

Kenedix Office Investment Corporation

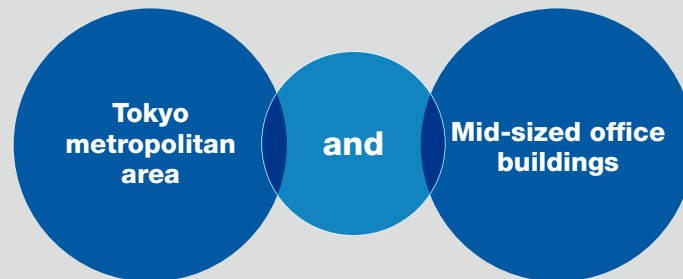
**Semiannual Report**  
**28th Fiscal Period**

November 1, 2018–April 30, 2019

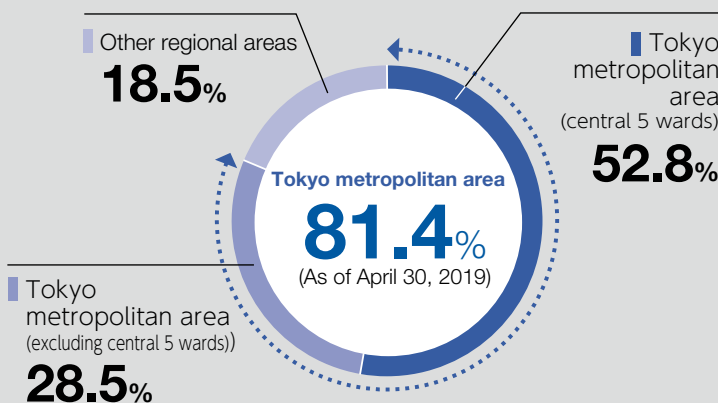


# Characteristics of Kenedix Office Investment Corporation

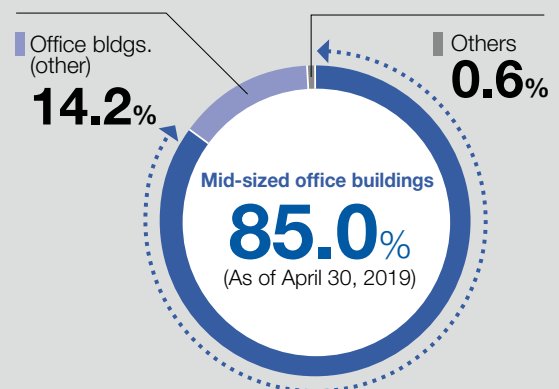
The Investment Corporation aims to maximize the profit of unitholders by investing and managing mainly in mid-size office buildings in the Tokyo Metropolitan Area, thereby achieving stable earnings and sustainable growth of assets under management.



Tokyo metropolitan area investment ratio <sup>(Note1)</sup>



Mid-sized office building investment ratio <sup>(Note1)</sup>



## Characteristics and attractiveness of mid-size office buildings in the Tokyo Metropolitan Area

### Abundant number of properties

The ratio of medium-sized office buildings (total floor area of 500 tsubo or more but less than 3,000 tsubo) in the 5 central wards of Tokyo is 83.0% <sup>(Note 2)</sup> <sup>(Source 1)</sup>. We believe that the number of mid-sized office buildings is larger than that of large-sized office buildings, so there are many excellent investment opportunities, and that they are more efficient in operation than small-sized office buildings.

### High liquidity

Transaction prices for mid-sized office buildings range from approx. 1 billion yen to 10 billion yen, and the ratio of these transactions to the total number is 61.7% <sup>(Source 2)</sup> (the ratio of trading volume between 1 billion yen and 10 billion yen) while they are relatively-actively traded.

### Broad tenant base

The percentage of business establishments with fewer than 30 employees, which are the main users of mid-sized office buildings, is high with a 92.2% <sup>(Source 3)</sup> in Tokyo. As such, we believe that even if vacancies occur, new borrowers will be relatively easy to be found and that we will be able to maintain high occupancy rates.

### Favorable supply-demand balance on leasing market

The percentage of small and mid-sized buildings built 20 years or more ago in Tokyo 23 wards (leased area basis) is 82% <sup>(Source 4)</sup>, and new supply is limited compared to large-sized office buildings. Therefore, we are able to secure competitiveness by appropriately managing and operating these buildings, continuing to renew their facilities, and carrying out value-upgrading works.



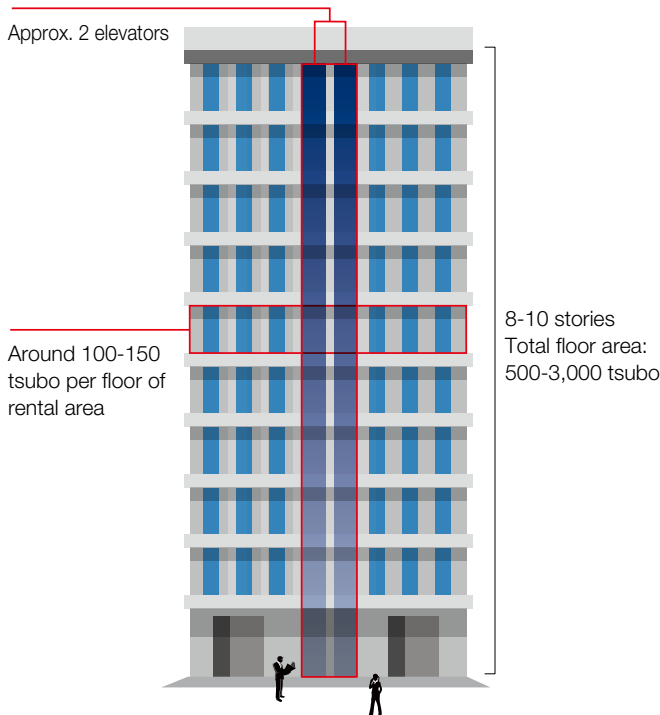
**We contribute to the sustainable growth of society through activities such as providing a comfortable office environment.**

Please refer to "Initiatives for ESG" on page 14 for information on the contribution activities of the Investment Corporation.

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**Image of a typical mid-sized office building**



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Note 1 : Shown as acquisition price ratio for each category to the total acquisition price, rounded down to the first decimal place.  
 Note 2 : Percentage of number of rental office buildings located in the 5 central wards of Tokyo that are surveyed by CBRE K.K. by building size (as of the end of September 2016).  
 Source 1: Based on a survey conducted by CBRE K.K. at the request of the Asset Management Company.  
 Source 2: Compiled by the Asset Management Company based on "the number of office building transactions by transaction size (FY2008-FY2018)" from "Real Estate Transactions Study" by Urban Research Institute Corporation, a think tank specializing in real estate in Mizuho Financial Group.  
 Source 3: Compiled by the Asset Management Company based on "2014 Economic Census for Business Frame Tokyo (revised results) (as of March 27, 2017)".  
 Source 4: Compiled by the Asset Management Company based on "Tokyo 23 Wards | Office Stock Pyramid 2019" published by XYMAX REAL ESTATE INSTITUTE Corporation on January 23, 2019.

**Refer to the following for the definitions of each term used in this document.**

- "5 wards of central Tokyo" refer to Chiyoda, Chuo, Minato, Shinjuku and Shibuya Wards.
- "Tokyo Metropolitan Area" refers to Tokyo, Kanagawa, Saitama, and Chiba prefectures.
- "Other Regional Areas" refer to regional core cities such as government ordinance-designated cities.
- Kenedix Office Investment Corporation is referred to as "the Investment Corporation" or "KDO" and Kenedix Real Estate Fund Management, Inc., "the Asset Management Company" or "KFM".
- "Mid-sized office buildings" as defined by the Investment Corporation refer to rental office buildings whose main use under the Building Standards Act is office and whose total floor area of the entire building stated in the certificate of all registered matters fulfills the criteria of 13,000 m<sup>2</sup> or less in the 23 wards of Tokyo and 20,000 m<sup>2</sup> or less outside the 23 wards of Tokyo.

28th fiscal period (Apr. 2019)  
Distributions per unit

**13,719** yen

+1.9% period over period

+0.7% compared with forecast <sup>(Note)</sup>

Note : As of December 12, 2018

28th fiscal period (Apr. 2019) results

External growth

Asset size

**415.8** billion yen

Continue strategic asset reshuffle and selective investment

Gain on sale of real estate

**560** million yen

Frame Jinnan-zaka (quasi co-ownership interest of 51%) sold

Portfolio NOI yield

**4.9** %

Profitability improved due to ongoing asset reshuffle, etc.

Internal growth

Occupancy rate

**99.2** %

Maintained high occupancy rates due to strong demand from tenants

Unit rent increase rate upon tenant turnover

**20.3** %

Increase in unit rent due to strategic attraction of tenants, etc.

Increase in rent upon rent revision  
(Total monthly rent (Increase) during the 28th fiscal period)

**9.0** million yen

Extended a track record through continued proactive negotiations for upward rent revision

Financial strategy

Interest-bearing debt average interest rate

**1.04** %

Reduced interest costs by refinancing

Interest-bearing debt ratio (LTV)

**41.7** %

Issued KDO's first green bonds.

Borrowing capacity for acquisition  
(Up to LTV 45%)

Approx. **26.0** billion yen

Maintain tactfulness for selective investment



29th fiscal period (Oct. 2019)  
Distribution per unit (forecast) <sup>(Note)</sup>

**13,370** yen

Note : Forecast as of June 12, 2019 calculated under certain assumptions.

## Future efforts

- Aim for further growth through selective investments utilizing borrowing capacity for acquisition
  - Improve portfolio quality by continuing asset reshuffle
  - Continuously focus on changes in demand for office locations due to changes in working styles
- 
- Continuously increase unit rent by maintaining high occupancy rate and tenant turnover
  - Narrow the gap between rents and market rents through active negotiations for rent increases
  - Property management in response to changes in work styles and advances in information and communications technology
- 
- Continuous reduction of interest costs through diversification of financing methods and borrowing periods
  - Fund-raise from the direct financial market using green bonds, etc.
  - Continue conservative financial management with an interest-bearing debt ratio (LTV) of up to 45%

## Achieve Sustainable Growth by Building a Robust and Profitable Portfolio



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**Jiro Takeda**

Director & COO, Head of Office REIT Department,  
Kenedix Real Estate Fund Management, Inc.



## Completed asset reshuffle as planned and steadily extended a track record of upward rent revision in 28th fiscal period

The distribution per unit for the fiscal period under review (28th fiscal period (April 2019)) was 13,719 yen, an increase of 99 yen or 0.7%, from the forecast of 13,620 yen. The dividend growth rate for the past year was 5.9% and we were able to steadily increase dividends in the fiscal period under review.

In the fiscal period under review, a gain on sale of real estate of 565 million yen was recorded from the sale of a 51% quasi co-ownership interest in Frame Jinnan-zaka as planned through the mutual transaction with a group of domestic general business corporation. Of this amount, 265 million yen is expected to be appropriated to distributions, and 299 million yen of the remaining amount is expected to be appropriated to reserve for reduction entry (internal reserve) as planned, and the balance of reserve for reduction entry is expected to be 2,775 million yen, reaching 6,476 yen per unit. Our policy is to utilize the reserve for reduction entry in order to realize stable and sustainable growth in dividends as always.

The occupancy rate remained at a high level of 99.2% at the end of the fiscal period under review, reflecting the favorable office leasing market.

The tenant turnover ratio rose 2.3% from the previous fiscal period (27th fiscal period (October 2018)), but the vacancy backfilling is proceeding smoothly.

In addition, the average unit rent increase rate due to tenant turnover was 20.3% in the fiscal period under review. Therefore, we believe that an increase in the vacancy rate is an opportunity to raise the unit rent by tenant turnover in the current situation where tenant demand is strong.

With regard to rent revision with existing tenants, due to further focus on negotiations for rent increases, we succeeded in raising the monthly rent by 9 million yen, which exceeded the results of the previous fiscal period, resulting in a significant increase against the downward rent revision.

With regard to our financial strategy, under our conservative financial management, we sought to reduce average interest rates while paying attention to long-term fixation and diversification of maturities.

The interest-bearing debt ratio remained at a conservative level of 41.7% at the end of the fiscal period under review.

In the fiscal period under review, KDO issued its first green bonds. Through this bond issuance, we are proud to have been able to contribute to the development of the domestic green bond market by strengthening initiatives for sustainability of KDO and by providing investment opportunities to investors who are actively investing in ESG.

## Acquired suburban office buildings that meet changing office needs

In 29th fiscal period (October 2019), we acquired the compartmentalized ownership of Chofu Center Building for 8.7 billion yen through negotiated transaction in coordination with our sponsor, Kenedix, Inc. This is a suburban office building with good access to major stations in Tokyo and Chofu Station on the Keio Line as the nearest station, where commercial facilities are located.

With the declining birthrate, the labor shortage of enterprises is becoming increasingly serious. In order to overcome this problem, workers who are forced to take leave due to child or family care and elderly people are being called for to participate in labor. With the emergence of the millennial generation in the labor market and the penetration of the nation-wide work style reforms, the work-life balance through the introduction of more flexible working styles has become a major

theme. At the same time, technology is evolving at an accelerating pace. Recently, the introduction of Robotic Process Automation (RPA), Artificial Intelligence (AI), and mobile work are becoming increasingly popular.

Demand for office buildings in suburban major cities in response to these changes in the social environment is expected to grow further in the future, and we believe that this property, which is surrounded by a relatively quiet environment, adjoins commercial facilities for daily needs, will serve as a platform for such office needs for close placement of residence and workplace.

In May 2019, we established a new commitment line (bank credit line) for 3 megabanks as a new financing method. We intend to flexibly utilize this in preparation for future fund demand.





## Enhance unitholder value through a growth strategy centered on strong internal growth against a backdrop of a favorable office leasing market

In terms of future external growth, we will continue to make selective investment by leveraging our proprietary network and borrowing capacity in collaboration with our sponsor, Kenedix, Inc.

We intend to improve the quality of our portfolio by continuing to make positive efforts to reshuffle assets with the aim of improving appraisal profit/loss and profitability.

In addition, we will closely monitor trends in redevelopment of urban office areas and trends in corporate location strategies based on changes in working styles, and reflect these trends in future acquisition strategies.

In terms of internal growth, while maintaining a high occupancy rate, we will take advantage of the favorable market environment for office leases to increase unit rents by tenant turnover when tenants vacate. At the same time, we will actively negotiate rent increases with

existing tenants with the aim of continuing to increase unit rents.

In August this year, we will conduct our eighth customer satisfaction survey. In this survey, we will add items related to the concept of office life in the future, such as the status of the introduction of telework by tenants, and we will also ascertain changes in the office needs of tenants. By reflecting the opinions of tenants in property management, we intend to increase tenant satisfaction and improve property profitability.

Under our financial strategy, we will continue to consider issuing green bonds while keeping an eye on the market environment, with the aim of reducing interest costs by continuing to diversify our financing methods and borrowing periods.

Through these initiatives, we aim to increase unitholder value as represented by distributions and net asset value per unit (NAV).

## Aim to be the mid-sized office building owner of choice for tenants through management with an awareness of customer satisfaction

Recently, the risk of an economic downturn has been heightened due to factors such as the slowdown in the global economy caused by intensifying trade friction between the United States and China, the increase in the consumption tax in Japan, etc. Against this backdrop, there are signs that an increasing number of firms, particularly in the manufacturing sector, which is susceptible to external demand, are concerned about an economic downturn, and that firms are increasingly restraining their capital investment and hiring.

The office leasing market in Japan's major cities continues to be tight due to robust demand for tenants.

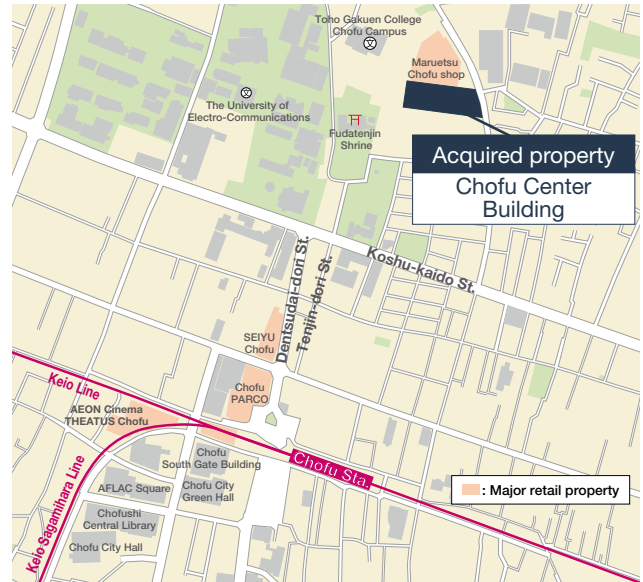
In Tokyo, although the supply volume of large-scale buildings from 2021 to 2022 will temporarily stabilize, some have begun to expect a gradual adjustment phase in the near future.

In such an office rental market environment, we will not be satisfied with the current situation, but will increase opportunities for dialogue with tenants. We will continue to make efforts to create an office environment in order to strengthen existing tenants' desire to continue to occupy our building, with the aim of creating an even more satisfactory office building.

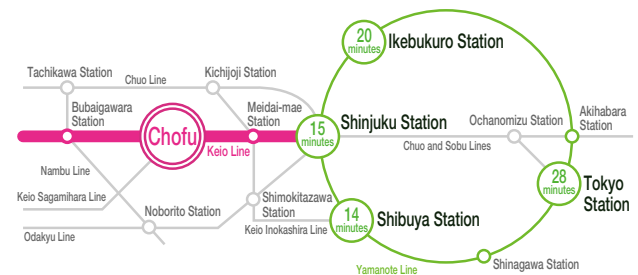
## Property acquired in 29th fiscal period (Oct. 2019) and its effects

We acquired property that enhance the quality and profitability of our portfolio through negotiated transactions with sponsor support. We have increased the depth of our portfolio by incorporating an office building that can meet the diversifying tenant needs.

### Chofu Center Building (acquired on June 14, 2019)



Acquisition price	8,700 million yen
Appraisal value	9,920 million yen (as of April 1, 2019)
Appraisal NOI yield (Note 1)	5.5%
Total floor area (Note 2)	31,536.86 m <sup>2</sup>
Completion Date (Note 3)	January 1995
Occupancy rate	100% (as of May 31, 2019)



### Reason for acquisition

An office building located about 9 minutes walk from Chofu Station, where commercial facilities are located, and is conveniently connected to major stations in Tokyo, and adjacent to residential area that meets needs for close placement of residence and workplace.

Located on the Musashino Plateau, which is relatively resistant to earthquakes and equipped with emergency power generators that can enable operations for 72 hours even in an emergency, having the possibility to meet the demand of tenants for BCP.

Close to Chofu Interchange, the Chofu Expressway and have a parking lot for 51 cars, making it a convenient office building for tenants who often use cars for business purposes.

Acquired at a price approx. 12% below the appraisal value due to information provided by the sponsor, Kenedix, Inc.

Effect of acquisition

### DPU Growth (Note 4)

Medium-to long-term estimate

**+390** yen/period

### Increase in appraisal profit (Note 5)

Appraisal upon acquisition

**+1.2** billion yen

### Improvement on portfolio NOI yield after depreciation (Note 6)

End of 28th fiscal period (Apr. 2019)

**3.7%**

Estimate after acquisition

**3.8%**

- Note 1: Calculated by dividing net operating income based on the direct capitalization method in the appraisal report as of April 1, 2019 by acquisition price (rounded to the first decimal place).
- Note 2: Total floor area of the whole building is presented. The Building is comprised of total of 3 compartments of office, parking and retail shop & pool. KDO acquired a co-ownership interest in the land of 61.17%, a compartmentalized ownership of the entire office compartment and 20.37% of co-ownership interest in compartmentalized ownership of parking compartment. The total occupied area of office compartment is 18,015.20 m<sup>2</sup>.
- Note 3: The completion date of compartmentalized ownership building of office compartment is stated.
- Note 4: Calculated by dividing the amount obtained by deducting the estimated financial cost of borrowings (3.0 billion yen) procured to fund the acquisition from estimated NOI after depreciation of Acquired Property by the total number of investment units issued and outstanding as of the end of 28th fiscal period (April 2019) (rounded down to the nearest 10 yen).
- Note 5: The difference between the appraisal value of Acquired Property as of April 1, 2019 and the acquisition price is stated.
- Note 6: Portfolio NOI yield after depreciation after acquisition is calculated based on portfolio NOI yield after depreciation and acquisition price as of the end of 28th fiscal period (April 2019) adding Acquired Property's estimated NOI after depreciation and acquisition price, respectively.



## Property sale for 28th fiscal period (Apr. 2019) and utilization of the gain on sale

A 5.9% annual increase in dividends was realized by appropriating a portion of the gain on additional sale of Frame Jinnan-zaka (quasi co-ownership interest of 51.0%) to the dividends. A portion of the gain on sale of real estate is transferred to reserve for reduction entry (internal reserve) and used for the payment of stable future distributions.



Frame Jinnan-zaka, gain on sale of real estate of **565** million yen  
(51.0% of quasi co-ownership interest)

### Reserve for reduction entry

Balance of internal reserve transferred from gain on sale of real estate through special tax measures.

### Appropriation of dividends

### Provision of reserve for reduction entry

Amount appropriated to distribution **265** million yen

Provision amount of reserve for reduction entry **299** million yen

Amount appropriated to distribution per unit (Note 1) **619** yen

Provision of reserve for reduction entry per unit (Note 1) **699** yen

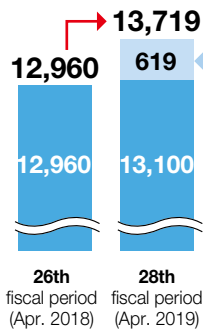
Annual growth of 5.9%

In case of the following,

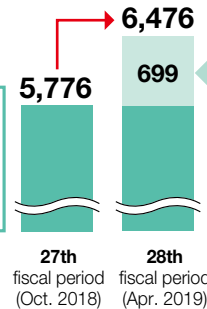
- Temporary decline in revenues and expenses
- Temporary increase in expenses associated with growth investments
- Dilution of dividends due to public offering during the period

We intend to utilize these funds to realize stable and sustainable growth in dividends.

Distributions per unit (Note 1) (yen)



Reserve for reduction entry per unit (Note 2) (yen)



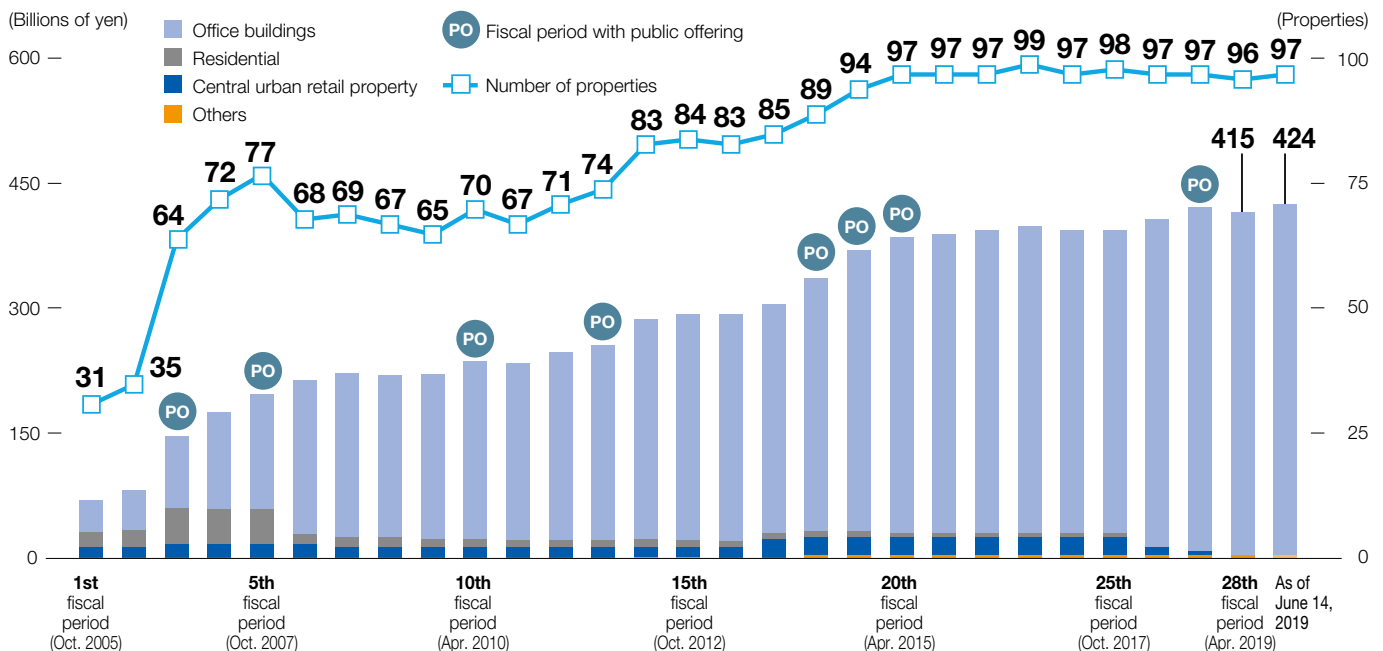
Note 1: Each of amount per unit is calculated using the total number of investment units issued and outstanding as of the end of each fiscal period.

Note 2: Calculated based on the period-end balance of reserve for reduction entry on the balance sheet for each fiscal period, adding provision amount of reserve for reduction entry stated in the Basis for Calculating Cash Distribution for the relevant fiscal period.

## Asset size and number of owned properties

As real estate prices are trading in high-priced areas, we have continued to implement selective investment and asset reshuffle with an eye to improving the quality of our portfolio, growing up to a total asset size of 97 properties and 424.5 billion yen as of June 14, 2019.

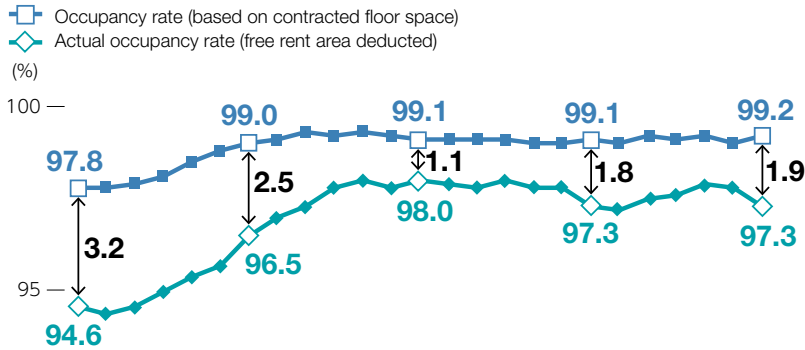
### Asset size (total acquisition price) and number of properties since listing



## Changes in office building occupancy rate and turnover ratio

Occupancy rate remained at a high level against the backdrop of robust demand from tenants. Although turnover ratio increased due to the move-out of a tenant leasing the whole building, we believe it is an opportunity to raise unit rent by tenant turnover.

### Changes in occupancy rate <sup>(Note 1)</sup>

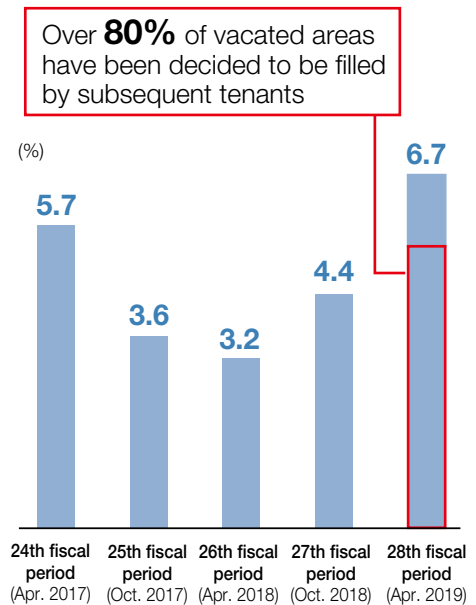


Average occupancy rate for all office buildings during the fiscal period

Average occupancy rate for 25th fiscal period:	Average occupancy rate for 26th fiscal period:	Average occupancy rate for 27th fiscal period:	Average occupancy rate for 28th fiscal period:
98.4%	99.2%	99.1%	99.1%

End of 24th fiscal period (Apr. 2017)    End of 25th fiscal period (Oct. 2017)    End of 26th fiscal period (Apr. 2018)    End of 27th fiscal period (Oct. 2018)    End of 28th fiscal period (Apr. 2019)

### Turnover ratio (annualized) of office buildings <sup>(Note 2)</sup>



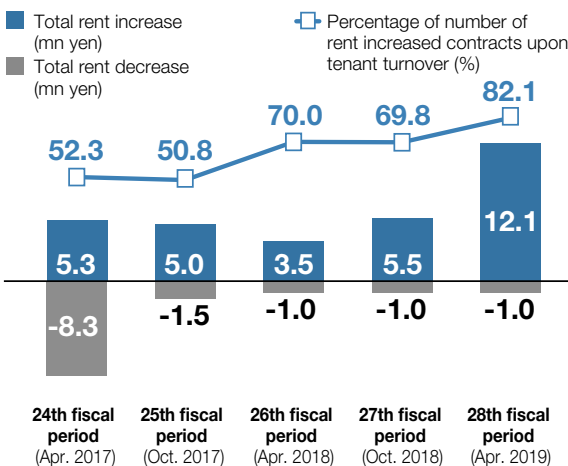
Note 1: Occupancy rate (contracted area based) is calculated by dividing contract based leased area by leasable area, and actual occupancy rate (excluding free rent area) is calculated by subtracting free rent area from leased area then dividing that area by leasable area. The figures are rounded to the first decimal place. Average occupancy rate of office buildings during each fiscal period is a simple average of month-end occupancy rates of owned office buildings during each period.

Note 2: Turnover ratio is calculated and annualized as follows: (Total leased area of the end-tenants who cancelled their lease agreements during the six-month period from the beginning to the end of each period) / (Average leasable area of all office buildings owned by KDO as of each month-end during the relevant period) x 2. Figures are rounded to the first decimal place.

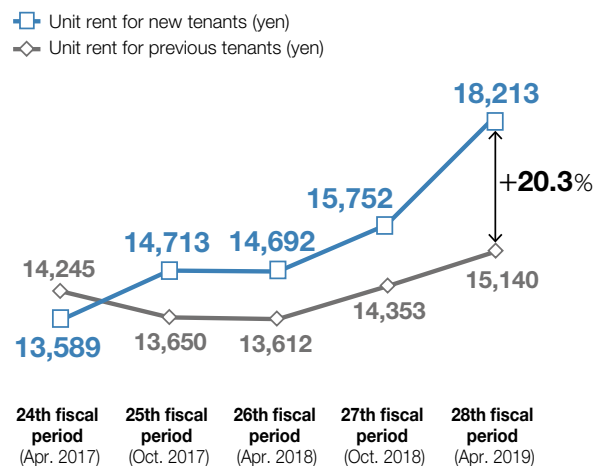
## Trends in rent changes upon tenant turnover for office buildings

Against the backdrop of a robust rental market, the unit rent of new tenants significantly exceeds that of existing tenants, and rental revenue continues to increase due to higher unit rent.

### Changes in monthly rent upon tenant turnover <sup>(Note 1)</sup>



### Changes in unit rent upon tenant turnover <sup>(Note 2)</sup>



Note 1: Total amount of increases/decreases in monthly rent before and after rent revision for each fiscal period is respectively aggregated for the spaces where the rents paid by new tenants and by previous tenants can be compared.

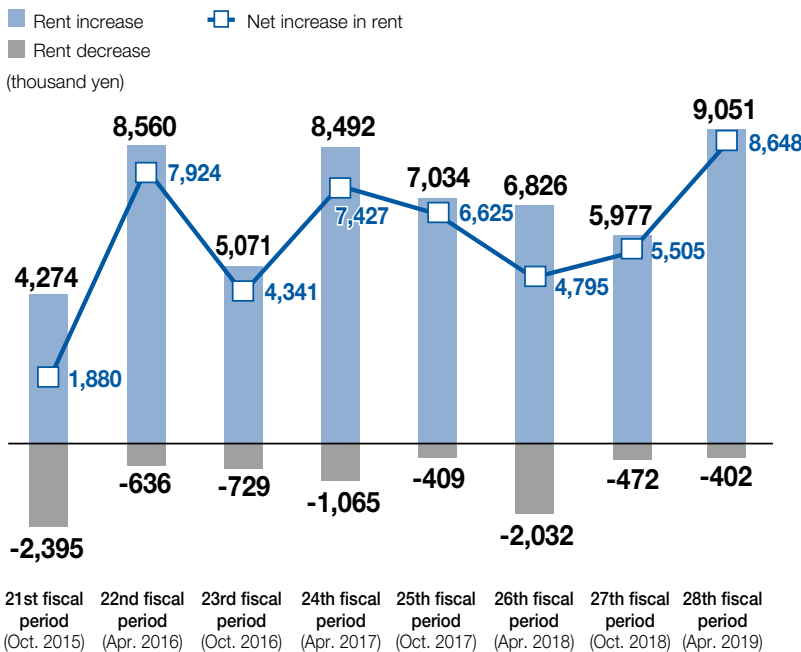
Note 2: Unit rent for new tenants is an average unit rent calculated based on aggregated rents and areas for the spaces where rents paid by new tenants and by previous tenants can be compared for each fiscal period. Unit rent for previous tenants is an average unit rent calculated based on aggregated previous unit rents and areas for the spaces where new unit rents are calculated.



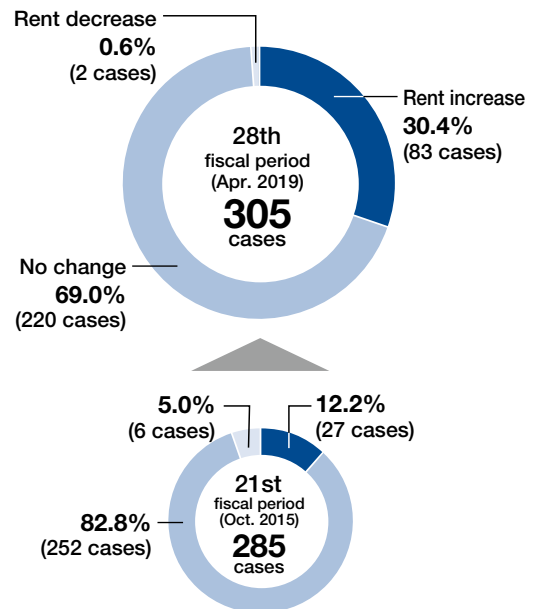
## Rent revision with existing tenants

The trend toward rent increase revisions began in earnest in 21st fiscal period (October 2015), and the results of rent increase further extended. We have steadily achieved results through negotiations for rent revisions based on a detailed analysis of tenants.

Changes in rent upon rent revision (based on monthly amount) <sup>(Note)</sup>



Rent revision results (percentage based on leased area)



Note: Difference in monthly rent before and after rent revision in each fiscal period is calculated by aggregating the change amount per contract in each fiscal period, rounded to the nearest thousand yen.

## Tenant turnover at KDX Toranomon 1chome Building

At KDX Toranomon 1chome Building, we responded to changes in work styles of office employees and captured new needs such as coworking spaces <sup>(Note)</sup>, for floors where several tenants with contract rents below market rents vacate, in order to increase rent revenue.

### KDX Toranomon 1chome Building



#### Prospects for occupancy

11F	197.08 tsubo	WeWork since July 1, 2019
10F	246.13 tsubo	
9F	246.13 tsubo	WeWork since September 1, 2019
8F	246.13 tsubo	
7F	246.13 tsubo	Occupied
6F	246.13 tsubo	WeWork since September 1, 2019
5F	246.13 tsubo	
4F	246.13 tsubo	WeWork since April 26, 2019
3F	246.13 tsubo	
2F	246.13 tsubo	Occupied
1F	61.82 tsubo	Occupied

**wework**



©WeWork  
(Reference: WeWork Marunouchi Kitaguchi)

8 floors out of all 11 floors received move-out notices from multiple tenants and searched for subsequent tenants

#### Reasons for attracting WeWork tenants

- **38.5%** higher than unit rent for previous tenants so that rental revenue can be increased.
- Flexibly capture the growing demand for coworking spaces as a leading borrower of office buildings, and respond to changes in the social environment such as work style reform and progress in telework.

Note: Coworking spaces are shared office spaces, conference rooms, meeting spaces, etc., and a shared office environment in which independent work is carried out.

## Initiatives for ESG

Recognizing the importance of environmental, social, and governance (ESG) considerations in real estate investment management, KDO aims to improve sustainability with the aim of realizing a sustainable society as a corporate social responsibility.

In addition, KDO also supports efforts to achieve the SDGs (Sustainable Development Goals) through the activities of Japan for UNHCR and other means.



## Initiatives for Environmental

### Issuance of green bonds

In February 2019, KDO issued its first green bonds in order to strengthen sustainability initiatives, provide opportunities for investors who actively invest in ESG, and contribute to the development of the domestic green bonds market.

#### Use of green bonds proceeds

DBJ Green Building Certification	Certification for CASBEE for Real Estate	BELS Certification	Green Building certifications of top 3 ranks
★★★★★	★★★★★	★★★★★	Funds repayment of borrowings and redemption of investment corporation bonds for the acquisition of properties that satisfy the above conditions
★★★★	★★★★	★★★★	
★★★	★★★	★★★	
★★	★★	★★	
★	★	★	
Energy consumption	Water consumption	Other environmental benefits	Reduction in use by 10% or more
			Expenses related to facilities refurbishment that are expected to have the above effects

#### Outline of 10th unsecured investment corporation bond (green bonds)

Issue date	February 15, 2019
Total issued amount	2.0 billion yen
Term	5 year
Interest rate	0.390% per annum
Use of proceeds	Repayment of borrowings related to the acquisition of KDX Kobayashi-Doshomachi Building and KDX Toranomon 1chome Building, which have DBJ Green Building Certifications of top 3 ranks

## Initiatives for social

### Cooperation with the UN refugee assistance campaign

As a place for UN refugee assistance activities, KDO provides a vacant space of its properties for free and supports the activities of Japan for UNHCR. Each time, the circle of support from local residents is expanding.



©Japan for UNHCR

Fund-raising activities	Senri Life Science Center Building	KDX Karasuma Building
Number of days	: 7 days	7 days
Those who spoke	: 206	136
Number of supporting participants	: 30	18

#### What can be supported with this donation

Textbooks for 1,813 people



©UNHCR M. Odokonyero

Through this assistance, a total of 1,813 textbooks (1 copy per person) can be donated to evacuation destinations that can receive school education.

If monthly support is continued for 1 year (converted to US\$1=113 yen)

### The sponsor has become a signatory of the Principles for Responsible Investment (PRI)

- Kenedix, Inc., the sponsor, signed the United Nations Principles for Responsible Investment (PRI).
- KDO and KFM share the philosophy of the Kenedix Group, promote sustainability initiatives based on a commitment to responsible investment, and aim to achieve both sustainable growth and social responsibility.

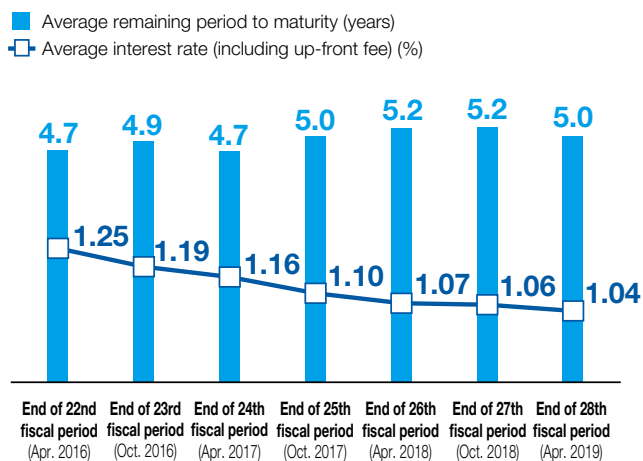
Signatory of:



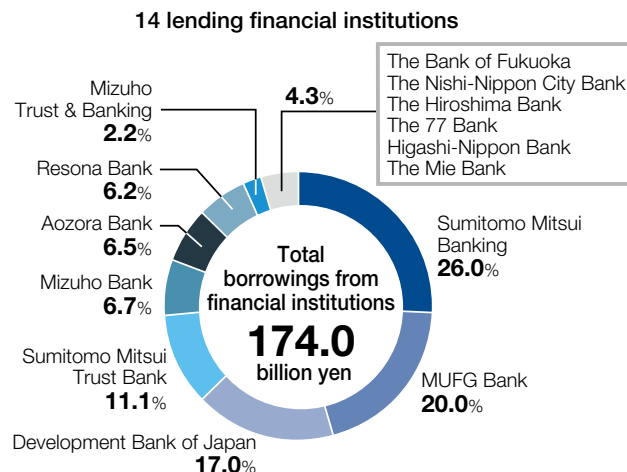
## Status of interest-bearing debt

While paying attention to interest rate trends, we continue to reduce financial cost at refinancing. As a flexible financing method, we established a new commitment line (bank credit line) by 3 megabanks.

### Average interest rate and average remaining period to maturity of interest-bearing debt



### Outstanding borrowings by financial institutions as of the end of 28th fiscal period (Apr. 2019)



### Outline of commitment line agreement (executed on May 31, 2019)

Maximum amount	6,000 million yen
Contract period	June 3, 2019 to April 30, 2020
Counterparty	Sumitomo Mitsui Banking Corporation, MUFJ Bank, Ltd., Mizuho Bank, Ltd.

### Commitment line

A commitment line is a line of credit established for companies (investment corporations) with which banks do business. Within this line of credit after prior consultation between the bank and the companies (investment corporations), a loan can be obtained at any time for a certain period without being examined by banks.

## Major indices related to financial stability (end of 28th fiscal period (Apr. 2019))

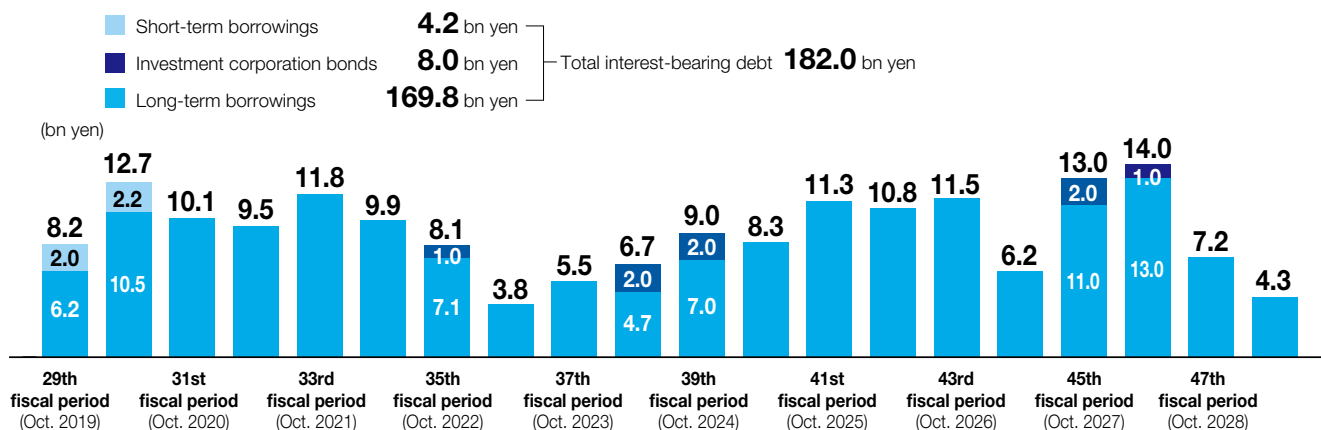
Interest-bearing debt ratio (LTV) <sup>(Note 1)</sup>	Ratio of fixed interest rate <sup>(Note 2)</sup>	Status of credit rating
Maintain stable financial base with a target of 45%	Continue to hedge against a potential rise in interest rates	Japan Credit Rating Agency, Ltd.
<b>41.7%</b>	<b>96.6%</b>	<b>AA-</b> (Stable)

Note 1: Interest-bearing debt ratio (LTV) is the balance of interest-bearing debt at the end of the fiscal period divided by total assets at the end of the fiscal period, rounded to the first decimal place.  
 Note 2: Includes borrowings fixed by interest rate swap, rounded to the first decimal place.

## Diversification of interest-bearing debt maturities

We seek to reduce refinancing risk by strategically diversifying debt maturities.

### Balance of interest-bearing debt by maturity (As of April 30, 2019)



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### Financial Summary (Unaudited)

Historical Operating Trends  
For the 24th–28th Fiscal Periods

Period	Unit	24th Period (as of Apr. 30, 2017)	25th Period (as of Oct. 31, 2017)	26th Period (as of Apr. 30, 2018)	27th Period (as of Oct. 31, 2018)	28th Period (as of Apr. 30, 2019)
Operating revenues	millions of yen	15,039	13,901	14,823	15,420	<b>15,212</b>
(Rental revenues)	millions of yen	13,327	13,840	14,222	14,802	<b>14,595</b>
Operating expenses	millions of yen	9,137	8,244	7,974	8,271	<b>8,039</b>
(Property-related expenses)	millions of yen	6,527	6,720	6,977	7,105	<b>6,880</b>
Operating income	millions of yen	5,901	5,657	6,848	7,148	<b>7,172</b>
Ordinary income	millions of yen	4,751	4,590	5,829	6,109	<b>6,179</b>
Net income (a)	millions of yen	4,750	4,588	5,828	6,107	<b>6,178</b>
Total assets (b)	millions of yen	410,166	414,933	422,993	437,221	<b>436,753</b>
(Period-on-period change)	%	(-0.7)	(+1.2)	(+1.9)	(+3.4)	<b>(-0.1)</b>
Interest-bearing debt (c)	millions of yen	174,600	179,600	185,850	183,050	<b>182,050</b>
(Period-on-period change)	%	(-2.0)	(+2.9)	(+3.5)	(-1.5)	<b>(-0.5)</b>
Unitholders' equity (d)	millions of yen	212,986	212,851	213,642	229,313	<b>229,440</b>
(Period-on-period change)	%	(+0.1)	(-0.1)	(+0.4)	(+7.3)	<b>(+0.1)</b>
Unitholders' capital	millions of yen	206,199	206,199	206,199	220,970	<b>220,970</b>
(Period-on-period change)	%	(0.0)	(0.0)	(0.0)	(+7.2)	<b>(0.0)</b>
Number of investment units issued and outstanding (e)	unit	404,885	404,885	404,885	428,510	<b>428,510</b>
Unitholders' equity per unit (d)/(e)	yen	526,041	525,708	527,661	535,141	<b>535,437</b>
Total distribution (f)	millions of yen	4,750	5,061	5,247	5,766	<b>5,878</b>
Distribution per unit (f)/(e)	yen	11,733	12,500	12,960	13,458	<b>13,719</b>
(Earnings distributed per unit)	yen	11,733	12,500	12,960	13,458	<b>13,719</b>
(Distribution in excess of earnings per unit)	yen	—	—	—	—	<b>—</b>
Return on assets (annualized) (Notes 1 and 2)	%	1.2 (2.3)	1.1 (2.2)	1.4 (2.8)	1.4 (2.8)	<b>1.4 (2.9)</b>
Return on net assets (annualized) (Notes 2 and 3)	%	2.2 (4.5)	2.2 (4.3)	2.7 (5.5)	2.8 (5.5)	<b>2.7 (5.4)</b>
Net assets ratio at end of period (d)/(b)	%	51.9	51.3	50.5	52.4	<b>52.5</b>
(Period-on-period change)	%	(+0.4)	(-0.6)	(-0.8)	(+1.9)	<b>(+0.1)</b>
Interest-bearing debt ratio at end of period (c)/(b)	%	42.6	43.3	43.9	41.9	<b>41.7</b>
(Period-on-period change)	%	(-0.6)	(+0.7)	(+0.7)	(-2.1)	<b>(-0.2)</b>
Payout ratio (Note 4) (f)/(a)	%	99.9	110.2	90.0	94.4	<b>95.1</b>
Other references						
Number of properties	properties	97	98	97	97	<b>96</b>
Total leasable floor area	m <sup>2</sup>	459,567.57	456,932.16	466,031.33	471,041.45	<b>468,528.20</b>
Occupancy ratio at end of period	%	97.9	99.1	99.0	99.1	<b>99.2</b>
Depreciation expenses for the period	millions of yen	2,288	2,293	2,295	2,358	<b>2,369</b>
Capital expenditures for the period	millions of yen	1,018	953	886	925	<b>1,231</b>
Leasing NOI (Net Operating Income) (Note 5)	millions of yen	9,088	9,413	9,539	10,055	<b>10,084</b>
FFO (Funds From Operation) (Note 6)	millions of yen	7,034	7,451	7,574	7,934	<b>7,983</b>
FFO per unit (Note 7)	yen	17,373	18,404	18,708	18,516	<b>18,630</b>

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 24th Fiscal Period are calculated based on a period of 181 days, 184 days for the 25th Fiscal Period, 181 days for the 26th Fiscal Period, 184 days for the 27th Fiscal Period and 181 days for the 28th 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 – Property-related expenses + Depreciation expenses for the period

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

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



## Independent Auditor's Report

The Board of Directors  
Kenedix Office Investment Corporation

We have audited the accompanying financial statements of Kenedix Office Investment Corporation, which comprise the balance sheet as at April 30, 2019, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *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 at April 30, 2019, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

July 30, 2019  
Tokyo, Japan

## Balance Sheet

Kenedix Office Investment Corporation  
As of April 30, 2019

	In thousands of yen	
	As of April 30, 2019	As of October 31, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits (Notes 3 and 14)	¥ 19,675,112	¥ 14,050,532
Cash and deposits in trust (Notes 3 and 14)	10,959,133	10,973,654
Operating accounts receivable	298,778	360,261
Prepaid expenses	49,708	111,536
Other	6,788	14,606
Total current assets	<b>30,989,522</b>	25,510,591
<b>Non-current assets</b>		
Property, plant and equipment (Notes 4 and 16)		
Buildings	17,776,419	17,693,312
Accumulated depreciation	(5,616,212)	(5,316,656)
Buildings, net	12,160,207	12,376,655
Structures	32,618	32,618
Accumulated depreciation	(14,691)	(13,848)
Structures, net	17,927	18,770
Machinery and equipment	424,662	421,857
Accumulated depreciation	(247,818)	(235,745)
Machinery and equipment, net	176,843	186,111
Tools, furniture and fixtures	93,446	86,586
Accumulated depreciation	(57,649)	(54,482)
Tools, furniture and fixtures, net	35,796	32,103
Land	27,520,902	27,520,902
Buildings in trust (Note 7)	121,511,168	122,006,776
Accumulated depreciation	(29,185,084)	(27,897,343)
Buildings in trust, net	92,326,083	94,109,432
Structures in trust	343,278	353,520
Accumulated depreciation	(157,234)	(159,867)
Structures in trust, net	186,043	193,653
Machinery and equipment in trust	1,604,492	1,623,898
Accumulated depreciation	(691,969)	(708,259)
Machinery and equipment in trust, net	912,523	915,639
Tools, furniture and fixtures in trust	487,000	476,862
Accumulated depreciation	(308,088)	(293,197)
Tools, furniture and fixtures in trust, net	178,912	183,665
Land in trust	269,059,794	272,828,051
Construction in progress in trust	1,511	2,933
Total property, plant and equipment, net	<b>402,576,545</b>	408,367,919
Intangible assets (Note 4)		
Leasehold right (Note 16)	285,257	285,257
Leasehold right in trust (Note 16)	350,749	351,524
Other	2,424	2,889
Total intangible assets	<b>638,431</b>	639,671
Investments and other assets		
Investment securities (Note 14)	1,130,524	1,114,806
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	122,889	122,889
Long-term prepaid expenses	1,178,564	1,256,374
Other (Notes 9, 14, and 15)	19,487	113,111
Total investments and other assets	<b>2,461,465</b>	2,617,181
Total non-current assets	<b>405,676,443</b>	411,624,771
<b>Deferred assets</b>		
Investment corporation bond issuance costs	51,346	39,860
Investment unit issuance costs	36,684	45,855
Total deferred assets	<b>88,031</b>	85,715
<b>Total assets</b>	<b>¥436,753,997</b>	¥437,221,079

See accompanying notes to the financial statements.



In thousands of yen

	As of April 30, 2019	As of October 31, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	¥ 1,575,141	¥ 1,341,577
Short-term loans payable (Notes 6 and 14)	4,200,000	6,000,000
Current portion of long-term loans payable (Notes 6, 14 and 15)	16,700,000	13,750,000
Accounts payable-other	529,777	775,971
Accrued expenses	78,660	62,766
Income taxes payable	794	795
Accrued consumption taxes	475,104	193,775
Advances received	2,368,366	2,364,110
Deposits received	3,477	2,311
Total current liabilities	25,931,323	24,491,309
<b>Non-current liabilities</b>		
Investment corporation bonds (Notes 6 and 14)	8,000,000	6,000,000
Long-term loans payable (Notes 6, 14 and 15)	153,150,000	157,300,000
Tenant leasehold and security deposits	1,993,121	1,953,387
Tenant leasehold and security deposits in trust	18,035,523	18,150,520
Other (Notes 14 and 15)	203,786	12,281
Total non-current liabilities	181,382,431	183,416,189
<b>Total liabilities</b>	207,313,754	207,907,498
<b>Net Assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	220,970,508	220,970,508
<b>Surplus</b>		
Voluntary retained earnings		
Reserve for reduction entry	2,475,385	2,134,387
Total voluntary retained earnings	2,475,385	2,134,387
Unappropriated retained earnings	6,178,677	6,107,886
Total surplus	8,654,063	8,242,273
Total unitholders' equity	229,624,572	229,212,781
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges (Notes 14 and 15)	(184,329)	100,798
Total valuation and translation adjustments	(184,329)	100,798
<b>Total net assets (Note 10)</b>	229,440,242	229,313,580
<b>Total liabilities and net assets</b>	¥436,753,997	¥437,221,079

## Statement of Income and Retained Earnings

Kenedix Office Investment Corporation

For the period from November 1, 2018 to April 30, 2019

	In thousands of yen	
	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
<b>Operating revenues</b>		
Rent revenue - real estate (Note 12)	¥12,794,187	¥12,730,773
Other lease business revenue (Note 12)	1,801,706	2,071,972
Gain on sale of real estate properties (Note 12)	565,286	532,490
Dividends income	51,088	85,219
Total operating revenues	15,212,268	15,420,456
<b>Operating expenses</b>		
Expenses related to rent business (Note 12)	6,880,478	7,105,951
Asset management fees	967,813	978,238
Directors' compensation	8,400	8,400
Asset custody fees	23,116	22,689
Administrative service fees	57,508	56,337
Audit fees	11,800	11,800
Other operating expenses	90,167	88,304
Total operating expenses	8,039,284	8,271,721
<b>Operating income</b>	7,172,984	7,148,734
<b>Non-operating income</b>		
Interest income	67	66
Dividends and redemption-prescription	664	788
Interest on refund	3	330
Total non-operating income	736	1,185
<b>Non-operating expenses</b>		
Interest expenses	808,013	833,921
Interest expenses on investment corporation bonds	25,392	30,783
Financing-related expenses	124,518	133,349
Amortization of investment corporation bond issuance costs	3,564	4,159
Amortization of investment unit issuance costs	9,171	9,171
Other non-operating expenses	23,143	29,411
Total non-operating expenses	993,803	1,040,795
<b>Ordinary income</b>	6,179,916	6,109,124
Income before income taxes	6,179,916	6,109,124
Income taxes (Note 9)		
Current	1,238	1,240
Deferred	0	(2)
Total income taxes	1,238	1,238
<b>Net income</b>	6,178,677	6,107,886
<b>Unappropriated retained earnings</b>	¥ 6,178,677	¥ 6,107,886

See accompanying notes to the financial statements.

## Statement of Changes in Net Assets

Kenedix Office Investment Corporation

For the period from November 1, 2018 to April 30, 2019

	In thousands of yen							
	Unitholders' equity					Valuation and translation adjustments		
	Surplus					Total unitholders' equity	Deferred gains or losses on hedges	Total net assets
	Unitholders' capital	Voluntary retained earnings Reserve for reduction entry	Unappropriated retained earnings (Note 19)	Total surplus	Total unitholders' equity			
<b>Balance as of April 30, 2018</b>	¥206,199,945	¥1,552,849	¥ 5,828,847	¥ 7,381,696	¥213,581,642	¥ 60,587	¥213,642,230	
Changes during the fiscal period								
Issuance of new investment units	14,770,562	—	—	—	14,770,562	—	14,770,562	
Provision of reserve for reduction entry	—	581,538	(581,538)	—	—	—	—	
Dividends of surplus	—	—	(5,247,309)	(5,247,309)	(5,247,309)	—	(5,247,309)	
Net income	—	—	6,107,886	6,107,886	6,107,886	—	6,107,886	
Net changes of items other than unitholders' equity	—	—	—	—	—	40,211	40,211	
Total changes during the fiscal period	14,770,562	581,538	279,038	860,576	15,631,139	40,211	15,671,350	
<b>Balance as of October 31, 2018 (Note 5)</b>	<b>¥220,970,508</b>	<b>¥2,134,387</b>	<b>¥ 6,107,886</b>	<b>¥ 8,242,273</b>	<b>¥229,212,781</b>	<b>¥100,798</b>	<b>¥229,313,580</b>	
Changes during the fiscal period								
Provision of reserve for reduction entry	—	340,998	(340,998)	—	—	—	—	
Dividends of surplus	—	—	(5,766,887)	(5,766,887)	(5,766,887)	—	(5,766,887)	
Net income	—	—	6,178,677	6,178,677	6,178,677	—	6,178,677	
Net changes of items other than unitholders' equity	—	—	—	—	—	(285,128)	(285,128)	
Total changes during the fiscal period	—	340,998	70,791	411,790	411,790	(285,128)	126,662	
<b>Balance as of April 30, 2019 (Note 5)</b>	<b>¥220,970,508</b>	<b>¥2,475,385</b>	<b>¥ 6,178,677</b>	<b>¥ 8,654,063</b>	<b>¥229,624,572</b>	<b>¥(184,329)</b>	<b>¥229,440,242</b>	

See accompanying notes to the financial statements.

## Statement of Cash Flows

Kenedix Office Investment Corporation

For the period from November 1, 2018 to April 30, 2019



	In thousands of yen	
	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
<b>Cash flows from operating activities</b>		
Income before income taxes	¥ 6,179,916	¥ 6,109,124
Depreciation	2,370,002	2,358,994
Amortization of long-term prepaid expenses	124,268	133,099
Interest income	(67)	(66)
Interest expenses	833,406	864,704
Amortization of investment unit issuance costs	9,171	9,171
Amortization of investment corporation bond issuance costs	3,564	4,159
Decrease (increase) in operating accounts receivable	61,483	(52,044)
Decrease (increase) in consumption taxes receivable	—	166,118
Decrease (increase) in prepaid expenses	61,827	(34,767)
Increase (decrease) in operating accounts payable	(159,947)	(34,206)
Increase (decrease) in accounts payable-other	(246,833)	322,777
Increase (decrease) in accrued consumption taxes	281,328	75,192
Increase (decrease) in advances received	4,255	23,930
Increase (decrease) in deposits received	1,186	(257)
Decrease in property, plant and equipment due to sale	—	2,230,835
Decrease in property, plant and equipment in trust due to sale	4,652,797	4,483,951
Decrease (increase) in long-term prepaid expenses	(46,458)	(82,492)
Other, net	(25,452)	(61,519)
Subtotal	14,104,448	16,516,704
Interest income received	67	66
Interest expenses paid	(817,511)	(881,064)
Income taxes paid	(805)	(692)
<b>Net cash provided by (used in) operating activities</b>	<b>13,286,198</b>	<b>15,635,014</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(91,813)	(150,523)
Purchases of property, plant and equipment in trust	(958,884)	(21,870,082)
Purchases of intangible assets	(155)	—
Repayments of tenant leasehold and security deposits	(46,949)	(140,072)
Proceeds from tenant leasehold and security deposits	86,145	55,327
Repayments of tenant leasehold and security deposits in trust	(560,271)	(213,521)
Proceeds from tenant leasehold and security deposits in trust	676,423	1,561,793
Payments of restricted deposits in trust	(8,705)	(13,149)
Proceeds from restricted deposits in trust	—	2,829
<b>Net cash provided by (used in) investing activities</b>	<b>(904,210)</b>	<b>(20,767,399)</b>
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	3,200,000	2,000,000
Decrease in short-term loans payable	(5,000,000)	(2,000,000)
Proceeds from long-term loans payable	6,850,000	8,500,000
Repayments of long-term loans payable	(8,050,000)	(9,500,000)
Proceeds from issuance of investment corporation bonds	1,984,949	—
Redemption of investment corporation bonds	—	(1,800,000)
Proceeds of investment unit issuance	—	14,715,536
Dividends paid	(5,765,583)	(5,247,420)
<b>Net cash provided by (used in) financing activities</b>	<b>(6,780,634)</b>	<b>6,668,115</b>
Net increase (decrease) in cash and cash equivalents	5,601,354	1,535,730
Cash and cash equivalents at the beginning of period	23,282,416	21,746,685
<b>Cash and cash equivalents at the end of period (Note 3)</b>	<b>¥ 28,883,770</b>	<b>¥ 23,282,416</b>

See accompanying notes to the financial statements.

## Notes to the Financial Statements

Kenedix Office Investment Corporation

For the period from November 1, 2018 to April 30, 2019

### 1. ORGANIZATION AND BASIS OF PRESENTATION

#### Organization

Kenedix Office Investment Corporation (“the Investment Corporation”) is a real estate investment corporation whose units are listed on the Tokyo Stock Exchange. The Investment Corporation is engaged in the ownership and operation of selected mainly office buildings in Japan, with a focus on mid-sized office buildings in the Tokyo metropolitan area. The Investment Corporation was incorporated on May 6, 2005 as an investment corporation under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. On July 21, 2005, the Investment Corporation was listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange with a total of 75,400 investment units issued and outstanding (Securities Code: 8972). Subsequently, the Investment Corporation raised funds through eight public offerings. Pursuant to the Investment Trust Law, the Investment Corporation is externally managed by a registered asset management company, Kenedix Real Estate Fund Management, Inc. (“the Asset Management Company”), a subsidiary of Kenedix, Inc. (“Kenedix”). In concert with the Asset Management Company, the Investment Corporation strives to maximize cash distribution to investors by securing stable earnings and sustainable investment growth. To this end, the Investment Corporation adopts a dynamic and flexible investment stance that accurately reflects its environment and market trends, and endeavors to ensure a timely response to each and every opportunity.

During the period ended October 31, 2018, the Investment Corporation acquired one office building (KDX Hamamatsucho Place<sup>(\*)</sup>; acquisition price of ¥20,700 million) and sold one office building (KDX Hamamatsucho Dai-2 Building; initial acquisition price of ¥2,200 million) and one central urban retail property (Frame Jinnan-zaka (49.0% of quasi co-ownership interest); initial acquisition price of ¥4,851 million<sup>(\*\*)</sup>) with a disposition price of ¥7,297 million.

During the period ended April 30, 2019, the Investment Corporation sold one central urban retail property (Frame Jinnan-zaka (51.0% of quasi co-ownership interest); initial acquisition price of ¥5,049 million<sup>(\*\*\*)</sup>) with a disposition price of ¥5,253 million.

At the end of the twenty-seventh and twenty-eighth fiscal periods (fiscal periods ended October 31, 2018 and April 30, 2019), the Investment Corporation had total unitholders’ capital

of ¥220,970 million with 428,510 investment units outstanding, respectively. The Investment Corporation owned a portfolio of 97 properties (consisting of 95 office buildings, one central urban retail property and one other property) and 96 properties (consisting of 95 office buildings and one other property) with total acquisition prices of ¥420,884 million and ¥415,835 million at the end of the twenty-seventh and twenty-eighth fiscal periods, respectively. The occupancy ratios were approximately 99.1% and 99.2% at the end of the twenty-seventh and twenty-eighth fiscal periods, respectively.

(\*) The property name was changed from “CROSS PLACE Hamamatsucho” to “KDX Hamamatsucho Place” on April 1, 2019.

(\*\*) The acquisition price is an amount equivalent to 49.0% of quasi co-ownership interest in ¥9,900 million, which is the acquisition price of the entire building initially acquired.

(\*\*\*) The acquisition price is an amount equivalent to 51.0% of quasi co-ownership interest in ¥9,900 million, which is the acquisition price of the entire building initially acquired.

#### Basis of Presentation

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

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

### 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 the TK is adopted.

#### (B) Property, Plant and Equipment (including trust assets)

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

	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
Buildings	2–49 years	2–49 years
Structures	2–45 years	2–45 years
Machinery and equipment	3–17 years	3–17 years
Tools, furniture and fixtures	3–20 years	3–20 years



### **(C) Intangible Assets (including trust assets)**

Intangible assets are amortized by the straight-line method.

Leasehold right: Fixed-term land leasehold is amortized over a contractual period of 48 years and 9 months under the straight-line method.

### **(D) Long-term Prepaid Expenses**

Long-term prepaid expenses are amortized by the straight-line method.

### **(E) Investment Unit Issuance Costs**

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

### **(F) Investment Corporation Bond Issuance Costs**

Investment corporation bond issuance costs are amortized over a maturity period under the straight-line method.

### **(G) 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 in trust are recorded in the relevant balance sheets and statements of income and retained earnings.

### **(H) Revenue Recognition**

Operating revenues consist of rental revenues including base rents, common area charges and other operating revenues, which include utility charge reimbursement, 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.

### **(I) Taxes on Property, Plant 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 the said period. Under Japanese tax rules, the seller of 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 generally 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 ¥28,631 thousand as of October 31, 2018. There were no capitalized property-related taxes as of April 30, 2019. 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.

### **(J) 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.

### **(K) 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.

### **(L) 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 special treatment for interest-rate swap and interest-rate cap contracts if they met the criteria for hedging accounting under this treatment. The hedge effectiveness for the interest-rate swap and interest-rate cap contract is assessed each fiscal period except for those that meet the criteria of special treatment.

### **(M) 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.

### **(N) Presentation of Amounts**

Amounts of less than one thousand yen have been truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan. Unless otherwise noted, amounts are rounded down and ratios are rounded off in the accompanying financial statements.

Totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of April 30, 2019 and October 31, 2018.

	In thousands of yen	
	As of April 30, 2019	As of October 31, 2018
Cash and deposits	¥19,675,112	¥14,050,532
Cash and deposits in trust	10,959,133	10,973,654
Restricted deposits in trust (Note)	(1,750,475)	(1,741,770)
Cash and cash equivalents in trust	¥28,883,770	¥23,282,416

Note: Restricted deposits in trust are retained for the repayment of tenant leasehold and security deposits in trust.

### 4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets consist of the following as of April 30, 2019.

Type of asset	In thousands of yen								Remarks
	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at the end of period		
					Accumulated depreciation	Depreciation for the period			
Buildings	¥ 17,693,312	¥ 83,107	¥ —	¥ 17,776,419	¥ 5,616,212	¥ 299,555	¥ 12,160,207		
Structures	32,618	—	—	32,618	14,691	842	17,927		
Machinery and equipment	421,857	2,805	—	424,662	247,818	12,072	176,843		
Tools, furniture and fixtures	86,586	6,860	—	93,446	57,649	3,167	35,796		
Land	27,520,902	—	—	27,520,902	—	—	27,520,902		
Subtotal	45,755,276	92,773	—	45,848,050	5,936,372	315,639	39,911,677		
Property, plant and equipment	¥122,006,776	¥1,056,432	¥1,552,040	¥121,511,168	¥29,185,084	¥1,973,293	¥ 92,326,083	Note	
Buildings in trust	353,520	5,952	16,194	343,278	157,234	11,050	186,043		
Structures in trust	1,623,898	60,425	79,831	1,604,492	691,969	50,007	912,523		
Machinery and equipment in trust	476,862	15,869	5,731	487,000	308,088	18,617	178,912		
Tools, furniture and fixtures in trust	272,828,051	—	3,768,257	269,059,794	—	—	269,059,794	Note	
Land in trust	2,933	—	1,421	1,511	—	—	1,511		
Construction in progress in trust	397,292,042	1,138,680	5,423,478	393,007,244	30,342,376	2,052,968	362,664,867		
Subtotal	443,047,319	1,231,453	5,423,478	438,855,294	36,278,749	2,368,608	402,576,545		
Total property, plant and equipment	¥ 290,050	¥ —	¥ —	¥ 290,050	¥ 4,792	¥ —	¥ 285,257		
Intangible assets	363,784	—	—	363,784	13,034	774	350,749		
Leasehold right	6,123	155	—	6,278	3,854	620	2,424		
Leasehold right in trust	659,958	155	—	660,113	21,681	1,394	638,431		
Other	¥443,707,278	¥1,231,608	¥5,423,478	¥439,515,408	¥36,300,430	¥2,370,002	¥403,214,977		
Total intangible assets									
Total									

Note: The amount of decrease during the period is primarily attributable to the sales of the one real estate property.



Property, plant and equipment and intangible assets consist of the following as of October 31, 2018.

		In thousands of yen							
Type of asset		Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at the end of period	Remarks
						Accumulated depreciation	Depreciation for the period		
Property, plant and equipment	Buildings	¥ 17,943,798	¥ 91,535	¥ 342,022	¥ 17,693,312	¥ 5,316,656	¥ 299,675	¥ 12,376,655	Note 2
	Structures	32,618	—	—	32,618	13,848	875	18,770	
	Machinery and equipment	411,649	10,207	—	421,857	235,745	11,818	186,111	
	Tools, furniture and fixtures	83,593	3,532	540	86,586	54,482	2,987	32,103	
	Land	29,504,025	—	1,983,122	27,520,902	—	—	27,520,902	Note 2
	Subtotal	47,975,686	105,275	2,325,684	45,755,276	5,620,733	315,356	40,134,543	
	Buildings in trust	¥118,523,178	¥ 4,974,504	¥1,490,907	¥122,006,776	¥27,897,343	¥1,962,090	¥ 94,109,432	Notes 1 and 2
	Structures in trust	345,717	23,362	15,559	353,520	159,867	10,615	193,653	
	Machinery and equipment in trust	1,592,359	108,240	76,701	1,623,898	708,259	51,309	915,639	
	Tools, furniture and fixtures in trust	466,546	15,822	5,506	476,862	293,197	18,235	183,665	
	Land in trust	259,908,839	16,539,695	3,620,482	272,828,051	—	—	272,828,051	Notes 1 and 2
	Construction in progress in trust	83	2,850	—	2,933	—	—	2,933	
	Subtotal	380,836,725	21,664,475	5,209,158	397,292,042	29,058,667	2,042,251	368,233,375	
	Total property, plant and equipment	428,812,411	21,769,751	7,534,843	443,047,319	34,679,400	2,357,607	408,367,919	
	Intangible assets	Leasehold right	¥ 290,050	¥ —	¥ —	¥ 290,050	¥ 4,792	¥ —	¥ 285,257
Leasehold right in trust		363,784	—	—	363,784	12,260	774	351,524	
Other		6,123	—	—	6,123	3,234	612	2,889	
Total intangible assets	659,958	—	—	659,958	20,287	1,386	639,671		
Total	¥429,472,370	¥21,769,751	¥7,534,843	¥443,707,278	¥34,699,687	¥2,358,994	¥409,007,590		

Note 1: The amount of increase during the period is primarily attributable to the acquisition of the one real estate property.

Note 2: The amount of decrease during the period is primarily attributable to the sales of the two real estate properties.

## 5. UNITHOLDERS' EQUITY

Total number of authorized investment units and total number of investment units issued and outstanding are as follows:

	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
Total number of authorized investment units	2,000,000	2,000,000
Total number of investment units issued and outstanding	428,510	428,510

## 6. SHORT-TERM LOANS PAYABLE, LONG-TERM LOANS PAYABLE AND INVESTMENT CORPORATION BONDS

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of April 30, 2019:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	July 31, 2018	July 31, 2019	0.36%	¥ 1,000,000
	August 31, 2018	August 31, 2019	0.31%	1,000,000
	November 30, 2018	November 30, 2019	0.36%	1,000,000
	November 30, 2018	November 30, 2019	0.31%	200,000
	January 31, 2019	January 31, 2020	0.31%	500,000
	January 31, 2019	January 31, 2020	0.31%	500,000
Subtotal				4,200,000
Current portion of long-term loans payable	July 10, 2014	July 10, 2019	0.64%	¥ 500,000
	July 14, 2014	July 31, 2019	0.68%	1,000,000
	July 31, 2014	July 31, 2019	0.62%	1,000,000
	August 29, 2014	July 31, 2019	0.65%	1,000,000
	September 30, 2013	September 30, 2019	1.06%	1,800,000
	September 30, 2013	September 30, 2019	1.06%	900,000
	November 12, 2018	November 30, 2019	0.31%	500,000

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Current portion of long-term loans payable	January 31, 2014	January 31, 2020	0.93%	¥ 3,700,000
	March 12, 2014	March 12, 2020	0.92%	1,800,000
	March 20, 2014	March 12, 2020	0.91%	3,000,000
	March 29, 2019	March 31, 2020	0.36%	1,000,000
	March 29, 2019	March 31, 2020	0.31%	500,000
Subtotal				16,700,000
Long-term loans payable	August 30, 2013	August 31, 2020	1.42%	¥ 1,500,000
	November 12, 2013	November 12, 2020	1.07%	2,000,000
	November 12, 2013	November 12, 2020	1.07%	500,000
	November 29, 2013	November 30, 2020	1.12%	1,000,000
	November 29, 2013	November 30, 2020	1.12%	900,000
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	March 12, 2014	March 12, 2023	1.36%	1,800,000
	March 20, 2014	September 20, 2021	1.01%	4,000,000
	March 20, 2014	March 20, 2022	1.20%	3,000,000
	March 20, 2014	March 12, 2023	1.35%	2,000,000
	April 22, 2014	October 31, 2020	0.95%	2,900,000
	July 10, 2014	July 10, 2021	0.90%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	500,000
	July 31, 2014	July 31, 2020	0.74%	2,700,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	July 31, 2014	July 31, 2022	1.01%	2,200,000
	September 1, 2014	August 31, 2021	0.89%	800,000
	September 1, 2014	August 31, 2021	0.89%	500,000
	September 3, 2014	August 31, 2022	0.98%	1,000,000
	September 3, 2014	August 31, 2022	0.98%	950,000
	September 22, 2014	September 30, 2020	0.80%	2,700,000
	September 30, 2014	September 30, 2021	0.89%	1,000,000
	October 31, 2014	October 31, 2021	0.80%	3,000,000
	October 31, 2014	October 31, 2023	1.07%	2,000,000
	October 31, 2014	October 31, 2023	1.13%	1,500,000
	October 31, 2014	October 31, 2023	1.07%	1,000,000
	October 31, 2014	October 31, 2024	1.26%	2,000,000
	October 31, 2014	October 31, 2024	1.26%	1,000,000
	January 30, 2015	January 31, 2021	0.71%	1,500,000
	January 30, 2015	January 31, 2025	1.16%	1,500,000
	February 18, 2015	February 28, 2022	0.91%	1,250,000
	February 18, 2015	February 28, 2022	0.91%	350,000
	February 18, 2015	February 29, 2024	1.16%	1,700,000
	February 18, 2015	February 28, 2025	1.31%	1,250,000
	February 27, 2015	February 28, 2025	1.15%	2,100,000
	March 12, 2015	February 28, 2025	1.22%	1,000,000
	March 31, 2015	March 31, 2025	1.27%	2,500,000
	April 30, 2015	April 30, 2022	0.83%	2,300,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	September 30, 2015	September 30, 2024	1.07%	2,000,000
	October 30, 2015	October 31, 2024	0.99%	1,000,000
October 30, 2015	October 30, 2025	1.11%	1,500,000	
October 30, 2015	October 30, 2025	1.11%	2,000,000	
October 30, 2015	October 30, 2025	1.11%	2,500,000	
October 30, 2015	October 30, 2025	1.12%	2,500,000	
November 12, 2015	November 30, 2025	1.17%	1,000,000	
January 29, 2016	January 31, 2022	0.59%	2,500,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	January 29, 2016	January 31, 2022	0.64%	¥ 500,000
	January 29, 2016	January 29, 2026	1.07%	2,000,000
	January 29, 2016	January 29, 2026	1.02%	1,800,000
	February 18, 2016	February 18, 2026	1.00%	1,000,000
	February 18, 2016	February 18, 2026	1.00%	500,000
	March 31, 2016	March 31, 2026	0.90%	1,000,000
	April 28, 2016	April 30, 2024	0.65%	2,000,000
	April 28, 2016	April 30, 2026	0.84%	2,000,000
	April 28, 2016	April 30, 2026	0.87%	1,000,000
	July 29, 2016	July 31, 2026	0.61%	1,500,000
	August 2, 2016	July 31, 2026	0.54%	1,000,000
	October 31, 2016	October 31, 2024	0.67%	1,000,000
	October 31, 2016	October 31, 2026	0.88%	2,500,000
	October 31, 2016	October 31, 2026	0.76%	1,000,000
	October 31, 2016	October 31, 2026	0.73%	4,000,000
	October 31, 2016	October 31, 2026	0.83%	1,500,000
	December 12, 2016	November 30, 2026	0.98%	500,000
	December 28, 2016	December 28, 2026	0.95%	1,500,000
	January 16, 2017	January 31, 2027	0.86%	500,000
	January 31, 2017	January 31, 2027	0.85%	700,000
	March 28, 2017	March 31, 2027	0.85%	500,000
	June 30, 2017	June 30, 2027	0.85%	1,500,000
	August 10, 2017	July 28, 2027	0.80%	3,500,000
	August 31, 2017	August 31, 2023	0.54%	1,000,000
	September 21, 2017	March 31, 2024	0.56%	1,000,000
	September 21, 2017	September 30, 2025	0.68%	1,500,000
	September 21, 2017	March 31, 2027	0.73%	1,000,000
	September 21, 2017	September 21, 2027	0.87%	1,000,000
	September 21, 2017	September 30, 2027	0.85%	2,500,000
	October 31, 2017	October 31, 2027	0.81%	2,500,000
	November 13, 2017	November 13, 2027	0.93%	3,000,000
	December 7, 2017	November 30, 2027	0.90%	1,400,000
	December 7, 2017	November 30, 2027	0.82%	1,200,000
	December 7, 2017	November 30, 2027	0.97%	1,000,000
	December 7, 2017	November 30, 2027	0.94%	1,000,000
	December 7, 2017	November 30, 2027	0.87%	1,000,000
	December 7, 2017	November 30, 2027	0.90%	800,000
	December 7, 2017	November 30, 2027	0.87%	600,000
	December 28, 2017	December 28, 2025	0.74%	500,000
	December 28, 2017	December 28, 2026	0.88%	500,000
	December 28, 2017	December 28, 2027	0.86%	500,000
	March 12, 2018	March 31, 2028	0.91%	1,500,000
	March 26, 2018	March 31, 2027	0.81%	1,000,000
	March 26, 2018	March 31, 2028	0.90%	1,000,000
	July 31, 2018	July 31, 2028	0.99%	500,000
	August 20, 2018	August 31, 2025	0.70%	500,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	500,000
	August 20, 2018	August 31, 2028	0.97%	500,000
	August 31, 2018	August 31, 2025	0.70%	500,000
	August 31, 2018	August 31, 2025	0.72%	300,000
	August 31, 2018	August 31, 2028	1.01%	700,000
	October 31, 2018	October 31, 2028	1.01%	1,500,000
	October 31, 2018	October 31, 2028	0.91%	1,000,000
	October 31, 2018	October 31, 2028	1.01%	500,000
	March 28, 2019	March 31, 2029	0.84%	1,400,000
	March 29, 2019	March 31, 2029	0.84%	2,950,000
Subtotal				153,150,000

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Investment corporation bonds	July 25, 2014	July 25, 2024	1.18%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.90%	1,000,000
	July 19, 2017	July 19, 2022	0.26%	1,000,000
	July 19, 2017	July 16, 2027	0.64%	2,000,000
	February 15, 2019	February 15, 2024	0.39%	2,000,000
Subtotal				8,000,000
Total				¥182,050,000

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of October 31, 2018:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	November 30, 2017	November 30, 2018	0.36%	¥ 2,000,000
	January 31, 2018	January 31, 2019	0.31%	500,000
	January 31, 2018	January 31, 2019	0.36%	500,000
	March 30, 2018	March 29, 2019	0.36%	1,000,000
	July 31, 2018	July 31, 2019	0.36%	1,000,000
	August 31, 2018	August 31, 2019	0.32%	1,000,000
Subtotal				6,000,000
Current portion of long-term loans payable	November 12, 2013	November 12, 2018	0.82%	¥ 1,000,000
	November 29, 2013	November 30, 2018	0.84%	200,000
	March 28, 2012	March 28, 2019	1.77%	1,400,000
	March 28, 2012	March 28, 2019	1.77%	1,000,000
	March 12, 2014	March 31, 2019	0.78%	450,000
	March 31, 2014	March 31, 2019	0.76%	2,500,000
	March 30, 2016	March 31, 2019	0.17%	1,000,000
	July 10, 2014	July 10, 2019	0.64%	500,000
	July 14, 2014	July 31, 2019	0.68%	1,000,000
	July 31, 2014	July 31, 2019	0.62%	1,000,000
	August 29, 2014	July 31, 2019	0.65%	1,000,000
	September 30, 2013	September 30, 2019	1.06%	1,800,000
	September 30, 2013	September 30, 2019	1.06%	900,000
Subtotal				13,750,000
Long-term loans payable	August 30, 2013	August 31, 2020	1.42%	¥ 1,500,000
	November 12, 2013	November 12, 2020	1.07%	2,000,000
	November 12, 2013	November 12, 2020	1.07%	500,000
	November 29, 2013	November 30, 2020	1.12%	1,000,000
	November 29, 2013	November 30, 2020	1.12%	900,000
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2020	0.93%	3,700,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	March 12, 2014	March 12, 2020	0.92%	1,800,000
	March 12, 2014	March 12, 2023	1.36%	1,800,000
	March 20, 2014	March 12, 2020	0.91%	3,000,000
	March 20, 2014	September 20, 2021	1.01%	4,000,000
	March 20, 2014	March 20, 2022	1.20%	3,000,000
	March 20, 2014	March 12, 2023	1.35%	2,000,000
	April 22, 2014	October 31, 2020	0.95%	2,900,000
	July 10, 2014	July 10, 2021	0.90%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	500,000
	July 31, 2014	July 31, 2020	0.74%	2,700,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	July 31, 2014	July 31, 2022	1.01%	2,200,000
	September 1, 2014	August 31, 2021	0.89%	800,000
	September 1, 2014	August 31, 2021	0.89%	500,000
September 3, 2014	August 31, 2022	0.98%	1,000,000	
September 3, 2014	August 31, 2022	0.98%	950,000	
September 22, 2014	September 30, 2020	0.80%	2,700,000	
September 30, 2014	September 30, 2021	0.89%	1,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	October 31, 2014	October 31, 2021	0.80%	¥ 3,000,000
	October 31, 2014	October 31, 2023	1.07%	2,000,000
	October 31, 2014	October 31, 2023	1.13%	1,500,000
	October 31, 2014	October 31, 2023	1.07%	1,000,000
	October 31, 2014	October 31, 2024	1.26%	2,000,000
	October 31, 2014	October 31, 2024	1.26%	1,000,000
	January 30, 2015	January 31, 2021	0.71%	1,500,000
	January 30, 2015	January 31, 2025	1.16%	1,500,000
	February 18, 2015	February 28, 2022	0.91%	1,250,000
	February 18, 2015	February 28, 2022	0.91%	350,000
	February 18, 2015	February 29, 2024	1.16%	1,700,000
	February 18, 2015	February 28, 2025	1.31%	1,250,000
	February 27, 2015	February 28, 2025	1.15%	2,100,000
	March 12, 2015	February 28, 2025	1.22%	1,000,000
	March 31, 2015	March 31, 2025	1.27%	2,500,000
	April 30, 2015	April 30, 2022	0.83%	2,300,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	September 30, 2015	September 30, 2024	1.07%	2,000,000
	October 30, 2015	October 31, 2024	0.99%	1,000,000
	October 30, 2015	October 30, 2025	1.11%	1,500,000
	October 30, 2015	October 30, 2025	1.11%	2,000,000
	October 30, 2015	October 30, 2025	1.11%	2,500,000
	October 30, 2015	October 30, 2025	1.12%	2,500,000
	November 12, 2015	November 30, 2025	1.17%	1,000,000
	January 29, 2016	January 31, 2022	0.59%	2,500,000
	January 29, 2016	January 31, 2022	0.64%	500,000
	January 29, 2016	January 29, 2026	1.07%	2,000,000
	January 29, 2016	January 29, 2026	1.02%	1,800,000
	February 18, 2016	February 18, 2026	1.00%	1,000,000
	February 18, 2016	February 18, 2026	1.00%	500,000
	March 31, 2016	March 31, 2026	0.90%	1,000,000
	April 28, 2016	April 30, 2024	0.65%	2,000,000
	April 28, 2016	April 30, 2026	0.84%	2,000,000
	April 28, 2016	April 30, 2026	0.87%	1,000,000
	July 29, 2016	July 31, 2026	0.61%	1,500,000
	August 2, 2016	July 31, 2026	0.54%	1,000,000
	October 31, 2016	October 31, 2024	0.67%	1,000,000
	October 31, 2016	October 31, 2026	0.88%	2,500,000
	October 31, 2016	October 31, 2026	0.76%	1,000,000
	October 31, 2016	October 31, 2026	0.73%	4,000,000
	October 31, 2016	October 31, 2026	0.83%	1,500,000
	December 12, 2016	November 30, 2026	0.98%	500,000
	December 28, 2016	December 28, 2026	0.95%	1,500,000
	January 16, 2017	January 31, 2027	0.86%	500,000
	January 31, 2017	January 31, 2027	0.85%	700,000
March 28, 2017	March 31, 2027	0.85%	500,000	
June 30, 2017	June 30, 2027	0.85%	1,500,000	
August 10, 2017	July 28, 2027	0.80%	3,500,000	
August 31, 2017	August 31, 2023	0.54%	1,000,000	
September 21, 2017	March 31, 2024	0.56%	1,000,000	
September 21, 2017	September 30, 2025	0.68%	1,500,000	
September 21, 2017	March 31, 2027	0.73%	1,000,000	
September 21, 2017	September 21, 2027	0.87%	1,000,000	
September 21, 2017	September 30, 2027	0.85%	2,500,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	October 31, 2017	October 31, 2027	0.81%	¥ 2,500,000
	November 13, 2017	November 13, 2027	0.93%	3,000,000
	December 7, 2017	November 30, 2027	0.90%	1,400,000
	December 7, 2017	November 30, 2027	0.82%	1,200,000
	December 7, 2017	November 30, 2027	0.97%	1,000,000
	December 7, 2017	November 30, 2027	0.94%	1,000,000
	December 7, 2017	November 30, 2027	0.87%	1,000,000
	December 7, 2017	November 30, 2027	0.90%	800,000
	December 7, 2017	November 30, 2027	0.87%	600,000
	December 28, 2017	December 28, 2025	0.74%	500,000
	December 28, 2017	December 28, 2026	0.88%	500,000
	December 28, 2017	December 28, 2027	0.86%	500,000
	March 12, 2018	March 31, 2028	0.91%	1,500,000
	March 26, 2018	March 31, 2027	0.81%	1,000,000
	March 26, 2018	March 31, 2028	0.90%	1,000,000
	July 31, 2018	July 31, 2028	0.99%	500,000
	August 20, 2018	August 31, 2025	0.70%	500,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	500,000
	August 20, 2018	August 31, 2028	0.97%	500,000
	August 31, 2018	August 31, 2025	0.70%	500,000
	August 31, 2018	August 31, 2025	0.72%	300,000
	August 31, 2018	August 31, 2028	1.01%	700,000
October 31, 2018	October 31, 2028	1.01%	1,500,000	
October 31, 2018	October 31, 2028	0.91%	1,000,000	
October 31, 2018	October 31, 2028	1.01%	500,000	
Subtotal				157,300,000
Investment corporation bonds	July 25, 2014	July 25, 2024	1.18%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.90%	1,000,000
	July 19, 2017	July 19, 2022	0.26%	1,000,000
	July 19, 2017	July 16, 2027	0.64%	2,000,000
Subtotal				6,000,000
Total				¥183,050,000

## 7. REDUCTION ENTRY

The amount of reduction entry of property, plant and equipment acquired by government subsidy is as follows:

	In thousands of yen	
	As of April 30, 2019	As of October 31, 2018
Buildings in trust	¥26,230	¥26,230

## 8. PER UNIT INFORMATION

	Yen	
	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
Net asset value per unit	¥535,437	¥535,141
Net income per unit	¥ 14,418	¥ 14,373
Weighted-average number of units (units)	428,510	424,933

The weighted-average number of units outstanding of 428,510 and 424,933 as of April 30, 2019 and October 31, 2018, respectively, 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.

## 9. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 32%. 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 distribute in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate

income taxes. The Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥5,878 million and ¥5,766 million for the fiscal periods ended April 30, 2019 and October 31, 2018, respectively. Therefore, such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.02% for the fiscal periods ended April 30, 2019 and October 31, 2018, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
Statutory tax rate	31.51%	31.51%
Deductible cash distributions	(29.97)	(29.74)
Provision of reserve for reduction entry	(1.53)	(1.76)
Others	0.01	0.01
Effective tax rate	0.02%	0.02%

The significant components of deferred tax assets and liabilities as of April 30, 2019 and October 31, 2018 are as follows:

	In thousands of yen	
	As of April 30, 2019	As of October 31, 2018
Deferred tax assets		
Enterprise tax payable	¥ 30	¥ 30
Amortization of leasehold right	4,117	3,873
Deferred gains or losses on hedges	64,376	—
Subtotal	68,524	3,904
Valuation allowance	(68,493)	(3,873)
Total deferred tax assets	¥ 30	¥ 30

## 10. 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.

## 11. RELATED-PARTY TRANSACTIONS

### (A) Parent Company, Major Corporate Unitholders and Other

Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019) and Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018):

Not applicable

### (B) Affiliated Companies and Other

Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019) and Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018):

Not applicable

### (C) Fellow Subsidiary Companies and Other

Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019) and Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018):

Not applicable

### (D) Directors, Major Individual Unitholders and Other

Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019) and Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018):

Not applicable

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

Rent revenue - real estate, expenses related to rent business, and gain and loss on sale of real estate property for the fiscal periods from November 1, 2018 to April 30, 2019 and from May 1, 2018 to October 31, 2018 consist of the following:

	In thousands of yen	
	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
<b>Rental and other operating revenues</b>		
Rent revenue - real estate		
Rental revenues	¥10,984,209	¥10,893,102
Common area charges	1,809,977	1,837,671
Subtotal	12,794,187	12,730,773
Others:		
Parking space rental revenues	509,859	519,171
Utility charge reimbursement	1,030,420	1,230,853
Miscellaneous	261,426	321,947
Subtotal	1,801,706	2,071,972
Total rent revenue - real estate	¥14,595,893	¥14,802,746
<b>Property-related expenses</b>		
Expenses related to rent business		
Property management fees and facility management fees	¥ 1,382,522	¥ 1,378,278
Utilities	1,121,738	1,241,455
Taxes	1,224,581	1,225,685
Repairs and maintenance	403,049	568,517
Insurance	20,149	19,886
Trust fees	32,642	32,791
Others	326,404	280,955
Depreciation	2,369,390	2,358,382
Total expenses related to rent business	¥ 6,880,478	¥ 7,105,951
<b>Gain on sale of real estate properties</b>		
Revenue from sale of investment properties	¥ 5,253,000	¥ 7,297,000
Cost of investment properties	4,652,797	6,714,787
Other sales expenses	34,915	49,722
Gain on sale of real estate properties	¥ 565,286	¥ 532,490

## 13. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease terms of generally two years for office buildings. The future minimum rental revenues under existing non-cancelable operating leases as of April 30, 2019 and October 31, 2018 are as follows:

	In thousands of yen	
	As of April 30, 2019	As of October 31, 2018
Due within one year	¥2,210,585	¥1,621,774
Due after one year	6,719,211	5,956,433
Total	¥8,929,796	¥7,578,208



## 14. FINANCIAL INSTRUMENTS

Twenty-eighth fiscal period (from November 1, 2018 to April 30, 2019)

### (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 investment corporation 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, which are Japanese silent partnership (*tokumei kumiai*, "TK") interests, are exposed to credit risk of the issuer and risk of fluctuation of value of its property.

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 10 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 transactions) in order to reduce such risk.

Interest-rate swap transactions are used as derivative financial instruments. Utilizing interest-rate swap transactions, the Investment Corporation fixes its interest expense for long-term loans payable 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 Note 2 (L) "Derivative Financial Instruments."

### (B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of April 30, 2019 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 deposits	¥ 19,675,112	¥ 19,675,112	¥ —
(2) Cash and deposits in trust	10,959,133	10,959,133	—
Subtotal	30,634,246	30,634,246	—
(1) Short-term loans payable	4,200,000	4,200,000	—
(2) Current portion of investment corporation bonds	—	—	—
(3) Current portion of long-term loans payable	16,700,000	16,737,975	37,975
(4) Investment corporation bonds	8,000,000	8,096,200	96,200
(5) Long-term loans payable	153,150,000	155,121,843	1,971,843
Subtotal	¥182,050,000	¥184,156,018	¥2,106,018
Derivative transactions (*)	(184,329)	(184,329)	—

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

#### (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 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 procurement of funds

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. Moreover, the contract amounts, etc. of derivative transactions in "(B) Estimated Fair Value of Financial Instruments" do not indicate the market risk of derivative transactions.

## \*1 Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

### Assets

(1) Cash and deposits and (2) Cash and deposits in trust

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

### Liabilities

(1) Short-term loans payable

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

(2) Current portion of investment corporation bonds and (4) Investment corporation bonds

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

(3) Current portion of long-term loans payable and (5) Long-term loans payable

The fair value of long-term loans payable 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 loans payable bearing interest at a variable rate, 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

Please refer to Note 15 "DERIVATIVE TRANSACTIONS."

## \*2 Financial instruments for which it is extremely difficult to determine the fair value

Classification	Carrying value (In thousands of yen)
Investment securities	<b>¥1,130,524</b>

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above 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 deposits	<b>¥19,675,112</b>
Cash and deposits in trust	<b>10,959,133</b>
Total	<b>¥30,634,246</b>

## \*4 Redemption schedule for loans payable and investment corporation 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 loans payable	<b>¥ 4,200,000</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>
Investment corporation bonds	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,000,000</b>	<b>2,000,000</b>	<b>5,000,000</b>
Long-term loans payable	<b>16,700,000</b>	<b>19,600,000</b>	<b>21,700,000</b>	<b>10,950,000</b>	<b>10,200,000</b>	<b>90,700,000</b>
Total	<b>¥20,900,000</b>	<b>¥19,600,000</b>	<b>¥21,700,000</b>	<b>¥11,950,000</b>	<b>¥12,200,000</b>	<b>¥95,700,000</b>

Twenty-seventh fiscal period (from May 1, 2018 to October 31, 2018)

### (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 investment corporation 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, which are Japanese silent partnership (*tokumei kumiai*, "TK") interests, are exposed to credit risk of the issuer and risk of fluctuation of value of its property.

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 10 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 loans payable 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 Note 2 (L) "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 and interest-rate cap transactions 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 procurement of funds

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.

### (B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of October 31, 2018 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 deposits	¥ 14,050,532	¥ 14,050,532	¥ —
(2) Cash and deposits in trust	10,973,654	10,973,654	—
Subtotal	25,024,186	25,024,186	—
(1) Short-term loans payable	6,000,000	6,000,000	—
(2) Current portion of investment corporation bonds	—	—	—
(3) Current portion of long-term loans payable	13,750,000	13,768,881	18,881
(4) Investment corporation bonds	6,000,000	6,050,100	50,100
(5) Long-term loans payable	157,300,000	157,675,962	375,962
Subtotal	¥183,050,000	¥183,494,943	¥444,943
Derivative transactions (*)	100,798	100,798	—

(\*) The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parentheses representing the 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 deposits and (2) Cash and deposits in trust

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

#### Liabilities

(1) Short-term loans payable

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

(2) Current portion of investment corporation bonds and (4) Investment corporation bonds

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

(3) Current portion of long-term loans payable and (5) Long-term loans payable

The fair value of long-term loans payable 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 loans payable bearing interest at a variable rate, 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

Please refer to Note 15 "DERIVATIVE TRANSACTIONS."

### (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. Moreover, the contract amounts, etc. of derivative transactions in "(B) Estimated Fair Value of Financial Instruments" do not indicate the market risk of derivative transactions.

## \*2 Financial instruments for which it is extremely difficult to determine the fair value

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,114,806

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above 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 deposits	¥14,050,532
Cash and deposits in trust	10,973,654
Total	¥25,024,186

## \*4 Redemption schedule for loans payable and investment corporation 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 loans payable	¥ 6,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	—	—	—	1,000,000	—	5,000,000
Long-term loans payable	13,750,000	18,600,000	21,300,000	17,050,000	9,300,000	91,050,000
Total	¥19,750,000	¥18,600,000	¥21,300,000	¥18,050,000	¥9,300,000	¥96,050,000

## 15. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap contracts as of April 30, 2019:

(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		
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 28,250,000	¥ 28,250,000	¥(184,329)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	88,750,000	74,050,000	*	
Total			¥117,000,000	¥102,300,000	¥(184,329)	

(\*) Interest-rate swaps 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 loans payable.

The following summarizes the contracted amount and the fair value of interest-rate swap contracts as of October 31, 2018:

(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		
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 23,900,000	¥ 23,900,000	¥100,798	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	93,900,000	82,550,000	*	
Total			¥117,800,000	¥106,450,000	¥100,798	

(\*): Interest-rate swaps 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 loans payable.

## 16. INVESTMENT AND RENTAL PROPERTIES

Twenty-eighth fiscal period (from November 1, 2018 to April 30, 2019)

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 October 31, 2018	Net change	As of April 30, 2019	As of April 30, 2019 (In thousands of yen)
<b>¥409,004,701</b>	<b>¥(5,792,000)</b>	<b>¥403,212,700</b>	<b>¥474,257,000</b>

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

\*2: Fair value at the end of the fiscal period is the appraisal 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 decrease factors were the sales of one property totaling ¥4,652,797 thousand and depreciation amounting to ¥2,369,390 thousand.

Income and loss in the fiscal period ended April 30, 2019 for real estate for rental purposes is listed in Note 12 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY."

Twenty-seventh fiscal period (from May 1, 2018 to October 31, 2018)

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, 2018	Net change	As of October 31, 2018	As of October 31, 2018 (In thousands of yen)
¥396,308,119	¥12,696,581	¥409,004,701	¥465,637,000

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

\*2: Fair value at the end of the fiscal period is the appraisal value determined by outside appraisers. Fair value at the end of the fiscal period under review of Frame Jinnan-zaka (51.0% of quasi co-ownership interest) that was sold on November 1, 2018 is calculated based on the sale price (¥5,253,000 thousand) in the transaction agreement on May 14, 2018.

\*3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increase/decrease factors were the acquisition of one property totaling ¥20,841,117 thousand, the sales of two properties totaling ¥6,714,787 thousand and depreciation amounting to ¥2,358,382 thousand.

Income and loss in the fiscal period ended October 31, 2018 for real estate for rental purposes is listed in Note 12 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY."

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## 17. SEGMENT AND RELATED INFORMATION

Twenty-eighth fiscal period (from November 1, 2018 to April 30, 2019)

### (A) Segment Information

Disclosure is omitted because the real estate leasing business is the Investment Corporation's sole business and it has no reportable segment subject to disclosure.

### (B) Related Information

#### (1) Information about each product and service

Disclosure is omitted because net sales to external customers for a single product/service category account for over 90% of the operating revenues on the statement of income and retained earnings.

#### (2) Information about each geographic area

##### (a) Net sales

Disclosure is omitted because net sales to external customers in Japan account for over 90% of the operating revenues on the statement of income and retained earnings.

##### (b) Property, plant and equipment

Disclosure is omitted because the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment on the balance sheet.

#### (3) Information about each major customer

Disclosure is omitted because net sales to a single external customer account for less than 10% of the operating revenues on the statement of income and retained earnings.

Twenty-seventh fiscal period (from May 1, 2018 to October 31, 2018)

### (A) Segment Information

Disclosure is omitted because the real estate leasing business is the Investment Corporation's sole business and it has no reportable segment subject to disclosure.

### (B) Related Information

#### (1) Information about each product and service

Disclosure is omitted because net sales to external customers for a single product/service category account for over 90% of the operating revenues on the statement of income and retained earnings.

#### (2) Information about each geographic area

##### (a) Net sales

Disclosure is omitted because net sales to external customers in Japan account for over 90% of the operating revenues on the statement of income and retained earnings.

##### (b) Property, plant and equipment

Disclosure is omitted because the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment on the balance sheet.

#### (3) Information about each major customer

Disclosure is omitted because net sales to a single external customer account for less than 10% of the operating revenues on the statement of income and retained earnings.

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## 18. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

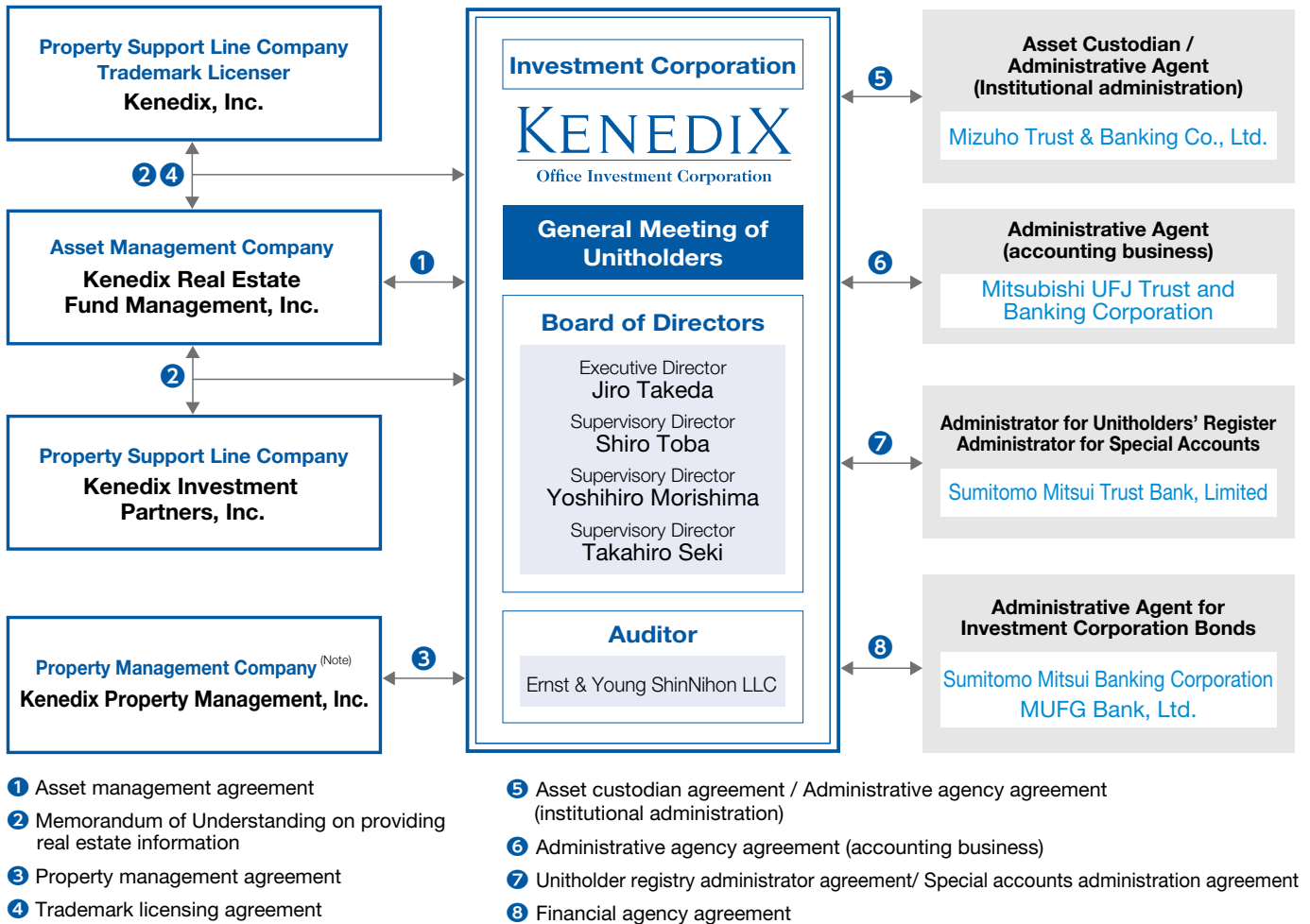
## 19. DISTRIBUTIONS

Yen

	<b>Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019)</b>	Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018)
I. Retained earnings at the end of period	<b>¥6,178,677,968</b>	¥6,107,886,067
II. Total distributions	<b>¥5,878,728,690</b>	¥5,766,887,580
Distributions per unit	<b>¥ 13,719</b>	¥ 13,458
III. Voluntary reserve (provision)		
Provision of reserve for reduction entry	<b>¥ 299,949,278</b>	¥ 340,998,487
IV. Retained earnings brought forward to the next period	<b>¥ —</b>	¥ —
Method of calculating distribution amount	<p>In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation has decided that, of the amount remaining after the provision of reserve for reduction entry as stipulated in Article 66-2 of the Act on Special Measures Concerning Taxation is deducted from unappropriated retained earnings, it shall distribute the outstanding ¥5,878,728,690 as profit distribution.</p> <p>In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.</p>	<p>In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation has decided that, of the amount remaining after the provision of reserve for reduction entry as stipulated in Article 66-2 of the Act on Special Measures Concerning Taxation is deducted from unappropriated retained earnings, it shall distribute the outstanding ¥5,766,887,580 as profit distribution.</p> <p>In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.</p>

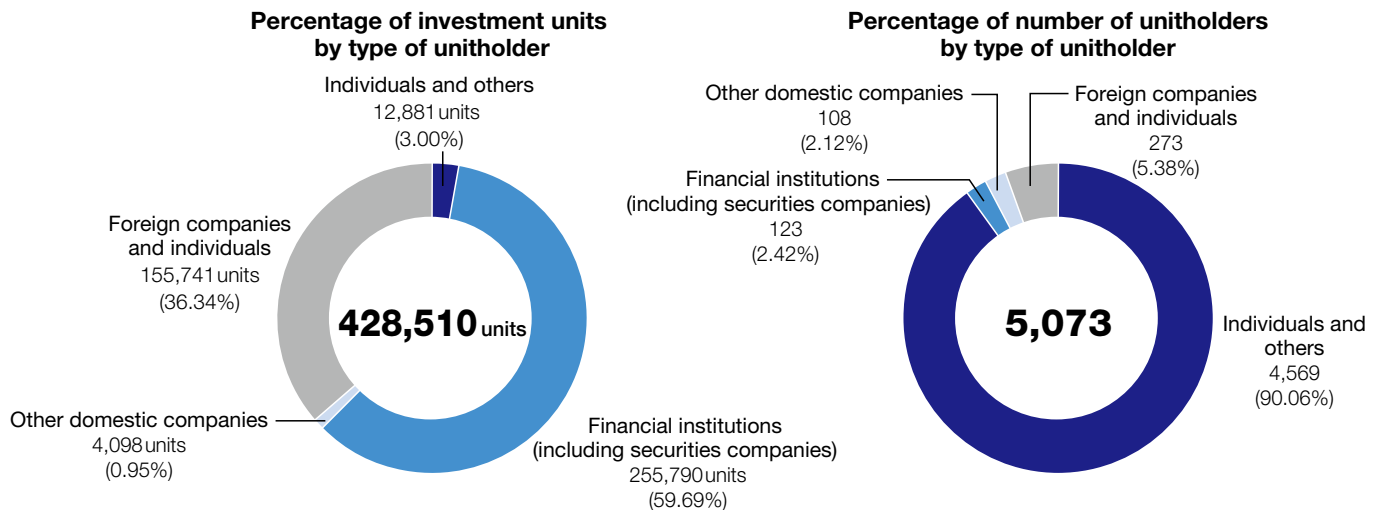
**Outline of Kenedix Office Investment Corporation** (as of April 30, 2019)

**Structure of Investment Corporation**



Note : Several properties are not under the property management of Kenedix Property Management, Inc.

**Unitholder structure** as of the end of 28th fiscal period (April 30, 2019)

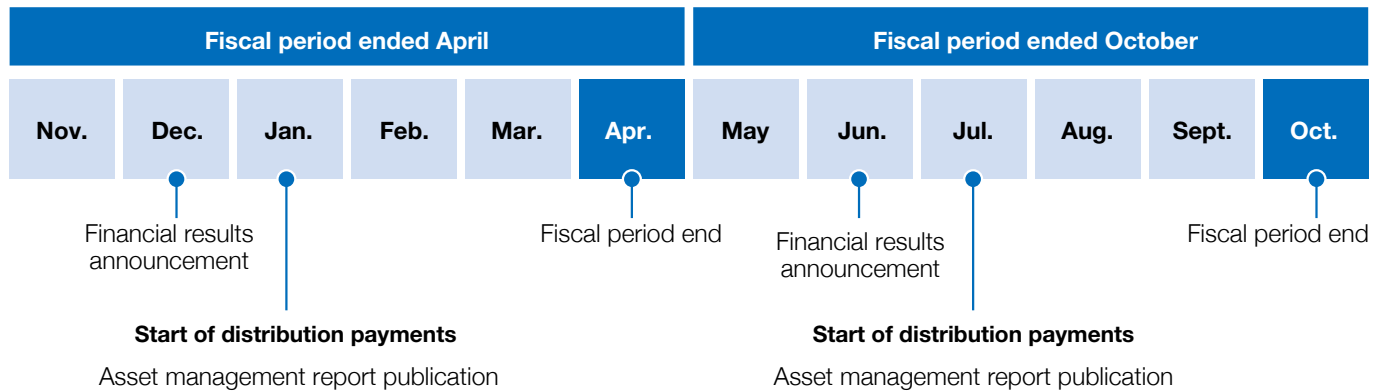


Note: Ratios rounded down to the second decimal place.





## ● IR schedule



## ● Unitholder memorandum

<b>Fiscal period ends</b>	April 30 and October 31
<b>General Meeting of Unitholders</b>	In principal, at least once every two years
<b>Unitholder fixed date for voting</b>	Prescribed in Article 16 of the Articles of Incorporation
<b>Distribution payment dates</b>	Ends of April and October (within three months from payment fixed date)
<b>Listing</b>	Tokyo Stock Exchange (stock code: 8972)
<b>Newspaper for public announcements</b>	Nihon Keizai Shimbun (Nikkei)
<b>Unitholder registry and special account administrator</b>	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
<b>Postal address and telephone inquiries</b>	Stock Transfer Agency Department Sumitomo Mitsui Trust Bank, Limited 8-4 Izumi 2-chome, Suginami-ku, Tokyo Toll-free tel: 0120 782 031

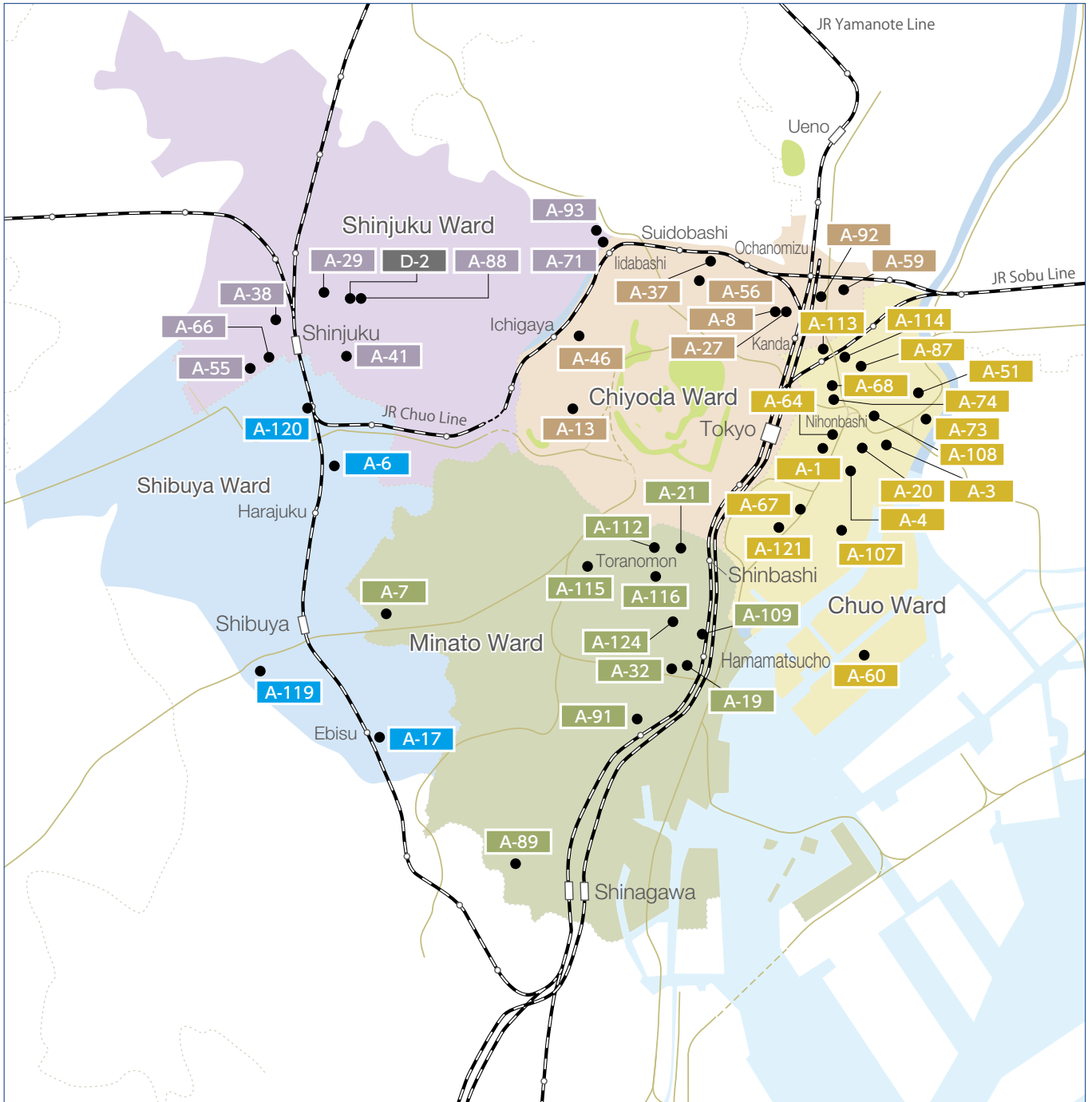
## ● Receipt of Distribution

<b>During receipt period</b>	Take your distribution receipt to the head or branch offices of Japan Post Bank Co., Ltd. or post offices (bank agents).
<b>After receipt period</b>	Specify the receipt method on the back of the distribution receipt and mail it to the Stock Transfer Agency Division of Sumitomo Mitsui Trust Bank, Limited, or receive distributions at a branch of the bank.
<b>Receiving future dividends</b>	Distributions can be paid by remittances to bank or ordinary postal savings accounts. If transfer designations or other procedures are preferred, you should, in principle, contact the brokerage with which you have an account. If you do not have a brokerage account and have a special account, contact Sumitomo Mitsui Trust Bank, Limited, the institution for managing special accounts.
<b>Exclusion</b>	Under the Articles of Incorporation of KDO, you cannot receive distributions after three years have passed since distribution payments start, so please receive them as soon as possible.

# Portfolio Map (as of June 14, 2019)

Tokyo metropolitan area (central 5 wards)

**49** properties

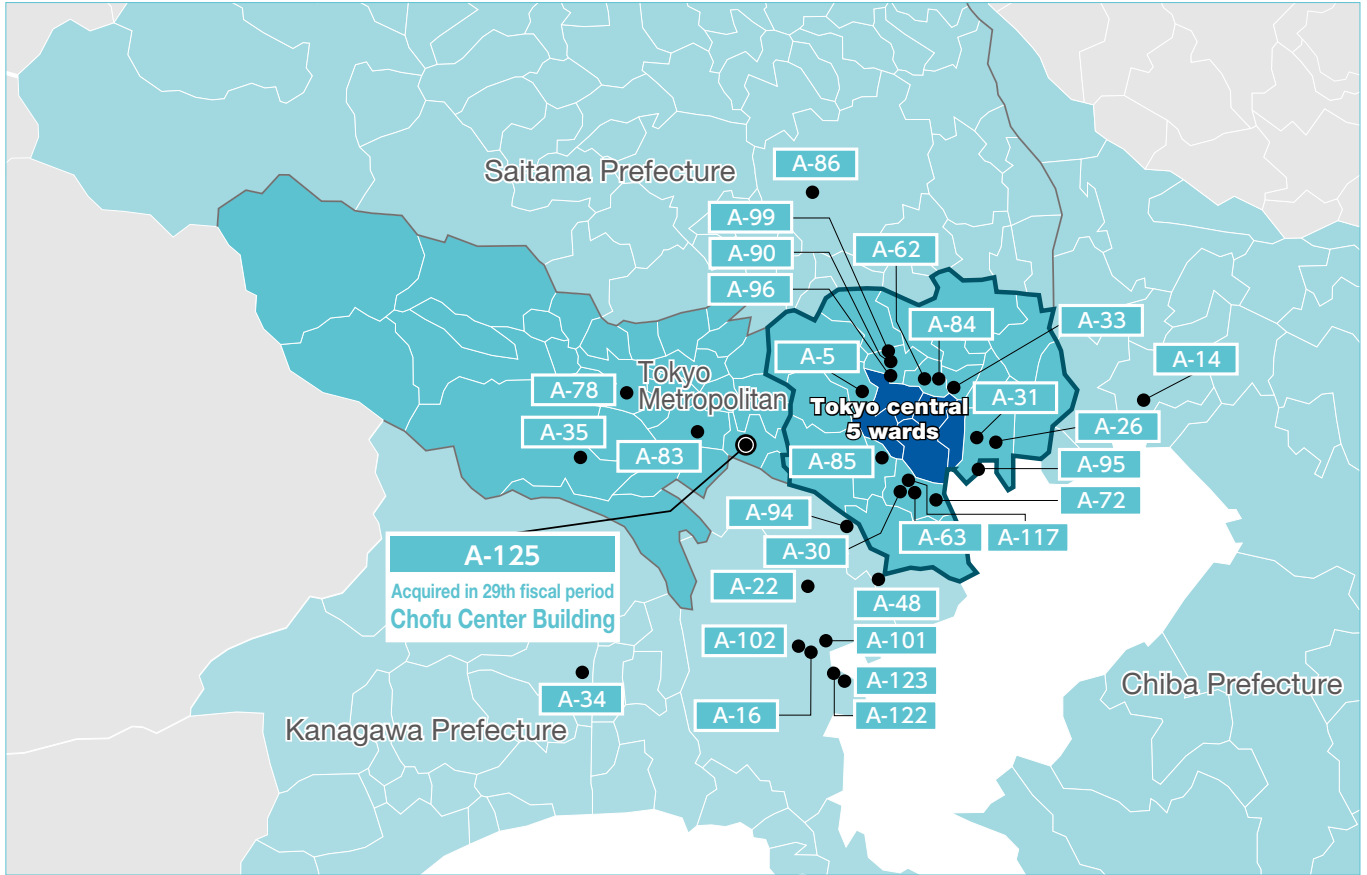




# Portfolio Map (as of June 14, 2019)

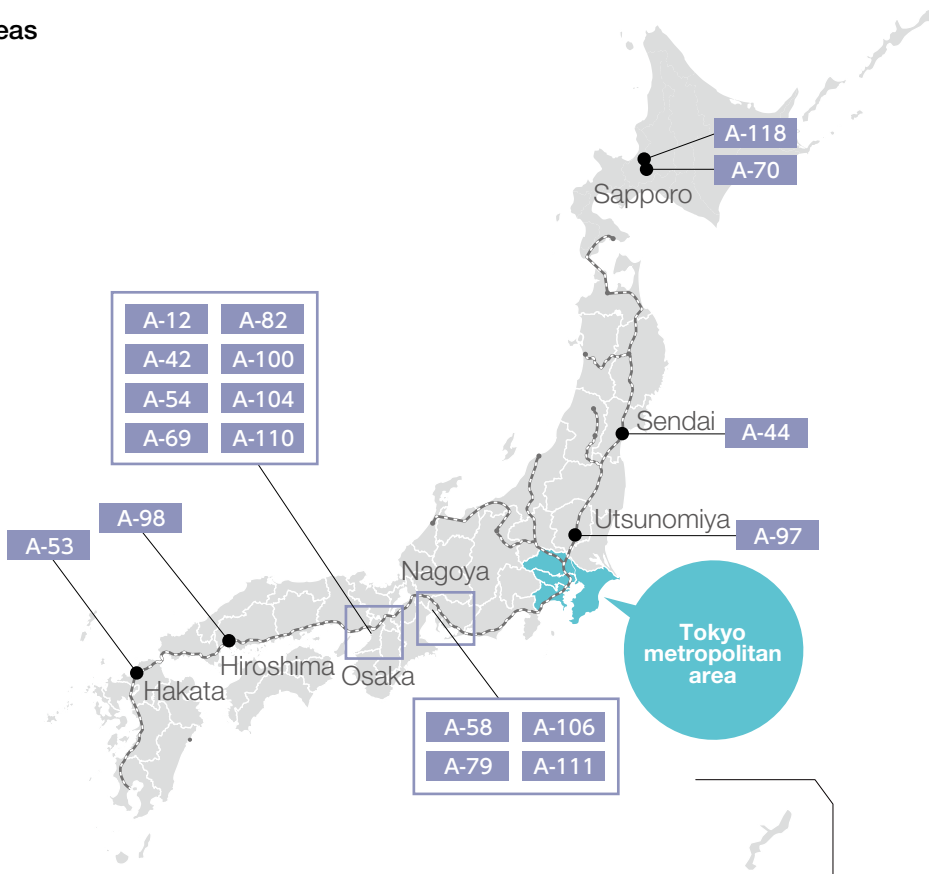
## Tokyo metropolitan area (excluding central 5 wards)

**30** properties



## Other regional areas

**18** properties



<b>A-5</b>  KDX Nakano-Sakaue Building	<b>A-14</b>  KDX Funabashi Building	<b>A-16</b>  Toshin 24 Building	<b>A-22</b>  KDX Shin-Yokohama Building	<b>A-26</b>  KDX Kiba Building	<b>A-30</b>  KDX Nishi-Gotanda Building	<b>A-31</b>  KDX Monzen-Nakacho Building	<b>A-33</b>  KDX Okachimachi Building
<b>A-34</b>  KDX Hon-Atsugi Building	<b>A-35</b>  KDX Hachioji Building	<b>A-48</b>  KDX Kawasaki-Ekimae Hon-cho Building	<b>A-62</b>  Koishikawa TG Building	<b>A-63</b>  KDX Gotanda Building	<b>A-72</b>  KDX Higashi-Shinagawa Building	<b>A-78</b>  KDX Tachikawa Ekimae Building	<b>A-83</b>  KDX Fuchu Building
<b>A-84</b>  KDX Kasuga Building	<b>A-85</b>  KDX Nakameguro Building	<b>A-86</b>  KDX Omiya Building	<b>A-90</b>  KDX Ikebukuro Building	<b>A-94</b>  KDX Musashi-Kosugi Building	<b>A-95</b>  KDX Toyosu Grand Square	<b>A-96</b>  KDX Takadanobaba Building	<b>A-99</b>  KDX Ikebukuro West Building
<b>A-101</b>  KDX Yokohama Building	<b>A-102</b>  KDX Yokohama Nishiguchi Building	<b>A-117</b>  BR Gotanda	<b>A-122</b>  Mitsubishijuko Yokohama Building	<b>A-123</b>  KDX Yokohama Kannai Building	<b>A-125</b>  Chofu Center Building	Acquired in 29th fiscal period	
<b>A-12</b>  Portus Center Building	<b>A-42</b>  KDX Karasuma Building	<b>A-44</b>  KDX Sendai Building	<b>A-53</b>  KDX Hakata-Minami Building	<b>A-54</b>  KDX Kitahama Building	<b>A-58</b>  KDX Nagoya Sakae Building	<b>A-69</b>  KDX Kobayashi-Doshomachi Building	<b>A-70</b>  KDX Sapporo Building
<b>A-79</b>  KDX Nagoya Ekimae Building	<b>A-82</b>  KDX Higashi Umeda Building	<b>A-97</b>  KDX Utsunomiya Building	<b>A-98</b>  KDX Hiroshima Building	<b>A-100</b>  Senri Life Science Center Building	<b>A-104</b>  KDX Minami-Honmachi Building	<b>A-106</b>  KDX Sakura-dori Building	<b>A-110</b>  KDX Shin-Osaka Building
<b>A-111</b>  KDX Nagoya Nichigin-mae Building	<b>A-118</b>  KDX Sapporo Kitaguchi Building						

## Office Buildings (Tokyo Metropolitan Area (central 5 wards))

Type	Area	No.	Property Name	Location	Acquisition Price (mn yen) <sup>(Note 1)</sup>	Year Built <sup>(Note 2)</sup>	Occupancy Rate <sup>(Note 3)</sup>
Office Building	Tokyo Metropolitan Area (central 5 wards)	A-1	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	Apr. 1974	100.0%
		A-3	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	Jan. 1987	100.0%
		A-4	KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	Jun. 1993	100.0%
		A-20	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	Oct. 1987	100.0%
		A-51	KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	Sep. 1988	100.0%
		A-60	KDX Harumi Building	Chuo-ku, Tokyo	10,250	Feb. 2008	100.0%
		A-64	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	Oct. 2006	100.0%
		A-67	KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	Nov. 1991	100.0%
		A-68	KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	Jan. 1984	100.0%
		A-73	KDX Hakozaki Building	Chuo-ku, Tokyo	2,710	Nov. 1993	100.0%
		A-74	KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	Nov. 2002	100.0%
		A-87	Itopia Nihonbashi SA Building	Chuo-ku, Tokyo	2,200	Jul. 1995	100.0%
		A-107	KDX Ginza East Building	Chuo-ku, Tokyo	3,600	Aug. 1991	100.0%
		A-108	Pentel Building	Chuo-ku, Tokyo	3,350	Nov. 1990	100.0%
		A-113	KDX Shin-Nihonbashi Ekimae Building	Chuo-ku, Tokyo	3,829	May 1992	100.0%
		A-114	KDX Nihonbashi Edo-dori Building	Chuo-ku, Tokyo	1,350	Mar. 1985	100.0%
		A-121	Ginza 4chome Tower	Chuo-ku, Tokyo	9,800	Nov. 2008	98.2%
		A-7	KDX Minami Aoyama Building	Minato-ku, Tokyo	2,270	Nov. 1988	100.0%
		A-19	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	Sep. 1999	100.0%
		A-21	KDX Shinbashi Building	Minato-ku, Tokyo	3,728	Feb. 1992	100.0%
		A-32	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	Jul. 1986	100.0%
		A-89	KDX Takawadai Building	Minato-ku, Tokyo	5,250	Oct. 1985	100.0%
		A-91	KDX Mita Building	Minato-ku, Tokyo	3,180	Mar. 1993	100.0%
		A-109	KDX Hamamatsucho Center Building	Minato-ku, Tokyo	3,950	Dec. 1985	100.0%
		A-112	KDX Toranomom 1chome Building	Minato-ku, Tokyo	15,550	Oct. 2013	100.0%
		A-115	ARK Mori Building	Minato-ku, Tokyo	4,169	Mar. 1986	100.0%
		A-116	KDX Nishi-Shinbashi Building	Minato-ku, Tokyo	8,400	Aug. 1992	100.0%
		A-124	KDX Hamamatsucho Place	Minato-ku, Tokyo	20,700	Feb. 2015	100.0%
		A-8	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	May 1993	100.0%
		A-13	KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	May 1994	100.0%
		A-27	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	Mar. 1990	100.0%
		A-37	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	Aug. 1982	96.4%
		A-46	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	Mar. 1988	97.5%
		A-56	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	May 1994	100.0%
		A-59	KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	Mar. 2008	100.0%
		A-92	KDX Akihabara Building	Chiyoda-ku, Tokyo	2,600	Dec. 1973	100.0%
		A-29	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	Jan. 1990	100.0%
		A-38	KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	Oct. 1992	100.0%
		A-41	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	Aug. 1989	100.0%
		A-55	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	Jul. 1990	100.0%
		A-66	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	May 1993	100.0%
		A-71	KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	Mar. 1990	100.0%
		A-88	KDX Shinjuku 6-chome Building	Shinjuku-ku, Tokyo	1,900	Mar. 1990	100.0%
		A-93	KDX Iidabashi Square	Shinjuku-ku, Tokyo	4,350	Jan. 1994	100.0%
		A-6	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	Nov. 1985	100.0%
		A-17	KDX Ebisu Building	Shibuya-ku, Tokyo	4,640	Jan. 1992	100.0%
		A-119	KDX Shibuya Nanpeidai Building	Shibuya-ku, Tokyo	3,500	Dec. 2003	100.0%
		A-120	KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	Aug. 1991	100.0%
<b>Office Buildings (Tokyo Metropolitan Area (central 5 wards)) Subtotal (48 properties)</b>					<b>216,730</b>	<b>—</b>	<b>99.7%</b>

## Office Buildings (Tokyo Metropolitan Area (excluding central 5 wards))

Type	Area	No.	Property Name	Location	Acquisition Price (mn yen) <sup>(Note 1)</sup>	Year Built <sup>(Note 2)</sup>	Occupancy Rate <sup>(Note 3)</sup>
Office Building	Tokyo Metropolitan Area (excluding central 5 wards)	A-5	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	Aug. 1992	100.0%
		A-14	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	100.0%
		A-16	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	100.0%
		A-22	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	100.0%
		A-26	KDX Kiba Building	Koto-ku, Tokyo	1,580	Oct. 1992	100.0%
		A-30	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	Nov. 1992	100.0%
		A-31	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	Sep. 1986	100.0%
		A-33	KDX Okachimachi Building	Taito-ku, Tokyo	2,000	Jun. 1988	100.0%
		A-34	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May 1995	80.5%
		A-35	KDX Hachioji Building	Hachioji, Tokyo	1,155	Dec. 1985	100.0%
		A-48	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	Feb. 1985	100.0%
		A-62	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	Nov. 1989	100.0%

Type	Area	No.	Property Name	Location	Acquisition Price (mn yen) <sup>(Note 1)</sup>	Year Built <sup>(Note 2)</sup>	Occupancy Rate <sup>(Note 3)</sup>
Office Building	Tokyo Metropolitan Area (excluding central 5 wards)	A-63	KDX Gotanda Building	Shinagawa-ku, Tokyo	2,620	Apr. 1988	100.0%
		A-72	KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	Jan. 1993	85.1%
		A-78	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	Feb. 1990	100.0%
		A-83	KDX Fuchu Building	Fuchu, Tokyo	6,120	Mar. 1996	97.2%
		A-84	KDX Kasuga Building	Bunkyo-ku, Tokyo	2,800	Jun. 1992	100.0%
		A-85	KDX Nakameguro Building	Meguro-ku, Tokyo	1,880	Oct. 1985	100.0%
		A-86	KDX Omiya Building	Saitama, Saitama	2,020	Apr. 1993	100.0%
		A-90	KDX Ikebukuro Building	Toshima-ku, Tokyo	3,900	Mar. 2009	100.0%
		A-94	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	May 2013	100.0%
		A-95	KDX Toyosu Grand Square	Koto-ku, Tokyo	8,666	Apr. 2008	100.0%
		A-96	KDX Takadanobaba Building	Toshima-ku, Tokyo	3,650	Oct. 1988	100.0%
		A-99	KDX Ikebukuro West Building	Toshima-ku, Tokyo	1,934	Jul. 1988	100.0%
		A-101	KDX Yokohama Building	Yokohama, Kanagawa	7,210	Mar. 1994	100.0%
		A-102	KDX Yokohama Nishiguchi Building	Yokohama, Kanagawa	2,750	Oct. 1988	100.0%
A-117	BR Gotanda	Shinagawa-ku, Tokyo	2,200	Sep. 1991	100.0%		
A-122	Mitsubishijuko Yokohama Building	Yokohama, Kanagawa	14,720	Feb. 1994	100.0%		
A-123	KDX Yokohama Kannai Building	Yokohama, Kanagawa	9,500	Sep. 2007	100.0%		
<b>Office Buildings (Tokyo Metropolitan Area (excluding central 5 wards)) Subtotal (29 properties)</b>					<b>118,912</b>	<b>—</b>	<b>98.8%</b>

### Office Buildings (Other Regional Areas)

Type	Area	No.	Property Name	Location	Acquisition Price (mn yen) <sup>(Note 1)</sup>	Year Built <sup>(Note 2)</sup>	Occupancy Rate <sup>(Note 3)</sup>
Office Building	Other Regional Areas	A-12	Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	94.1%
		A-42	KDX Karasuma Building	Kyoto, Kyoto	5,400	Oct. 1982	100.0%
		A-44	KDX Sendai Building	Sendai, Miyagi	2,100	Feb. 1984	100.0%
		A-53	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun. 1973	99.5%
		A-54	KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	100.0%
		A-58	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Apr. 2009	100.0%
		A-69	KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	Jul. 2009	100.0%
		A-70	KDX Sapporo Building	Sapporo, Hokkaido	2,005	Oct. 1989	100.0%
		A-79	KDX Nagoya Ekimae Building	Nagoya, Aichi	7,327	Apr. 1986	100.0%
		A-82	KDX Higashi Umeda Building	Osaka, Osaka	2,770	Jul. 2009	100.0%
		A-97	KDX Utsunomiya Building	Utsunomiya, Tochigi	2,350	Feb. 1999	100.0%
		A-98	KDX Hiroshima Building	Hiroshima, Hiroshima	1,300	Jan. 1990	100.0%
		A-100	Senri Life Science Center Building	Toyonaka, Osaka	13,000	Jun. 1992	99.4%
		A-104	KDX Minami-Honmachi Building	Osaka, Osaka	2,200	Dec. 2009	93.7%
		A-106	KDX Sakura-dori Building	Nagoya, Aichi	5,900	Aug. 1992	100.0%
		A-110	KDX Shin-Osaka Building	Osaka, Osaka	4,550	May 1992	100.0%
A-111	KDX Nagoya Nichigin-mae Building	Nagoya, Aichi	3,500	Sep. 2006	100.0%		
A-118	KDX Sapporo Kitaguchi Building	Sapporo, Hokkaido	1,800	Sep. 1992	100.0%		
<b>Office Buildings (Other Regional Areas) Subtotal (18 properties)</b>					<b>77,312</b>	<b>—</b>	<b>99.1%</b>
<b>Office Buildings Total (95 properties)</b>					<b>412,955</b>	<b>Avg. 23.4 years</b>	<b>99.2%</b>

### Others

Type	Area	No.	Property Name	Location	Acquisition Price (mn yen) <sup>(Note 1)</sup>	Year Built <sup>(Note 2)</sup>	Occupancy Rate <sup>(Note 3)</sup>
Others	Tokyo Metropolitan Area	D-2	Shinjuku 6chome Building (Land)	Shinjuku-ku, Tokyo	2,880	—	100.0%
<b>Others Subtotal (1 property)</b>					<b>2,880</b>	<b>—</b>	<b>100.0%</b>
<b>Portfolio Total (96 properties)</b>					<b>415,835</b>	<b>Avg. 23.4 years</b>	<b>99.2%</b>

Category	Investment Security Name	Underlying Asset Name	Underlying Asset Location	Investment Security Price (mn yen) <sup>(Note 1)</sup>	Underlying Asset Year Built
Investment Security	G.K. KRF 43 Silent Partnership Equity Interest <sup>(Note 4)</sup>	Shinjuku Sanei Building	Shinjuku-ku, Tokyo	1,107	Dec. 1979
<b>Investment Security Total (1 security)</b>				<b>1,107</b>	

### Asset Acquired in 29th Fiscal Period (Oct. 2019)

Type	Area	No.	Property Name	Location	Acquisition Price (mn yen) <sup>(Note 1)</sup>	Year Built <sup>(Note 2)</sup>	Acquisition Date
Office Building	Tokyo Metropolitan Area (excluding central 5 wards)	A-125	Chofu Center Building	Chofu, Tokyo	8,700	Jan. 1995	June 14, 2019

Note 1: Acquisition price is only the acquisition (investment) price of real estate or trust beneficiary interests in real estate (excluding any expenses, taxes, etc.) acquired by KDO. Figures are truncated to the nearest million yen.

Note 2: Year built shows the completion date recorded in the real estate register. The average value shown in the subtotal or total section is a weighted-average number calculated based on acquisition price with a base date of April 30, 2019. Figures are truncated to the first decimal place.

Note 3: Occupancy rate is calculated by dividing leased area as of April 30, 2019 by leasable area and is rounded to the first decimal place. The subtotal and total lines show the figures calculated by dividing the subtotal (total) of the leased area for the property associated with each subtotal and total by the subtotal (total) of the leasable area. For the Pentel Building, this includes the leasable area associated with the land (land interest) specified in the lease agreement. For the Shinjuku 6chome Building (Land), the calculation is based on the leasable area of the land specified in the lease agreement.

Note 4: The said maps and photographs do not include investment securities owned by KDO.

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