitions to the Compliance Officer. When the Officer concludes there are no conflicts or other issues, the Officer then forwards the proposal to the Office REIT Division Asset Management Committee for review and ultimate resolution.

In the event that the Compliance Officer identifies such issues as related-party transactions, potential regulatory conflicts or other cases the Officer deems require closer scrutiny, the proposal must be submitted for review and resolution by the Compliance Committee before proceeding to the Office REIT Division Asset Management Committee for final review and resolution. The Compliance Committee is free to solicit opinions from outside experts and forward these to the said Asset Management Committee for reference in reaching a resolution.

The Investment Management Department of Office REIT Division also proposes property sales or disposals to the Compliance Officer. In a similar manner, the Officer reviews it and, when necessary, forwards the proposal to the Compliance Committee, which can then advance the matter to the Office REIT Division Asset Management Committee. In the absence of conflicts or other issues, the Compliance Officer may send the proposal directly to the said Asset Management Committee for ultimate review and resolution.

KENEDIX-REIT Portfolio (As of April 30, 2014)

The properties acquired during the 18th Fiscal Period are marked with red boxes.

	No.	Property Name	Location	Acquisition Price (mn yen) <Note 1>	Year Built <Note 2>	Occupancy Rate <Note 3>
Office (Tokyo Metropolitan Area)	A1	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	Apr. 1974	100.0%
	A3	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	Jan. 1987	100.0%
	A4	KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	Jun. 1993	100.0%
	A5	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	Aug. 1992	100.0%
	A6	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	Nov. 1985	100.0%
	A7	FIK Minami Aoyama	Minato-ku, Tokyo	2,270	Nov. 1988	100.0%
	A8	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	May 1993	88.0%
	A13	KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	May 1994	100.0%
	A14	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	100.0%
	A15	KDX Hamacho Building	Chuo-ku, Tokyo	2,300	Sep. 1993	100.0%
	A16	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	94.4%
	A17	KDX Ebisu Building	Shibuya-ku, Tokyo	4,640	Jan. 1992	100.0%
	A19	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	Sep. 1999	100.0%
	A20	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	Oct. 1987	84.9%
	A21	KDX Shinbashi Building (Note 4)	Minato-ku, Tokyo	3,728	Feb. 1992	86.8%
	A22	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	94.1%
	A26	KDX Kiba Building	Koto-ku, Tokyo	1,580	Oct. 1992	88.1%
	A27	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	Mar. 1990	100.0%
	A28	KDX Nogizaka Building	Minato-ku, Tokyo	1,065	May 1991	100.0%
	A29	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	Jan. 1990	100.0%
	A30	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	Nov. 1992	100.0%
	A31	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	Sep. 1986	100.0%
	A32	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	Jul. 1986	100.0%
	A33	KDX Okachimachi Building	Taito-ku, Tokyo	2,000	Jun. 1988	100.0%
	A34	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May 1995	100.0%
	A35	KDX Hachioji Building	Hachioji, Tokyo	1,155	Dec. 1985	100.0%
	A37	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	Aug. 1982	100.0%
	A38	KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	Oct. 1992	100.0%
	A39	KDX Toranomon Building	Minato-ku, Tokyo	4,400	Apr. 1988	100.0%
	A40	Toranomon Toyo Building	Minato-ku, Tokyo	9,850	Aug. 1962	96.9%
	A41	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	Aug. 1989	100.0%
	A45	KDX Roppongi 228 Building	Minato-ku, Tokyo	3,300	Apr. 1989	73.8%
	A46	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	Mar. 1988	100.0%
	A47	KDX Shin-Yokohama 381 Building	Yokohama, Kanagawa	5,800	Mar. 1988	100.0%
	A48	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	Feb. 1985	100.0%
	A49	Nissou Dai-17 Building	Yokohama, Kanagawa	2,710	Jul. 1991	100.0%
	A50	KDX Ikejiri-Oohashi Building	Meguro-ku, Tokyo	2,400	Sep. 1988	91.3%
	A51	KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	Sep. 1988	100.0%
	A52	KDX Kanda Misaki-cho Building	Chiyoda-ku, Tokyo	1,380	Oct. 1992	60.8%
	A55	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	Jul. 1990	100.0%
	A56	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	May 1994	100.0%
	A57	KDX Gobancho Building	Chiyoda-ku, Tokyo	1,951	Aug. 2000	100.0%
	A59	KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	Mar. 2008	100.0%
	A60	KDX Harumi Building	Chuo-ku, Tokyo	10,250	Feb. 2008	72.2%
	A61	KDX Hamamatsucho Dai-2 Building	Minato-ku, Tokyo	2,200	Apr. 1992	100.0%
	A62	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	Nov. 1989	100.0%
	A63	Gotanda TG Building	Shinagawa-ku, Tokyo	2,620	Apr. 1988	100.0%
	A64	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	Oct. 2006	100.0%
	A66	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	May 1993	88.4%
	A67	KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	Nov. 1991	100.0%
	A68	KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	Jan. 1984	100.0%
	A71	KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	Mar. 1990	100.0%

	No.	Property Name	Location	Acquisition Price (mn yen) <Note 1>	Year Built <Note 2>	Occupancy Rate <Note 3>
	A72	KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	Jan. 1993	76.7%
	A73	KDX Hakozaki Building	Chuo-ku, Tokyo	2,710	Nov. 1993	78.6%
	A74	KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	Nov. 2002	100.0%
	A75	KDX Nihonbashi Kabutocho Building	Chuo-ku, Tokyo	11,270	Nov. 1998	100.0%
	A78	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	Feb. 1990	100.0%
	A83	KDX Fuchu Building	Fuchu, Tokyo	6,120	Mar. 1996	97.6%
	A84	KDX Kasuga Building	Bunkyo-ku, Tokyo	2,800	Jun. 1992	100.0%
	A85	KDX Nakameguro Building	Meguro-ku, Tokyo	1,880	Oct. 1985	100.0%
	A86	KDX Omiya Building	Saitama, Saitama	2,020	Apr. 1993	100.0%
	A87	Itopia Nihonbashi SA Building	Chuo-ku, Tokyo	2,200	Jul. 1995	81.1%
	A88	Welship Higashi Shinjuku	Shinjuku-ku, Tokyo	1,900	Mar. 1990	100.0%
	A89	KDX Takanawadai Building	Minato-ku, Tokyo	5,250	Oct. 1985	95.7%
	A90	KDX Ikebukuro Building	Toshima-ku, Tokyo	3,900	Mar. 2009	100.0%
	A91	KDX Mita Building	Minato-ku, Tokyo	3,180	Mar. 1993	88.4%
	A92	KDX Akihabara Building	Chiyoda-ku, Tokyo	2,600	Dec. 1973	100.0%
	A93	Aplus Tokyo Building	Shinjuku-ku, Tokyo	4,350	Jan. 1994	100.0%
	A94	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	May 2013	95.9%
Office (Other Regional Areas)	A12	Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	96.5%
	A24	KDX Minami Semba Dai-1 Building	Osaka, Osaka	1,610	Mar. 1993	91.2%
	A25	KDX Minami Semba Dai-2 Building	Osaka, Osaka	1,560	Sep. 1993	70.6%
	A42	Karasuma Building	Kyoto, Kyoto	5,400	Oct. 1982	100.0%
	A44	KDX Sendai Building	Sendai, Miyagi	2,100	Feb. 1984	91.9%
	A53	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun. 1973	95.8%
	A54	KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	92.8%
	A58	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Apr. 2009	100.0%
	A69	KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	Jul. 2009	100.0%
	A70	KDX Sapporo Building	Sapporo, Hokkaido	2,005	Oct. 1989	97.8%
	A79	KDX Nagoya Ekimae Building	Nagoya, Aichi	7,327	Apr. 1986	100.0%
	A80	Nagoya Nikko Shoken Building	Nagoya, Aichi	4,158	Aug. 1974	95.5%
	A81	Sendai Nikko Building	Sendai, Miyagi	950	Mar. 1989	87.7%
	A82	KDX Higashi Umeda Building	Osaka, Osaka	2,770	Jul. 2009	100.0%
	Office Subtotal (83 properties)			303,951	Avg. 22.7 years	95.9%
Residential	B18	Venus Hibarigaoka	Sapporo, Hokkaido	1,800	Mar. 1989	93.7%
	B19	Residence Charmante Tsukishima	Chuo-ku, Tokyo	5,353	Jan. 2004	100.0%
	Residential Subtotal (2 properties)			7,153	Avg. 14.0 years	96.1%
Central Urban Retail	C1	Frame Jinnan-zaka	Shibuya-ku, Tokyo	9,900	Mar. 2005	96.3%
	C2	KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	Aug. 1991	100.0%
	C4	Ginza 4chome Tower	Chuo-ku, Tokyo	9,800	Nov. 2008	100.0%
	Central Urban Retail Subtotal (3 properties)			22,179	Avg. 8.9 years	98.5%
Other	D2	Shinjuku 6chome Building (Land)	Shinjuku-ku, Tokyo	2,880	—	100.0%
	Other Subtotal (1 property)			2,880	—	100.0%
	Total (89 properties)			336,163	Avg. 21.6 years	96.0%

Investment Security	Senri Property TMK Preferred Securities	Toyonaka, Osaka	891	Jun. 1992	
	G.K. KRF 43 Silent Partnership Equity Interest	Shinjuku-ku, Tokyo	1,107	Dec. 1979	

Notes: 1. Acquisition price is the purchase price of the trust beneficiary interests etc. acquired by KDO.

2. Year built shows the completion date recorded in land register book. The average value shown in subtotal section is a weighted average number calculated based on acquisition prices with a base date of April 30, 2014, and is rounded down to the first decimal place.

3. Occupancy rate is calculated by dividing leased floor area by leasable floor area as of April 30, 2014 and is rounded to the first decimal place. Occupancy rate subtotals and total are each calculated by dividing the sum of leased floor area by the sum of leasable floor area of the relevant category. The figure for Shinjuku 6-chome Building (Land) is calculated based on the total leasable area indicated in the land lease agreement.

4. Additional portion of the KDX Shinbashi Building was acquired on December 2, 2013 (acquisition price 1,038 million yen). The existent portion and additional portion are together counted as one property.

Financial Section

Contents

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) (Period-on-period change)	mn yen %	303,284 (+10.3)	306,734 (+1.1)	308,172 (+0.5)	316,753 (+2.8)	355,167 (+12.1)
Interest-bearing debt (c) (Period-on-period change)	mn yen %	137,372 (+23.9)	140,581 (+2.3)	142,369 (+1.3)	150,558 (+5.8)	167,746 (+11.4)
Unitholders' equity (d) (Period-on-period change)	mn yen %	150,063 (-0.1)	150,389 (+0.2)	150,653 (+0.2)	150,781 (+0.1)	170,109 (+12.8)
Unitholders' capital (Period-on-period change)	mn yen %	147,153 (0.0)	147,153 (0.0)	147,153 (0.0)	147,153 (0.0)	166,261 (+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) (Period-on-period change)	%	49.5 (-5.2)	49.0 (-0.5)	48.9 (-0.1)	47.6 (-1.3)	47.9 (+0.3)
Interest-bearing debt ratio at end of period (c)/(b) (Period-on-period change)	%	45.3 (+5.0)	45.8 (+0.5)	46.2 (+0.4)	47.5 (+1.3)	47.2 (-0.3)
Payout ratio (Note 4) (f)/(a)	%	105.6	90.9	90.0	94.1	111.0
Other references						
Number of properties	properties	83	84	83	85	89
Total leasable floor area	m^2	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.

Building a better working world

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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
ASSETS		
Current assets:		
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
Total current assets	18,601,704	12,035,637
Property and equipment, at cost: (Notes 3, 11 and 13)		
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)
Net property and equipment	332,527,540	301,770,614
Other assets:		
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
Total assets	¥355,167,352	¥316,753,174
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
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
Total current liabilities	45,210,399	49,325,524
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
Total liabilities	185,057,817	165,971,949
Net Assets		
Unitholders' equity		
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		
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	961,750	795,928
Retained earnings	2,886,039	2,831,477
Total surplus	3,847,789	3,627,405
Total unitholders' equity	170,109,535	150,781,225
Total net assets (Note 8)	170,109,535	150,781,225
Total liabilities and net assets	¥355,167,352	¥316,753,174

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
Operating revenues:		
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
Operating expenses:		
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
Operating income	4,283,399	4,240,787
Non-operating expenses:		
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
Ordinary income	2,887,138	2,832,981
Income before income taxes	2,887,138	2,832,981
Income taxes (Note 7)	1,266	1,504
Net income	2,885,872	2,831,477
Retained earnings at the beginning of period	167	—
Retained earnings at the end of period	¥ 2,886,039	¥2,831,477

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' equity					
		Surplus				
		Voluntary retained earnings				
	Unitholders' capital	Reserve for reduction entry	Retained earnings	Total surplus	Total unitholders' equity	Total
Balance as of April 30, 2013	**¥147,153,820**	**¥497,043**	**¥3,002,199**	**¥3,499,242**	**¥150,653,062**	**¥150,653,062**
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
Balance as of October 31, 2013	**¥147,153,820**	**¥795,928**	**¥2,831,477**	**¥3,627,405**	**¥150,781,225**	**¥150,781,225**
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
Balance as of April 30, 2014	**¥166,261,746**	**¥961,750**	**¥2,886,039**	**¥3,847,789**	**¥170,109,535**	**¥170,109,535**

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 entrust 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, Aplus 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 386,659.01m² 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
Total	¥353,576	¥21,048	¥332,528	¥321,401	¥19,630	¥301,771

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
Subtotal				6,000
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
Subtotal				36,247
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
Rental and other operating revenues:		
Rental revenues	¥ 7,380,878	¥6,649,670
Common area charges	1,695,193	1,587,331
Subtotal	9,076,071	8,237,001
Others:		
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
Property-related expenses:		
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
Total property-related expenses	5,047,051	4,845,827
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
Gain on sale of real estate property	497,482	234,506
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	—
Loss on sale of real estate property	¥ 816,665	¥ —

11. PROPERTY INFORMATION

Type	Office Buildings		Residential Properties		Central Urban Retail Properties	Others
Location	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	—
NCF (Net Cash Flow)	¥4,660,339	¥1,073,461	¥129,910	¥47,639	¥482,532	¥4,911

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:

Carrying value (In thousands of yen)			Fair value as of April 30, 2014 (In thousands of yen)
As of October 31, 2013	Net change	As of April 30, 2014	
¥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
CASH FLOWS FROM OPERATING ACTIVITIES:		
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
Changes in assets and liabilities:		
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)
Net cash provided by operating activities	8,595,954	5,924,184
CASH FLOWS FROM INVESTING ACTIVITIES:		
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)
Net cash used in investing activities	(35,509,517)	(14,816,689)
CASH FLOWS FROM FINANCING ACTIVITIES:		
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)
Net cash provided by financing activities	33,502,555	5,469,751
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
Cash and cash equivalents at the end of period	¥ 17,537,841	¥ 10,948,849

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)
Cash and cash equivalents	¥17,537,841	¥10,948,849

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

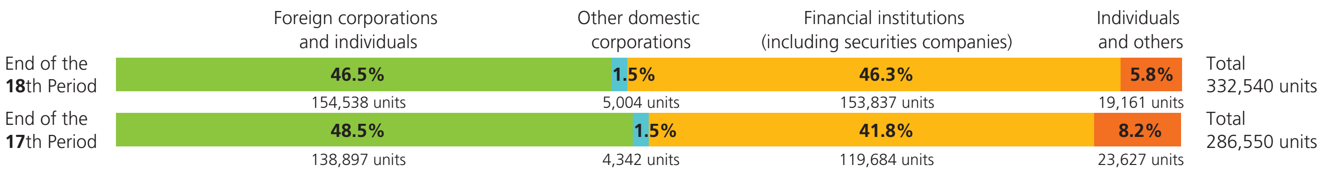
Unitholders' Information

Kenedix Office Investment Corporation

Fiscal Periods: Six months ending April 30 and October 31
Stock Listing: Real Estate Investment Trust Market of the Tokyo Stock Exchange (Security Code: 8972)
Transfer Agent: Sumitomo Mitsui Trust Bank, Limited
Auditor: Ernst & Young ShinNihon LLC

IR Schedule (18th and 19th Fiscal Periods)

General Breakdown of Unitholders



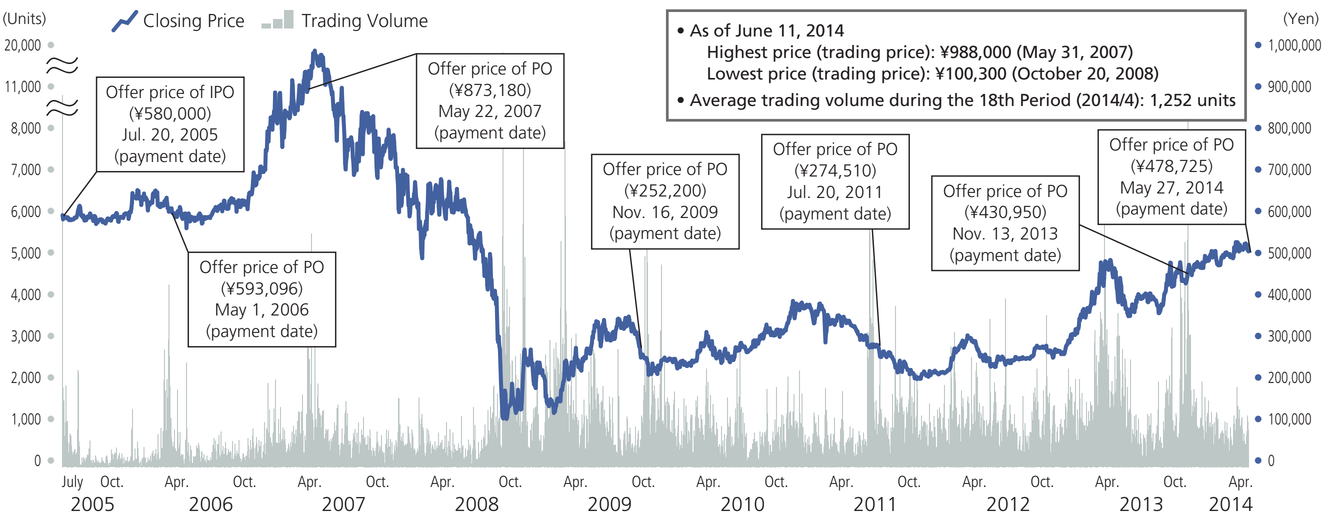
Note: Figures are rounded to the first decimal place.

Top Ten Unitholders (As of April 30, 2014)

Name	Units Held	Share of Outstanding Units <Note 1>
Japan Trustee Services Bank, Ltd. (Trust Account)	60,568	18.21%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	28,217	8.48%
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,153	8.16%
The Nomura Trust and Banking Co., Ltd. (Trust Account)	20,606	6.19%
The Bank of New York, Non-Treaty JASDEC Account	15,358	4.61%
State Street Bank and Trust Company 505223	9,066	2.72%
State Street Bank and Trust Company (Note 2)	7,251	2.18%
The Bank of New York Mellon SA/NV 10	6,396	1.92%
State Street Bank and Trust Company (Note 3)	6,313	1.89%
JP Morgan Chase Bank 385174	6,072	1.82%
Total	**187,000**	**56.23%**

Notes: 1. The percentage of shares are rounded down to the second decimal place.
2. The standing proxy is Settlement & Clearing Services Division, Mizuho Bank, Ltd.
3. The standing proxy is Custody department of The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch.

Unit Price and Trading Volume



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