

KENEDIX
Office Investment Corporation

20th Fiscal Period
SEMIANNUAL REPORT
November 1, 2014–April 30, 2015

KENEDIX-REIT

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

TSE 8972

KENEDIX

Reinforcing Our Strength in the Mid-sized Office Building Market

In July 2015, we celebrated our 10th anniversary of listing on the First Section of the Tokyo Stock Exchange. Over the years, we have sharpened our focus to mainly invest in mid-sized office buildings in the Tokyo Metropolitan Area. Starting with 31 properties (total acquisition price 69.1 billion yen), we have steadily expanded our portfolio size to 97 properties (total acquisition price 385.0 billion yen). We have also managed to improve our portfolio quality through property reshuffles.

As the No. 1 J-REIT for mid-sized office buildings, we will continue with our strategy, balancing external and internal growth, backed by sound financial management.

Naokatsu Uchida

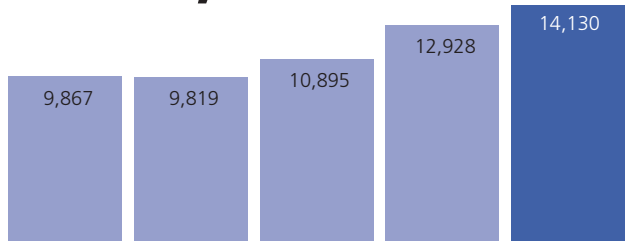
Executive Director

Kenedix Office Investment Corporation

(As of April 30, 2015)

Operating Revenues

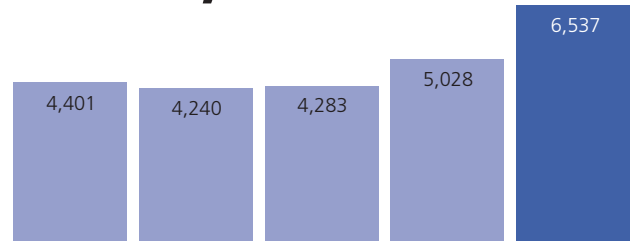
14,130 million yen



16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013) 18th Period (Ended Apr. 30, 2014) 19th Period (Ended Oct. 31, 2014) 20th Period (Ended Apr. 30, 2015)

Operating Income

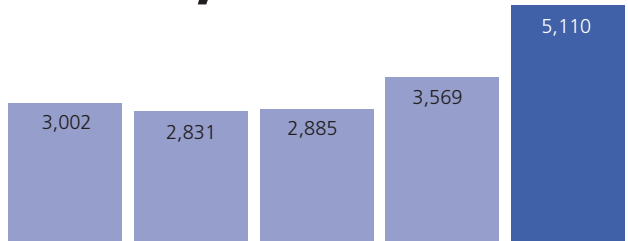
6,537 million yen



16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013) 18th Period (Ended Apr. 30, 2014) 19th Period (Ended Oct. 31, 2014) 20th Period (Ended Apr. 30, 2015)

Net Income

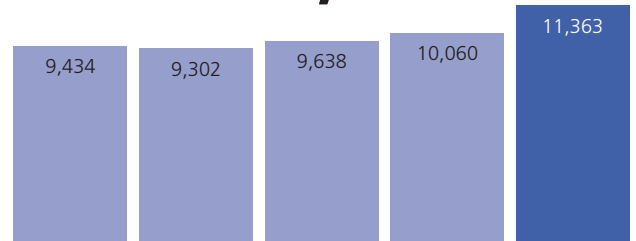
5,110 million yen



16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013) 18th Period (Ended Apr. 30, 2014) 19th Period (Ended Oct. 31, 2014) 20th Period (Ended Apr. 30, 2015)

Distribution per Unit

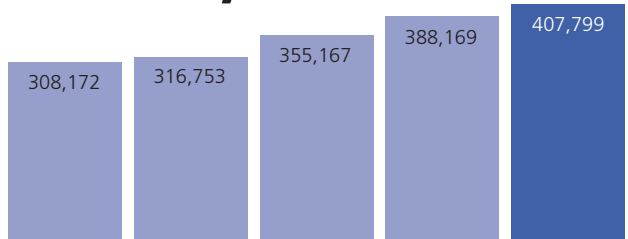
11,363 yen



16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013) 18th Period (Ended Apr. 30, 2014) 19th Period (Ended Oct. 31, 2014) 20th Period (Ended Apr. 30, 2015)

Total Assets

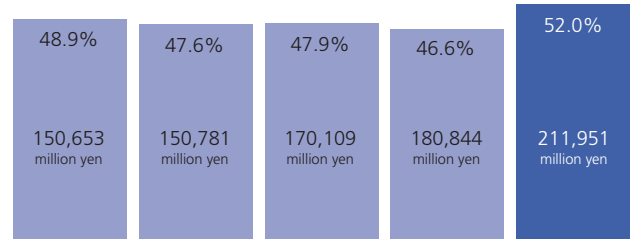
407,799 million yen



16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013) 18th Period (Ended Apr. 30, 2014) 19th Period (Ended Oct. 31, 2014) 20th Period (Ended Apr. 30, 2015)

Net Assets Ratio / Unitholders' Equity

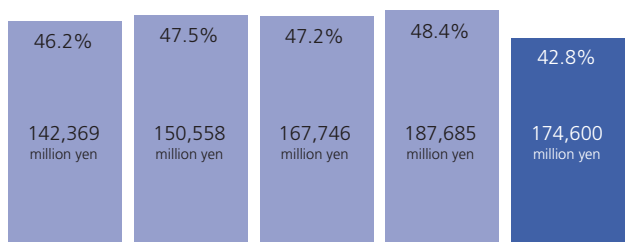
52.0%



16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013) 18th Period (Ended Apr. 30, 2014) 19th Period (Ended Oct. 31, 2014) 20th Period (Ended Apr. 30, 2015)

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

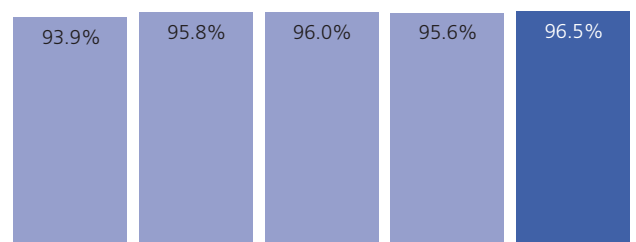
42.8%



16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013) 18th Period (Ended Apr. 30, 2014) 19th Period (Ended Oct. 31, 2014) 20th Period (Ended Apr. 30, 2015)

Portfolio Occupancy Rate

96.5%



16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013) 18th Period (Ended Apr. 30, 2014) 19th Period (Ended Oct. 31, 2014) 20th Period (Ended Apr. 30, 2015)

Strategy 1

Improving Portfolio Quality by Reshuffling Properties as We Steadily Increase Total Asset Size

We began the 20th Fiscal Period (ended April 30, 2015) by raising additional capital through a public offering and acquiring five office buildings. Later, we acquired two additional office buildings, both located in Tokyo's five central wards, for a total of seven properties at a total acquisition price of 21.7 billion yen.



On the other hand, in light of buying/selling opportunities and overall market conditions, we sold four properties in non-core asset categories, namely residential properties and regional office buildings.

As a result of these acquisitions and dispositions, our portfolio at the end of the period (April 30, 2015) stands at 97 properties with a total acquisition price of 385.0 billion yen. While increasing our asset size, we are also steadily

improving the quality of our portfolio by reshuffling properties.

We secured capital gains from the sale of properties. A portion of the gains was booked as a reserve for reduction entry under internal reserve. This increased the reserve to more than 1.1 billion yen, which we plan to use for stable unitholder distributions.

Currently, competition in the property acquisition market is intensifying. There are fewer opportunities to acquire properties at prices justifiable over the medium and long term. It is our policy to invest only after going through a rigorous selection process that weighs the wide-ranging information obtained.

We also aim to increase the profitability and quality of our portfolio, strategically combining acquisitions of properties in the Tokyo Metropolitan Area outside the five central wards and in other regional areas while selling properties of declining profitability.

Strategy 2

Rental Revenue from Existing Properties on Upswing: Steadily Securing Rent Increases with Renewals

The occupancy rate for the overall portfolio at the end of the period (April 30, 2015) remained high, at 96.5%.

Rental revenue has begun to bounce back after bottoming out. During the period under review, rental revenue from existing properties and the number of upward rent revisions (by number of contracts) both grew compared with the previous period (ended October 2014).

In terms of rent revisions, the number of properties with upward rent revisions has

been building steadily in the 21st period (ending October 2015). We now feel that we can expect full-fledged internal growth, as successes begin to emerge not only in Tokyo's five central wards, but also elsewhere in Tokyo and in other regional areas.

We are also seeing more cases in which existing tenants move to other properties owned by the Investment Corporation in order to optimize the size of their office space. I believe this reflects our success in thoroughly catching tenant needs through portfolio-level property management, as well our success in appealing to tenants that need to relocate, backed by high tenant satisfaction.

To support strong internal growth, we plan to pursue several initiatives. These include raising the level of rents for new tenants, negotiating upward rent revisions with existing tenants and, of course, preventing downward revisions. In addition, we will continue with prudent capital expenditure, a factor that significantly affects the competitiveness of mid-sized office buildings.

Strategy 3

Insight and Operating Competency Honed Over 10 Years: Making Our Presence Felt as the No. 1 Owner of Mid-Sized Office Buildings

In the office building market, we believe there are certain factors that determine a building's competitiveness within a building size category.

Rental revenue from mid-sized office buildings that are truly competitive is steadily rising. Mid-sized office buildings are characterized by relatively high tenant turnover rate and a shorter rent revision cycle, typically around two years. We believe these factors make it easier to quickly adjust to market changes.

While building location and features cannot be ignored, we intend to win out among the competition in mid-sized office buildings by conducting integrated portfolio-wide property management as well as fine-tuned building management at each site to ensure tenant satisfaction.

A considerable stock of mid-sized office buildings remains on the market and needs from tenants are high. There is still ample room for growth.

Leveraging the insight and operational competency we have developed over the past decade, we continue to strive to meet the expectations of our investors as the No. 1 owner of mid-sized office buildings while addressing environmental and energy-related issues to fulfill our social mission.



内田直克

Naokatsu Uchida

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

01 External Growth

Reinforcing Our Strength in

Our portfolio stands at **97** properties with a total acquisition price at **385** billion yen

The fiscal period under review started with the third consecutive public offering since the 18th Fiscal Period. This was completed on December 24, 2014, allowing the acquisition of five properties—KDX Yokohama Nishiguchi Building, KDX Shin-Yokohama 214 Building, KDX Minami-Honmachi Building, BUREX Toranomom and KDX Sakura-dori Building—at a total acquisition price of 14.8 billion yen. (See also our *19th Fiscal Period Semiannual Report*.)

Then, further into the period, we went on to purchase two more buildings—35 Sankyo Building and Pentel Building—both located within Central Tokyo,* at a total acquisition price of 6.9 billion yen. Meanwhile, we sold four buildings—KDX Hamacho Building, KDX Minami Semba Dai-2 Building, Sendai Nikko Building and Venus Hibarigaoka—with a total disposition price of 6.6 billion yen. The dispositions included two office buildings located in other regional areas and one residential building. The resulting portfolio reshuffle raised the ratio of office buildings in the Tokyo Metropolitan Area in our portfolio from 78.9% to 81.4%.

* Central Tokyo represents Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards.

A part of the capital gain from the sales of four properties was retained as an internal reserve to provide for future stable unit-holder distributions.

We are seeing fewer opportunities to acquire properties at appropriate prices given recent overheating in real estate markets, especially in the Tokyo Metropolitan Area. Utilizing our broad network and the sponsor company's support line, we continue to look for new opportunities, but plan to make further acquisitions in a selective manner, carefully judging their long-term profit potential. In addition to conventional transactions involving a single building, we are gathering information on potential portfolio acquisitions involving multiple properties or property transfer involving alternative pipelines. We are also diversifying our acquisition methods to include equity investment and co-acquisition with the sponsor company.

Our portfolio stands at 97 properties or 385.0 billion yen as of April 30, 2015. We are continuing with our strategy of pursuing growth in terms of both portfolio size and quality.

Property Reshuffle in the 20th Fiscal Period

Property disposition



KDX Hamacho Bldg.
Central Tokyo



KDX Minami Semba Dai-2 Bldg.
Other regional area



Sendai Nikko Bldg.
Other regional area



Venus Hibarigaoka
Non-core (residential)

Total acquisition price	6.6 bn yen
Average NOI yield (Note 1)	5.2%
Average NOI yield (after depreciation) (Note 2)	3.4%

Property acquisition



35 Sankyo Bldg.
Central Tokyo



Pentel Bldg.
Central Tokyo

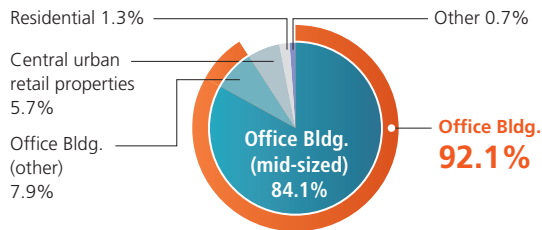
Total acquisition price	6.9 bn yen
Average NOI yield (Note 1)	4.7%
Average NOI yield (after depreciation) (Note 2)	4.0%

Notes: 1. Average NOI yield / Average NOI yield (after depreciation) are calculated as follows (rounded to the first decimal place):
Average NOI yield = Sum of annualized actual rental NOI based on 20th fiscal period (2015/4) / Total acquisition price.
Average NOI yield (after depreciation) = Sum of annualized actual rental NOI minus depreciation based on 20th fiscal period (2015/4) / Total acquisition price

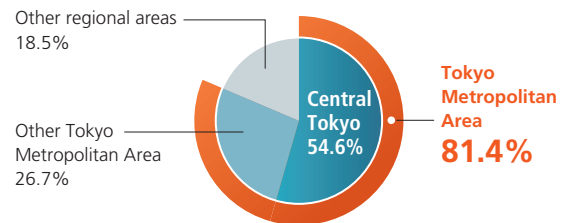
2. Based on asset manager's estimate, excluding extraordinary factors expected in the year of acquisition

Terms of Both Portfolio Size and Quality

Breakdown by Property Type

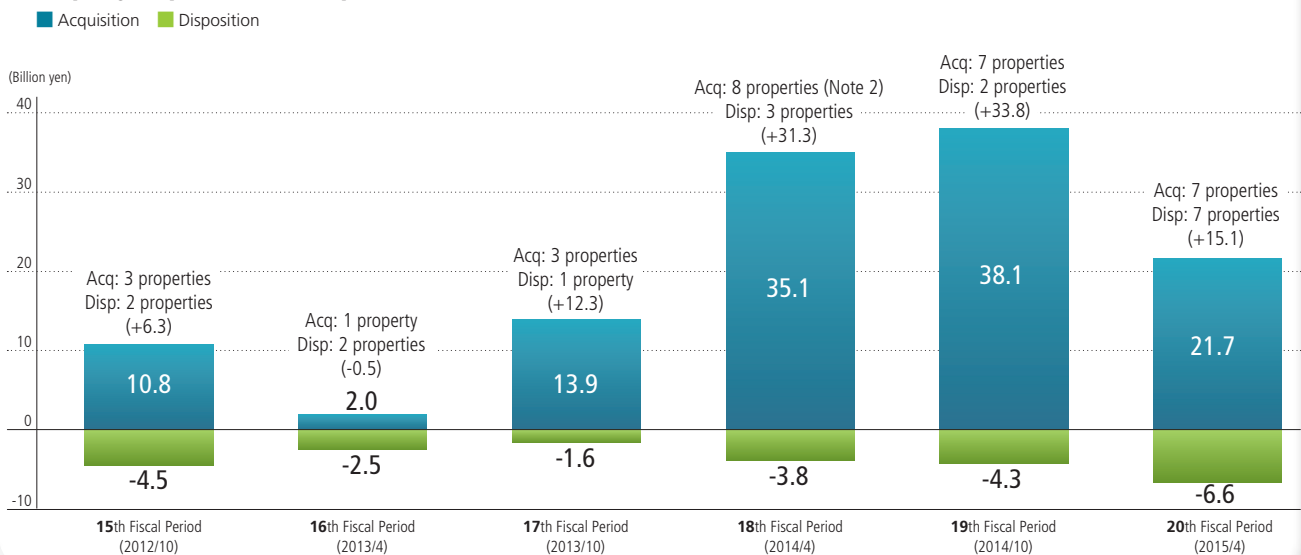


Breakdown of Office Buildings by Region



Notes: 1. The percentage breakdown by property type based on the acquisition price as of April 30, 2015. (Figures are rounded down to the first decimal place).
2. Central Tokyo represents Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards.

Property Acquisition and Disposition Track Record (Note 1)



External Growth and Portfolio Profitability

	Properties in possession at the end of 16th Fiscal Period (2013/4) (Note 3)	Properties acquired after May 2013 (Note 4)	Properties in possession at the end of 20th Fiscal Period (2015/4)
Number of properties	73	24	97
Total acquisition price	277.1 billion yen	107.9 billion yen	385.0 billion yen
Actual NOI yield (Note 5)	4.2%	5.2%	4.5%
Appraisal profit/loss (Note 6)	-7.6 billion yen	9.5 billion yen	1.9 billion yen

Notes: 1. Actual amount of acquisition/disposition is based on acquisition price.
2. Includes an additional acquisition of classification ownership of KDX Shinbashi Bldg.
3. Properties in possession at the end of 16th Fiscal Period (2013/4) exclude properties sold through 17th Fiscal Period (13/10) to 20th Fiscal Period (2015/4).
4. Additional acquisition and existing portion of KDX Shinbashi Bldg. are counted as 1 property together and are included as a property in possession at the end of 16th Fiscal Period.
5. Actual NOI yield is calculated by dividing the sum of annualized actual rental NOI based on 20th Fiscal Period (2015/4) by total acquisition price (rounded to the first decimal place).
6. Difference between appraisal value and book value as of the end of 20th Fiscal Period (2015/4).

02 Internal Growth

Further Improving Portfolio

Office building occupancy rate of **96.4%** at the end of the 20th Fiscal Period

The fiscal period under review saw further improvement in occupancy rates and leasing conditions.

The occupancy rate for our office buildings at the end of the period stood at 96.4%, compared to 95.4% at the end of the previous fiscal period.

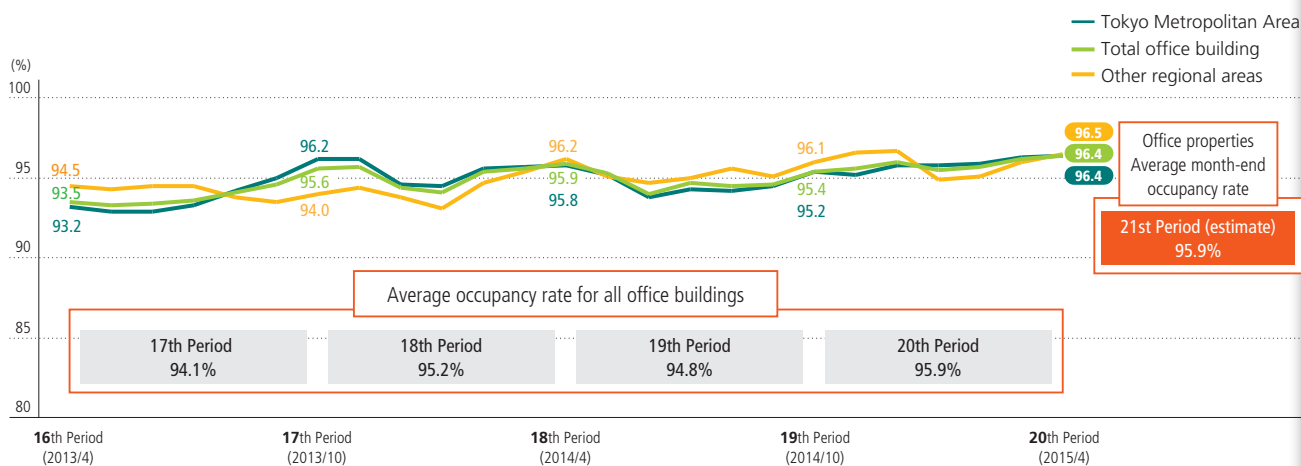
Looking at the tenant turnover of office buildings, move-ins outpaced move-outs for the fiscal period under review, both in terms of the number of tenants and the total leased area. We are also seeing more of our tenants moving into another building within our portfolio. We believe this reflects the high tenant satisfaction with our service and property management carried out on a portfolio basis.

Leasing conditions continue to improve. We are building up a solid track record of upward rent revisions through negotiation with tenants, securing 28 upward rent revisions for the 21st and 22nd fiscal periods and afterwards, which will bring our average rent growth to 13.4%.* Our rent gap is shrinking as a result, down from a peak of 22.0% at the end of the 13th Fiscal Period (2011/10) to 3.1% at the end of the fiscal period under review.

* Based on fixed upward rent revisions as of June 9, 2015.

As we seek to attract and retain tenants at favorable leasing terms, we are proactively investing to renovate and

Occupancy Rate Performance of Office Buildings (By region)

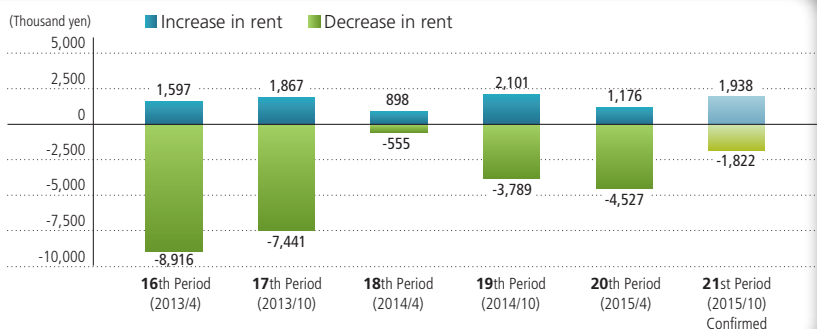


Note: Occupancy rate is calculated by dividing leased area by leasable area and is rounded to the first decimal place. Average month-end occupancy rate of office properties is a simple average of monthly-end occupancy rates for each period. The forecast occupancy rate for the 21st Fiscal Period (2015/10) is calculated based on the Asset Management Company's earnings forecast for the 21st Fiscal Period.

Change in Rent Level at Time of Rent Revision (Based on monthly rent)

(Note)

Note: Difference in monthly rent levels before and after rent revision, calculated separately for each tenant. Numbers are rounded to the nearest thousand yen. The data for 21st fiscal period (2015/10) is based on rent revision confirmed as of June 9, 2015.



Occupancy and Leasing Conditions

upgrade the existing properties. A case in point is KDX Ikebukuro West Building, which we acquired in September 2014. As a result of improving the interior design and introducing energy-saving LED downlights, the building's occupancy, which stood at 81.2% as of February 28, 2015, is expected to rise to 100% on August 1, 2015. We also managed to raise the newly contracted rent per unit by 4.0%.

As a new environmental initiative, we concluded our first Green Lease Agreement with a tenant at KDX

Akihabara Building in April 2015 (see below for details), and are looking forward to expanding the scope of this initiative. We have been awarded the highest ranked Green Star rating of the Global Real Estate Sustainability Benchmark (GRESB) survey for three consecutive years, ranking first among seven players in Japan's office building division. We want to build up this track record in the area of sustainability, fulfilling our social responsibility as a No. 1 J-REIT in the mid-sized office building market.

Adding Value to Our Properties

Focus

Adding Value with Renovation



KDX Ikebukuro West Building

Measures

- Improved design and texture
- Introduced energy-saving LED downlights

Results

Occupancy rate: **81.2%** Feb. 2015 → **100%** Aug. 2015 (expected)

Rent per unit: **+4.0%** (Note)
(New contracts starting from Jul. 2015)

Note: Comparing vacating tenant's rent per unit to newly contracted rent per unit

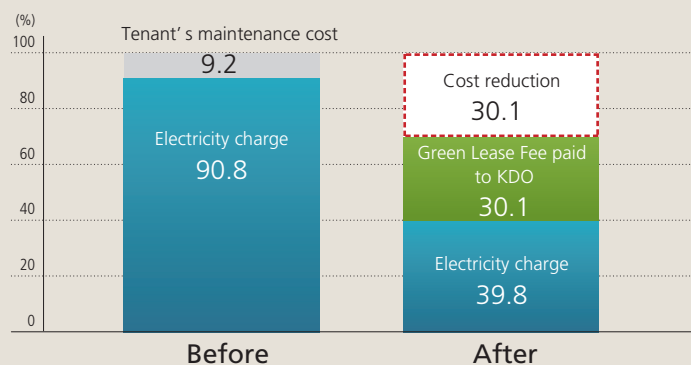
Green Lease



KDX Akihabara Building

Measures

- Installed LED lighting for a tenant office space at the expense of KDO. A certain portion of electricity savings and renovation costs will be paid back by tenant with rent based on green lease contract.



03 Financial Strategy

Keeping an Eye on Both Risks and Opportunities

LTV ratio improved to **42.8%**, maintaining our stable financial structure

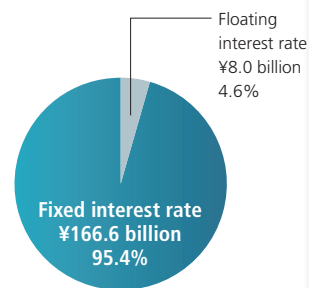
At the start of the fiscal period under review, the Investment Corporation undertook a third consecutive public offering, which resulted in a capital increase of 29.5 billion yen. The interest-bearing debt ratio (LTV ratio) was 48.4% at the end of the 19th Fiscal Period and improved to stand at 42.8% at the end of the 20th Fiscal Period.

Maintaining a conservative LTV ratio allows us to make new investments in a flexible and timely manner when opportunity arrives. If we allow the LTV ratio to rise to 45%, or 49%, we will have an investment capacity of approximately 16 billion yen, or 49 billion yen, respectively.

We continue to lower financing costs and promote stability. Refinancing for the 20th Fiscal Period brought down the average interest rate for loans totaling 17 billion yen from 1.92% to 1.14%, with the average borrowing period extended from 3.6 years to 8.1 years. Simultaneously, we reduced volatility by extending the average remaining term to maturity from 3.6 years to 4.1 years, while fixing the interest rate on 95.4% of our debt. We seek to achieve further cost reduction through refinancing in the coming two fiscal periods.

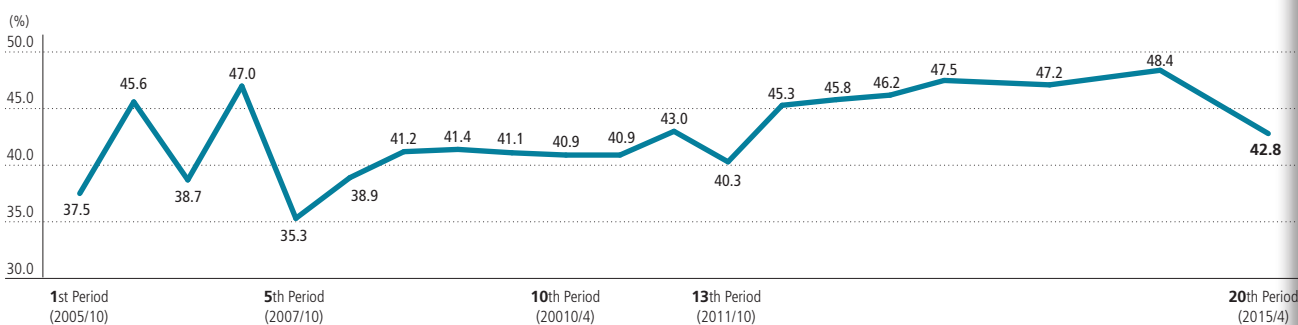
We will continue with our policy of maintaining sound financial management with an eye on both risks and opportunities.

Fixed Interest Rate (2015/4)



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

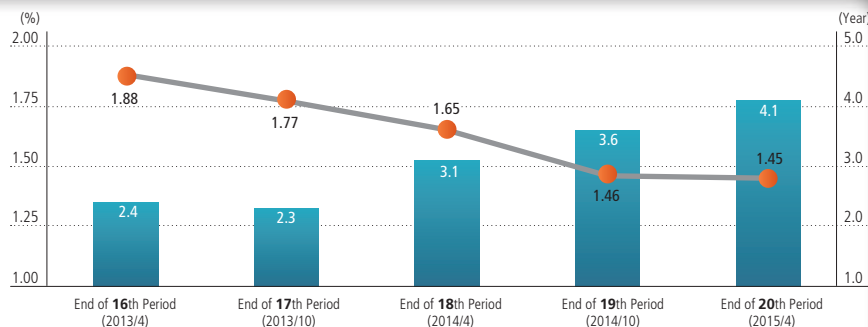
Changes in the LTV Ratio (Note)



Note: LTV = Interest-bearing debt / Total assets

Average Remaining Period to Maturity and Interest Rate in Each Fiscal Period (Note)

- Weighted average remaining period to maturity (right axis)
- Weighted average interest rate (incl. up-front fees per year) (left axis)



Note: Average remaining period to maturity and interest rate are weighted averages based on outstanding debts at the end of each fiscal period (Average remaining period to maturities and interest rate are rounded to the second and first decimal places respectively).

Management Team



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

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

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

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

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

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

4 Tetsushi Ichikawa
General Manager of Finance & Accounting Dept.

- Worked for Sumitomo Mitsui Trust Bank for 15 years (Engaged in real estate finance, etc.)
- Joined Kenedix after having engaged in investment banking and having served as director responsible for asset management business at Touchstone Capital Securities
- Appointed General Manager of Finance & Accounting Dept. on October 1, 2013 after serving as General Manager of Finance Group for Kenedix Residential Partners
- Concurrently appointed General Manager of Business Administration Department from April 1, 2015



KENEDIX-REIT Portfolio (As of April 30, 2015)

The properties acquired during the 20th Fiscal Period are marked with red boxes.

	No.	Property Name	Location	Acquisition Price (mn yen) <Note 1>	Year Built <Note 2>	Occupancy Rate <Note 3>
Office (Tokyo Metropolitan Area)	A1	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	Apr. 1974	100.0%
	A3	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	Jan. 1987	100.0%
	A4	KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	Jun. 1993	93.1%
	A5	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	Aug. 1992	96.5%
	A6	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	Nov. 1985	100.0%
	A7	KDX Minami Aoyama Building	Minato-ku, Tokyo	2,270	Nov. 1988	100.0%
	A8	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	May 1993	88.2%
	A13	KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	May 1994	100.0%
	A14	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	99.8%
	A16	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	97.4%
	A17	KDX Ebisu Building	Shibuya-ku, Tokyo	4,640	Jan. 1992	100.0%
	A19	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	Sep. 1999	100.0%
	A20	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	Oct. 1987	84.9%
	A21	KDX Shinbashi Building	Minato-ku, Tokyo	3,728	Feb. 1992	100.0%
	A22	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	87.2%
	A26	KDX Kiba Building	Koto-ku, Tokyo	1,580	Oct. 1992	76.1%
	A27	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	Mar. 1990	97.5%
	A28	KDX Nogizaka Building	Minato-ku, Tokyo	1,065	May 1991	86.8%
	A29	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	Jan. 1990	87.3%
	A30	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	Nov. 1992	100.0%
	A31	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	Sep. 1986	100.0%
	A32	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	Jul. 1986	100.0%
	A33	KDX Okachimachi Building	Taito-ku, Tokyo	2,000	Jun. 1988	100.0%
	A34	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May 1995	94.3%
	A35	KDX Hachioji Building	Hachioji, Tokyo	1,155	Dec. 1985	72.7%
	A37	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	Aug. 1982	100.0%
	A38	KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	Oct. 1992	100.0%
	A39	KDX Toranomom Building	Minato-ku, Tokyo	4,400	Apr. 1988	100.0%
	A40	Toranomon Toyo Building	Minato-ku, Tokyo	9,850	Aug. 1962	90.5%
	A41	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	Aug. 1989	100.0%
	A45	KDX Roppongi 228 Building	Minato-ku, Tokyo	3,300	Apr. 1989	87.4%
	A46	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	Mar. 1988	100.0%
	A47	KDX Shin-Yokohama 381 Building	Yokohama, Kanagawa	5,800	Mar. 1988	100.0%
	A48	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	Feb. 1985	100.0%
	A50	KDX Ikejiri-Oohashi Building	Meguro-ku, Tokyo	2,400	Sep. 1988	100.0%
	A51	KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	Sep. 1988	88.3%
	A52	KDX Kanda Misaki-cho Building	Chiyoda-ku, Tokyo	1,380	Oct. 1992	100.0%
	A55	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	Jul. 1990	100.0%
	A56	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	May 1994	100.0%
	A57	KDX Gobancho Building	Chiyoda-ku, Tokyo	1,951	Aug. 2000	100.0%
	A59	KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	Mar. 2008	100.0%
	A60	KDX Harumi Building	Chuo-ku, Tokyo	10,250	Feb. 2008	100.0%
	A61	KDX Hamamatsucho Dai-2 Building	Minato-ku, Tokyo	2,200	Apr. 1992	100.0%
	A62	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	Nov. 1989	100.0%
	A63	Gotanda TG Building	Shinagawa-ku, Tokyo	2,620	Apr. 1988	100.0%
	A64	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	Oct. 2006	100.0%
	A66	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	May 1993	88.3%
	A67	KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	Nov. 1991	100.0%
A68	KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	Jan. 1984	100.0%	
A71	KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	Mar. 1990	86.6%	
A72	KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	Jan. 1993	73.5%	
A73	KDX Hakozaeki Building	Chuo-ku, Tokyo	2,710	Nov. 1993	100.0%	
A74	KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	Nov. 2002	100.0%	
A75	KDX Nihonbashi Kabutocho Building	Chuo-ku, Tokyo	11,270	Nov. 1998	100.0%	
A78	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	Feb. 1990	100.0%	

	No.	Property Name	Location	Acquisition Price (mn yen) <Note 1>	Year Built <Note 2>	Occupancy Rate <Note 3>
	A83	KDX Fuchu Building	Fuchu, Tokyo	6,120	Mar. 1996	99.1%
	A84	KDX Kasuga Building	Bunkyo-ku, Tokyo	2,800	Jun. 1992	100.0%
	A85	KDX Nakameguro Building	Meguro-ku, Tokyo	1,880	Oct. 1985	100.0%
	A86	KDX Omiya Building	Saitama, Saitama	2,020	Apr. 1993	93.8%
	A87	Itopia Nihonbashi SA Building	Chuo-ku, Tokyo	2,200	Jul. 1995	100.0%
	A88	KDX Shinjuku 6-chome Building	Shinjuku-ku, Tokyo	1,900	Mar. 1990	100.0%
	A89	KDX Takanawadai Building	Minato-ku, Tokyo	5,250	Oct. 1985	100.0%
	A90	KDX Ikebukuro Building	Toshima-ku, Tokyo	3,900	Mar. 2009	100.0%
	A91	KDX Mita Building	Minato-ku, Tokyo	3,180	Mar. 1993	95.6%
	A92	KDX Akihabara Building	Chiyoda-ku, Tokyo	2,600	Dec. 1973	100.0%
	A93	Aplus Tokyo Building	Shinjuku-ku, Tokyo	4,350	Jan. 1994	100.0%
	A94	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	May 2013	100.0%
	A-95	KDX Toyosu Grand Square	Koto-ku, Tokyo	8,666	Apr. 2008	87.0%
	A-96	KDX Takadanobaba Building	Toshima-ku, Tokyo	3,650	Oct. 1988	100.0%
	A-99	Tosen Ikebukuro Building <Note 4>	Toshima-ku, Tokyo	1,934	Jul. 1988	81.2%
	A-101	Urban Square Yokohama <Note 4>	Yokohama-shi, Kanagawa	7,210	Mar. 1994	100.0%
	A-102	Yokohama Nishiguchi SIA Building <Note 4>	Yokohama-shi, Kanagawa	2,750	Oct. 1988	100.0%
A-103	Shin-Yokohama 214 Building <Note 4>	Yokohama-shi, Kanagawa	2,200	Nov. 1989	96.3%	
A-105	BUREX Toranomom	Minato-ku, Tokyo	1,750	Jul. 2011	100.0%	
A-107	35 Sankyo Building	Chiyoda-ku, Tokyo	3,600	Aug. 1991	96.4%	
A-108	Pentel Building	Chiyoda-ku, Tokyo	3,350	Nov. 1990	100.0%	
Office (Other Regional Areas)	A12	Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	94.9%
	A42	Karasuma Building	Kyoto, Kyoto	5,400	Oct. 1982	100.0%
	A44	KDX Sendai Building	Sendai, Miyagi	2,100	Feb. 1984	96.4%
	A53	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun. 1973	94.7%
	A54	KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	92.8%
	A58	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Apr. 2009	100.0%
	A69	KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	Jul. 2009	100.0%
	A70	KDX Sapporo Building	Sapporo, Hokkaido	2,005	Oct. 1989	100.0%
	A79	KDX Nagoya Ekimae Building	Nagoya, Aichi	7,327	Apr. 1986	99.0%
	A80	Nagoya Nikko Shoken Building	Nagoya, Aichi	4,158	Aug. 1974	99.9%
	A82	KDX Higashi Umeda Building	Osaka, Osaka	2,770	Jul. 2009	100.0%
	A-97	KDX Utsunomiya Building	Utsunomiya, Tochigi	2,350	Feb. 1999	98.5%
A-98	Hiroshima Ekimae-dori Mark Building <Note 4>	Hiroshima, Hiroshima	1,300	Jan. 1990	74.0%	
A-100	Senri Life Science Center Building	Toyonaka-shi, Osaka	13,000	Jun. 1992	99.0%	
A-104	KDX Minami-Honmachi Building	Osaka, Osaka	2,200	Dec. 2009	98.8%	
A-106	KDX Sakura-dori Building	Nagoya, Aichi	5,900	Aug. 1992	89.9%	
Office Subtotal (92 properties)				354,681	Avg. 23.0 years	96.4%
Residential	B19	Residence Charmante Tsukishima	Chuo-ku, Tokyo	5,353	Jan. 2004	100.0%
	Residential Subtotal (1 property)				5,353	Avg. 11.2 years
Central Urban Retail	C1	Frame Jinnan-zaka	Shibuya-ku, Tokyo	9,900	Mar. 2005	98.0%
	C2	KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	Aug. 1991	91.7%
	C4	GINZA 4chome Tower	Chuo-ku, Tokyo	9,800	Nov. 2008	100.0%
	Central Urban Retail Subtotal (3 properties)				22,179	Avg. 9.9 years
Other	D2	Shinjuku 6-chome Building (Land)	Shinjuku-ku, Tokyo	2,880	—	100.0%
	Other Subtotal (1 property)				2,880	—
Total (97 properties)				385,094	Avg. 22.1 years	96.5%
Investment Security	G.K. KRF 43 Silent Partnership Equity Interest		Shinjuku-ku, Tokyo	1,107	Dec. 1979	

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

2. Year built shows the completion date recorded in land register book. The average value shown in subtotal section is a weighted average number calculated based on acquisition prices with a base date of April 30, 2015, and is rounded down to the first decimal place.

3. Occupancy rate is calculated by dividing leased floor area by leasable floor area as of April 30, 2015 and is rounded to the first decimal place. Occupancy rate subtotals and total are each calculated by dividing the sum of leased floor area by the sum of leasable floor area of the relevant category. The figure for Shinjuku 6-chome Building (Land) is calculated based on the total leasable area indicated in the land lease agreement.

4. Effective from July 1, 2015, Hiroshima Ekimae-dori Mark Building, Tosen Ikebukuro Building, Urban Square Yokohama, Yokohama Nishiguchi SIA Building and Shin-Yokohama 214 Building were renamed KDX Hiroshima Building, KDX Ikebukuro West Building, KDX Yokohama Building, KDX Yokohama Nishiguchi Building and KDX Shin-Yokohama 214 Building, respectively.

Financial Section

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Financial Summary (Unaudited)

Historical Operating Trends
For the 16th–20th Fiscal Periods

Period	Unit	16th Period (as of Apr. 30, 2013)	17th Period (as of Oct. 31, 2013)	18th Period (as of Apr. 30, 2014)	19th Period (as of Oct. 31, 2014)	20th Period (as of Apr. 30, 2015)
Operating revenues	mn yen	9,867	9,819	10,895	12,928	14,130
(Rental revenues)	mn yen	9,306	9,501	10,330	11,295	12,836
Operating expenses	mn yen	5,465	5,578	6,611	7,899	7,593
(Property-related expenses)	mn yen	4,740	4,845	5,047	5,557	6,377
Operating income	mn yen	4,401	4,240	4,283	5,028	6,537
Ordinary income	mn yen	3,003	2,832	2,887	3,570	5,111
Net income (a)	mn yen	3,002	2,831	2,885	3,569	5,110
Total assets (b)	mn yen	308,172	316,753	355,167	388,169	407,799
(Period-on-period change)	%	(+0.5)	(+2.8)	(+12.1)	(+9.3)	(+5.1)
Interest-bearing debt (c)	mn yen	142,369	150,558	167,746	187,685	174,600
(Period-on-period change)	%	(+1.3)	(+5.8)	(+11.4)	(+11.9)	(-7.0)
Unitholders' equity (d)	mn yen	150,653	150,781	170,109	180,844	211,951
(Period-on-period change)	%	(+0.2)	(+0.1)	(+12.8)	(+6.3)	(+17.2)
Unitholders' capital	mn yen	147,153	147,153	166,261	176,632	206,199
(Period-on-period change)	%	(0.0)	(0.0)	(+13.0)	(+6.2)	(+16.7)
Number of investment units issued and outstanding (e)	unit	286,550	286,550	332,540	355,010	404,885
Unitholders' equity per unit (d)/(e)	yen	525,747	526,195	511,546	509,407	523,484
Total distribution (f)	mn yen	2,703	2,665	3,205	3,571	4,600
Distribution per unit (f)/(e)	yen	9,434	9,302	9,638	10,060	11,363
(Earnings distributed per unit)	yen	9,434	9,302	9,638	10,060	11,363
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.0 (2.0)	0.9 (1.8)	0.9 (1.7)	1.0 (1.9)	1.3 (2.6)
Return on net assets (annualized) (Notes 2 and 3)	%	2.0 (4.0)	1.9 (3.7)	1.8 (3.6)	2.0 (4.0)	2.6 (5.2)
Net assets ratio at end of period (d)/(b)	%	48.9	47.6	47.9	46.6	52.0
(Period-on-period change)	%	(-0.1)	(-1.3)	(+0.3)	(-1.3)	(+5.4)
Interest-bearing debt ratio at end of period (c)/(b)	%	46.2	47.5	47.2	48.4	42.8
(Period-on-period change)	%	(+0.4)	(+1.3)	(-0.3)	(+1.1)	(-5.5)
Payout ratio (Note 4) (f)/(a)	%	90.0	94.1	111.0	100.0	90.0
Other references						
Number of properties	properties	83	85	89	94	97
Total leasable floor area	m ²	347,853.97	358,517.31	386,659.01	437,233.24	453,999.44
Occupancy ratio at end of period	%	93.9	95.8	96.0	95.6	96.5
Depreciation expenses for the period	mn yen	1,662	1,696	1,826	2,022	2,221
Capital expenditures for the period	mn yen	772	894	711	550	329
Leasing NOI (Net Operating Income) (Note 5)	mn yen	6,228	6,352	7,109	7,760	8,680
FFO (Funds From Operation) (Note 6)	mn yen	4,202	4,293	5,031	7,116	6,909
FFO per unit (Note 7)	yen	14,664	14,984	15,130	20,045	17,065

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 16th Fiscal Period are calculated based on a period of 181 days, 184 days for the 17th Fiscal Period, 181 days for the 18th Fiscal Period, 184 days for the 19th Fiscal Period and 181 days for the 20th Fiscal Period.

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

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

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

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

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

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



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Independent Auditor's Report

The Board of Directors
Kenedix Office Investment Corporation

We have audited the accompanying financial statements of Kenedix Office Investment Corporation, which comprise the balance sheet as at April 30, 2015, 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, 2015, 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, 2015
Tokyo, Japan

Balance Sheets

Kenedix Office Investment Corporation
As of April 30, 2015 and October 31, 2014

	In thousands of yen	
	As of April 30, 2015	As of October 31, 2014
ASSETS		
Current assets:		
Cash and bank deposits (Notes 3 and 13)	¥24,601,157	¥ 16,469,910
Rental receivables	321,915	293,161
Consumption tax refundable	—	752,671
Other current assets (Note 8)	176,000	402,016
Total current assets	25,099,072	17,917,758
Property and equipment, at cost: (Notes 4 and 15)		
Land	269,158,456	257,050,371
Buildings and structures (Note 6)	131,523,414	128,517,097
Machinery and equipment	1,890,733	1,959,350
Tools, furniture and fixtures	484,345	507,707
Construction in progress	1,785	—
Less-accumulated depreciation	(23,506,928)	(22,554,292)
Net property and equipment	379,551,805	365,480,233
Other assets:		
Ground leasehold (Note 15)	354,009	354,783
Investment securities (Note 13)	1,076,656	2,679,139
Corporate bond issuance costs	39,414	44,639
Unit issuance costs	223,603	164,421
Other assets (Note 15)	1,454,528	1,528,661
Total assets	¥407,799,087	¥388,169,634
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Trade and other payables	¥ 1,390,897	¥ 1,000,282
Short-term debt and current portion of long-term debt (Notes 5 and 13)	35,800,000	46,035,000
Deposits received	57,472	15,695
Rents received in advance	2,108,001	1,868,868
Other current liabilities	355,338	133,808
Total current liabilities	39,711,708	49,053,653
Corporate bonds (Notes 5 and 13)	8,300,000	8,300,000
Long-term debt (Notes 5 and 13)	130,500,000	133,350,000
Leasehold and security deposits received	17,336,230	16,621,220
Total liabilities	195,847,938	207,324,873
Net Assets		
Unitholders' equity		
Unitholders' capital	206,199,946	176,632,550
Units authorized: 2,000,000 units		
Units issued and outstanding: 404,885 and 355,010 units		
As of April 30, 2015 and October 31, 2014		
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	640,811	642,566
Retained earnings	5,110,392	3,569,645
Total surplus	5,751,203	4,212,211
Total unitholders' equity	211,951,149	180,844,761
Total net assets (Note 9)	211,951,149	180,844,761
Total liabilities and net assets	¥407,799,087	¥388,169,634

See accompanying notes to the financial statements.

Statements of Income and Retained Earnings

Kenedix Office Investment Corporation

For the period from November 1, 2014 to April 30, 2015 and the period from May 1, 2014 to October 31, 2014

	In thousands of yen	
	From November 1, 2014 to April 30, 2015	From May 1, 2014 to October 31, 2014
Operating revenues:		
Rental revenues (Note 11)	¥12,836,807	¥11,295,407
Gain on sale of real estate property (Note 11)	709,633	—
Dividends income	583,910	1,632,716
Total operating revenues	14,130,350	12,928,123
Operating expenses:		
Property-related expenses (Note 11)	6,377,605	5,557,660
Loss on sale of real estate property (Note 11)	287,720	1,524,518
Asset management fees	740,454	643,211
Administrative service and custodian fees	76,528	72,536
Other operating expenses	110,841	101,500
Total operating expenses	7,593,148	7,899,425
Operating income	6,537,202	5,028,698
Non-operating expenses:		
Interest expense	1,086,470	1,115,016
Financing-related expenses	244,331	288,414
Amortization of unit issuance costs	56,481	37,204
Amortization of corporate bond issuance costs	5,225	4,888
Others, net	32,980	12,519
Total non-operating expenses	1,425,487	1,458,041
Ordinary income	5,111,715	3,570,657
Income before income taxes	5,111,715	3,570,657
Income taxes (Note 8)	1,323	1,215
Net income	5,110,392	3,569,442
Retained earnings at the beginning of period	—	203
Retained earnings at the end of period	¥ 5,110,392	¥ 3,569,645

See accompanying notes to the financial statements.

Statements of Changes in Net Assets

Kenedix Office Investment Corporation

For the period from November 1, 2014 to April 30, 2015 and the period from May 1, 2014 to October 31, 2014

	In thousands of yen					
	Unitholders' capital	Unitholders' equity			Total unitholders' equity	Total
		Voluntary retained earnings	Retained earnings	Total surplus		
Balance as of April 30, 2014	¥166,261,746	¥ 961,750	¥ 2,886,039	¥ 3,847,789	¥170,109,535	¥170,109,535
Changes during the fiscal period						
New unit issuance	10,370,804	—	—	—	10,370,804	10,370,804
Reversal of reserve for reduction entry	—	(319,184)	319,184	—	—	—
Payments of dividends	—	—	(3,205,020)	(3,205,020)	(3,205,020)	(3,205,020)
Net income	—	—	3,569,442	3,569,442	3,569,442	3,569,442
Total changes during the fiscal period	10,370,804	(319,184)	683,606	364,422	10,735,226	10,735,226
Balance as of October 31, 2014	¥176,632,550	¥ 642,566	¥ 3,569,645	¥ 4,212,211	¥180,844,761	¥180,844,761
Changes during the fiscal period						
New unit issuance	29,567,396	—	—	—	29,567,396	29,567,396
Reversal of reserve for reduction entry	—	(1,755)	1,755	—	—	—
Payments of dividends	—	—	(3,571,400)	(3,571,400)	(3,571,400)	(3,571,400)
Net income	—	—	5,110,392	5,110,392	5,110,392	5,110,392
Total changes during the fiscal period	29,567,396	(1,755)	1,540,747	1,538,992	31,106,388	31,106,388
Balance as of April 30, 2015	¥206,199,946	¥ 640,811	¥ 5,110,392	¥ 5,751,203	¥211,951,149	¥211,951,149

See accompanying notes to the financial statements.

Statements of Cash Flows

Kenedix Office Investment Corporation

For the period from November 1, 2014 to April 30, 2015 and the period from May 1, 2014 to October 31, 2014

	In thousands of yen	
	From November 1, 2014 to April 30, 2015	From May 1, 2014 to October 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income taxes	¥ 5,111,715	¥ 3,570,657
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	2,520,961	2,340,487
Interest income	(772)	(650)
Interest expense	1,086,470	1,115,016
Changes in assets and liabilities:		
Rental receivables	(28,754)	(40,604)
Consumption tax refundable	752,671	(533,224)
Accrued consumption tax	248,360	(24,357)
Trade and other payables	223,597	169,776
Rents received in advance	239,132	76,620
Property and equipment due to sale	6,200,424	4,037,460
Others, net	97,348	(614,600)
Subtotal	16,451,152	10,096,581
Interest income received	772	650
Cash payments of interest expense	(1,109,425)	(1,116,994)
Cash payments of income taxes	(904)	(810)
Net cash provided by operating activities	15,341,595	8,979,427
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(22,545,378)	(39,025,487)
Purchases of investment securities	—	(1,592,392)
Proceeds from investment securities	1,602,482	919,815
Proceeds from leasehold and security deposits received	1,599,129	3,064,543
Payments of leasehold and security deposits received	(663,116)	(924,131)
Payments of restricted bank deposits	(88,482)	(1,834,660)
Proceeds from restricted bank deposits	1,475,886	88,375
Others, net	937	—
Net cash used in investing activities	(18,618,542)	(39,303,937)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term debt	1,500,000	17,900,000
Payments of short-term debt	(14,400,000)	(8,000,000)
Proceeds from long-term debt	15,450,000	28,650,000
Payments of long-term debt	(15,635,000)	(20,611,500)
Proceeds from issuance of investment units	29,451,732	10,277,174
Proceeds from issuance of investment corporation bonds	—	1,981,801
Payment of dividends	(3,571,135)	(3,204,772)
Net cash provided by financing activities	12,795,597	26,992,703
Net change in cash and cash equivalents	9,518,650	(3,331,807)
Cash and cash equivalents at the beginning of period	14,206,034	17,537,841
Cash and cash equivalents at the end of period (Note 3)	¥ 23,724,684	¥ 14,206,034

See accompanying notes to the financial statements.

Notes to Financial Statements

Kenedix Office Investment Corporation

For the period from November 1, 2014 to April 30, 2015 and the period from May 1, 2014 to October 31, 2014

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 ownership and operation of selected office buildings, residential and retail properties 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 seven public offerings and other means including global 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, 2014, the Investment Corporation acquired four office buildings (KDX Toyosu Grand Square: acquisition price of ¥8,666 million, KDX Takadanobaba Building: acquisition price of ¥3,650 million, KDX Ikebukuro West Building: acquisition price of ¥1,934 million and KDX Yokohama Nishiguchi Building: acquisition price of ¥7,210 million) located in the Tokyo Metropolitan Area, three office buildings (KDX Utsunomiya Building: acquisition price of ¥2,350 million, KDX Hiroshima Building: acquisition price of ¥1,300 million and Senri Life Science Center Building: acquisition price of ¥13,000 million) located in Other Regional Areas, preferred equity securities (Toyonaka Property TMK: investment of ¥1,583 million) and sold KDX Minami Semba Dai-1 Building (initial acquisition price of ¥1,610 million) and Nissou Dai-17 Building (initial acquisition price of ¥2,710 million) (with a total combined disposition price of ¥2,600 million).

During the period ended April 30, 2015, the Investment Corporation acquired seven office buildings (KDX Yokohama Nishiguchi Building: acquisition price of ¥2,750 million, KDX Shin-Yokohama 214 Building: acquisition price of ¥2,200 million, KDX Minami-Honmachi Building: acquisition price of ¥2,200 million, BUREX Toranomon: acquisition price of ¥1,750 million, KDX Sakura-dori Building: acquisition price of ¥5,900 million, 35 Sankyo Building: acquisition price of ¥3,600 million and Pentel Building: acquisition price of ¥3,350 million) and sold KDX Minami Semba Dai-2 Building (initial acquisition price of ¥1,560 million), KDX Hamacho Building: initial acquisition price of ¥2,300 million), Venus Hibarigaoka (initial acquisition price of ¥1,800 million) and Sendai Nikko Building (initial acquisition price of ¥950 million) (with a total combined disposition price of ¥6,792 million). Furthermore, the preferred equity securities (Toyonaka Property TMK) have been refunded in full.

At the end of the nineteenth fiscal period, the Investment Corporation had total unitholders’ capital of 176,633 million with 355,010 investment units outstanding. At the end of the twentieth fiscal period, the Investment Corporation had total unitholders’ capital of ¥206,200 million with 404,885 investment units outstanding. The Investment Corporation owned a portfolio of 94 properties (consisting of 88 office buildings, two residential properties, three central urban retail properties and one other property), 97 properties (consisting of 92 office buildings, one residential property, three central urban retail properties and one other property) with total acquisition prices of ¥369,954 million and ¥385,094 million at the end of the nineteenth and twentieth fiscal periods, respectively. The occupancy ratios were approximately 95.6% and 96.5% at the end of the nineteenth and twentieth fiscal periods, respectively.

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 Japanese Corporation Law, 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 AND EQUIPMENT

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

	From November 1, 2014 to April 30, 2015	From May 1, 2014 to October 31, 2014
Buildings and structures	2-49 years	2-49 years
Machinery and equipment	3-17 years	3-17 years
Tools, furniture and fixtures	3-20 years	3-20 years

(C) UNIT ISSUANCE COSTS

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

(D) CORPORATE BOND ISSUANCE COSTS

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

(E) ACCOUNTING TREATMENT OF TRUST BENEFICIARY INTERESTS IN REAL ESTATE

For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan, all assets and liabilities in trust are recorded in the relevant balance sheets and statements of income and retained earnings.

(F) GROUND LEASEHOLD

Fixed term leaseholds on the building and special agreements on buildings sales are amortized over a contractual period of 48 years and nine months under the straight-line method.

(G) REVENUE RECOGNITION

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

(H) TAXES ON PROPERTY AND EQUIPMENT

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to said period. Under 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 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 ¥116,101 thousand and ¥87,637 thousand as of April 30, 2015 and October 31, 2014, respectively. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period to which the installments of such taxes correspond.

(I) INCOME TAXES

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

(J) CONSUMPTION TAXES

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

(K) DERIVATIVE FINANCIAL INSTRUMENTS

The Investment Corporation utilizes interest-rate swap and interest-rate cap contracts as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. The Investment Corporation deferred recognition of gains or losses resulting from changes in fair value of interest-rate swap and interest-rate cap contracts because these contracts met the criteria for deferral hedging accounting. However, the Investment Corporation adopted special treatment for interest-swap and interest-rate cap contracts if they met the criteria for hedging accounting under this treatment, whereby the net amount to be paid or received under the interest-rate swap and interest-rate cap contract is added to or deducted from the interest on the assets or liabilities for which the swap and cap contract was executed. The hedge effectiveness for interest-rate swap and interest-rate cap contract is assessed each fiscal period except for those that meet the criteria of special treatment.

(L) 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.

(M) ROUNDING OF AMOUNTS PRESENTED

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of April 30, 2015 and October 31, 2014:

	In thousands of yen	
	As of April 30, 2015	As of October 31, 2014
Cash and bank deposits	¥24,601,157	¥16,469,910
Restricted bank deposits (Note)	(876,473)	(2,263,876)
Cash and cash equivalents	¥23,724,684	¥14,206,034

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

4. SCHEDULE OF PROPERTY AND EQUIPMENT

	In millions of yen					
	As of April 30, 2015			As of October 31, 2014		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥269,158	¥ —	¥269,158	¥257,050	¥ —	¥257,050
Buildings and structures	131,523	22,486	109,037	128,517	21,473	107,044
Machinery and equipment	1,891	777	1,114	1,959	820	1,139
Tools, furniture and fixtures	484	243	241	508	261	247
Construction in progress	2	—	2	—	—	—
Total	¥403,058	¥23,507	¥379,552	¥388,034	¥22,554	¥365,480

5. SHORT-TERM DEBT, LONG-TERM DEBT AND CORPORATE BONDS

The following summarizes short-term debt, long-term debt and corporate bonds outstanding as of April 30, 2015:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	May 30, 2014	May 29, 2015	0.53%	¥ 500
	July 31, 2014	July 31, 2015	0.48%	1,000
	April 2, 2015	March 31, 2016	0.53%	1,500
Current portion of long-term debt	February 28, 2011	August 31, 2015	1.91%	¥ 3,000
	March 30, 2012	September 30, 2015	1.21%	2,000
	April 27, 2012	October 30, 2015	1.27%	1,000
	April 28, 2011	October 31, 2015	1.86%	1,500
	December 26, 2011	October 31, 2015	1.34%	2,500
	December 26, 2011	October 31, 2015	1.32%	2,500
	December 26, 2011	October 31, 2015	1.34%	2,000
	November 12, 2010	November 12, 2015	1.79%	1,200
	November 12, 2010	November 12, 2015	1.79%	800
	December 1, 2010	November 12, 2015	1.38%	800
	December 1, 2010	November 12, 2015	1.38%	200
	January 31, 2011	January 29, 2016	1.94%	800
	February 28, 2011	January 29, 2016	1.95%	500
	March 31, 2011	January 29, 2016	1.91%	2,000
	April 28, 2011	January 29, 2016	1.89%	1,000
January 10, 2012	January 29, 2016	1.27%	2,500	
February 18, 2013	February 18, 2016	0.84%	1,500	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Current portion of long-term debt	March 31, 2011	March 31, 2016	1.24%	¥ 1,000
	May 1, 2006	April 30, 2016	2.73%	5,000
	April 30, 2013	April 30, 2016	0.68%	1,000
Subtotal				¥ 35,800
Long-term debt	November 12, 2010	November 12, 2017	2.02%	¥ 2,300
	December 1, 2010	November 12, 2017	2.21%	700
	December 26, 2011	October 31, 2016	1.44%	2,500
	December 26, 2011	October 31, 2016	1.42%	2,500
	December 26, 2011	October 31, 2016	1.44%	2,000
	March 28, 2012	March 28, 2017	1.36%	500
	March 28, 2012	March 28, 2019	1.77%	1,400
	March 28, 2012	March 28, 2019	1.77%	1,000
	June 29, 2012	June 30, 2017	1.29%	1,500
	September 21, 2012	September 21, 2017	1.16%	5,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	October 31, 2012	October 31, 2016	1.06%	2,500
	October 31, 2012	October 31, 2016	1.05%	1,500
	October 31, 2012	October 31, 2017	1.10%	2,500
	October 31, 2012	October 31, 2018	1.25%	2,500
	December 10, 2012	December 12, 2016	0.98%	500
	December 28, 2012	December 28, 2016	1.01%	2,000
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500
	January 15, 2013	January 15, 2017	0.97%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	July 31, 2013	July 29, 2016	0.58%	1,500
	July 31, 2013	July 31, 2018	0.68%	500
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	500
	August 19, 2013	August 19, 2018	0.97%	500
	August 19, 2013	August 19, 2018	0.95%	500
	August 30, 2013	August 31, 2018	1.08%	700
	August 30, 2013	August 31, 2018	1.08%	500
	August 30, 2013	August 31, 2018	1.08%	300
	August 30, 2013	August 31, 2020	1.42%	1,500
	September 30, 2013	September 30, 2019	1.06%	1,800
	September 30, 2013	September 30, 2019	1.06%	900
	October 31, 2013	October 31, 2018	0.89%	500
	November 12, 2013	November 12, 2018	0.82%	1,000
	November 12, 2013	November 12, 2020	1.07%	2,000
	November 12, 2013	November 12, 2020	1.07%	500
	November 29, 2013	November 30, 2018	0.84%	200
November 29, 2013	November 30, 2020	1.12%	1,000	
November 29, 2013	November 30, 2020	1.12%	900	
January 10, 2014	January 31, 2021	1.21%	1,300	
January 31, 2014	January 31, 2017	0.67%	1,200	
January 31, 2014	January 31, 2020	0.93%	3,700	
January 31, 2014	January 31, 2021	1.13%	2,300	
March 12, 2014	March 12, 2018	0.75%	2,250	
March 12, 2014	March 31, 2019	0.78%	450	
March 12, 2014	March 12, 2020	0.92%	1,800	
March 12, 2014	March 12, 2023	1.36%	1,800	
March 20, 2014	March 12, 2020	0.91%	3,000	
March 20, 2014	September 20, 2021	1.01%	4,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	March 20, 2014	March 20, 2022	1.20%	¥ 3,000
	March 20, 2014	March 12, 2023	1.35%	2,000
	March 31, 2014	March 31, 2019	0.76%	2,500
	April 22, 2014	October 31, 2020	0.95%	2,900
	July 10, 2014	July 10, 2019	0.64%	500
	July 10, 2014	July 10, 2021	0.90%	2,000
	July 10, 2014	July 10, 2021	0.90%	500
	July 14, 2014	July 31, 2019	0.68%	1,000
	July 31, 2014	July 31, 2019	0.62%	1,000
	July 31, 2014	July 31, 2020	0.74%	2,700
	July 31, 2014	October 31, 2020	0.76%	300
	July 31, 2014	July 31, 2022	1.01%	2,200
	August 29, 2014	July 31, 2019	0.65%	1,000
	September 1, 2014	August 31, 2021	0.89%	800
	September 1, 2014	August 31, 2021	0.89%	500
	September 3, 2014	August 31, 2022	0.98%	1,000
	September 3, 2014	August 31, 2022	0.98%	950
	September 22, 2014	September 30, 2020	0.80%	2,700
	September 30, 2014	September 30, 2021	0.89%	1,000
	October 31, 2014	October 31, 2021	0.80%	3,000
	October 31, 2014	October 31, 2023	1.07%	2,000
	October 31, 2014	October 31, 2023	1.13%	1,500
	October 31, 2014	October 31, 2023	1.07%	1,000
	October 31, 2014	October 31, 2024	1.26%	2,000
	October 31, 2014	October 31, 2024	1.26%	1,000
	January 30, 2015	January 31, 2021	0.71%	1,500
	January 30, 2015	January 31, 2025	1.16%	1,500
	February 18, 2015	February 28, 2022	0.91%	1,250
	February 18, 2015	February 28, 2022	0.91%	350
	February 18, 2015	February 29, 2024	1.16%	1,700
	February 18, 2015	February 28, 2025	1.31%	1,250
	February 27, 2015	February 28, 2025	1.15%	2,100
March 12, 2015	February 28, 2025	1.22%	1,000	
March 31, 2015	March 31, 2025	1.27%	2,500	
April 30, 2015	April 30, 2022	0.83%	2,300	
Subtotal				130,500
Corporate bonds	March 15, 2007	March 15, 2017	2.37%	¥ 3,000
	March 8, 2012	September 8, 2017	2.00%	1,500
	September 12, 2013	September 12, 2018	1.00%	1,800
	July 25, 2014	July 25, 2024	1.18%	2,000
Subtotal				8,300
Total				¥174,600

The following summarizes short-term debt, long-term debt and corporate bonds outstanding as of October 31, 2014:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	May 30, 2014	May 29, 2015	0.55%	¥ 500
	July 31, 2014	July 31, 2015	0.50%	1,000
	October 15, 2014	October 15, 2015	0.55%	8,000
	October 29, 2014	October 29, 2015	0.54%	3,000
	October 29, 2014	October 29, 2015	0.54%	2,000
	October 29, 2014	October 29, 2015	0.54%	1,400
Current portion of long-term debt	January 29, 2010	January 30, 2015	2.17%	960
	January 31, 2012	January 30, 2015	1.19%	1,500
	February 18, 2010	February 18, 2015	2.19%	1,725
	February 18, 2010	February 18, 2015	2.19%	1,275
	February 18, 2010	February 18, 2015	2.19%	750

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Current portion of long-term debt	February 18, 2010	February 18, 2015	2.19%	¥ 375
	August 31, 2011	February 27, 2015	0.96%	1,500
	March 12, 2012	March 12, 2015	1.08%	1,000
	September 30, 2011	March 31, 2015	1.29%	2,500
	April 2, 2010	April 2, 2015	2.22%	1,550
	October 31, 2012	April 30, 2015	1.01%	2,500
	February 28, 2011	August 31, 2015	1.91%	3,000
	March 30, 2012	September 30, 2015	1.21%	2,000
	April 27, 2012	October 30, 2015	1.27%	1,000
	April 28, 2011	October 31, 2015	1.86%	1,500
	December 26, 2011	October 31, 2015	1.34%	2,500
	December 26, 2011	October 31, 2015	1.32%	2,500
	December 26, 2011	October 31, 2015	1.34%	2,000
Subtotal				46,035
Long-term debt	May 1, 2006	April 30, 2016	2.73%	¥ 5,000
	November 12, 2010	November 12, 2015	1.79%	1,200
	November 12, 2010	November 12, 2015	1.79%	800
	November 12, 2010	November 12, 2017	2.02%	2,300
	December 1, 2010	November 12, 2015	1.41%	800
	December 1, 2010	November 12, 2015	1.41%	200
	December 1, 2010	November 12, 2017	2.21%	700
	January 31, 2011	January 29, 2016	1.94%	800
	February 28, 2011	January 29, 2016	1.95%	500
	March 31, 2011	January 29, 2016	1.91%	2,000
	March 31, 2011	March 31, 2016	1.26%	1,000
	April 28, 2011	January 29, 2016	1.89%	1,000
	December 26, 2011	October 31, 2016	1.44%	2,500
	December 26, 2011	October 31, 2016	1.42%	2,500
	December 26, 2011	October 31, 2016	1.44%	2,000
	January 10, 2012	January 29, 2016	1.27%	2,500
	March 28, 2012	March 28, 2017	1.36%	500
	March 28, 2012	March 28, 2019	1.77%	1,400
	March 28, 2012	March 28, 2019	1.77%	1,000
	June 29, 2012	June 30, 2017	1.29%	1,500
	September 21, 2012	September 21, 2017	1.16%	5,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	October 31, 2012	October 31, 2016	1.06%	2,500
	October 31, 2012	October 31, 2016	1.05%	1,500
	October 31, 2012	October 31, 2017	1.10%	2,500
	October 31, 2012	October 31, 2018	1.25%	2,500
	December 10, 2012	December 12, 2016	0.98%	500
	December 28, 2012	December 28, 2016	1.01%	2,000
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500
	January 15, 2013	January 15, 2017	0.97%	1,000
	February 18, 2013	February 18, 2016	0.84%	1,500
	March 26, 2013	March 26, 2018	1.04%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	April 30, 2013	April 30, 2016	0.71%	1,000
	July 31, 2013	July 29, 2016	0.61%	1,500
	July 31, 2013	July 31, 2018	0.71%	500
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	1,000
August 19, 2013	August 19, 2018	0.95%	500	
August 19, 2013	August 19, 2018	0.97%	500	
August 19, 2013	August 19, 2018	0.95%	500	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	August 30, 2013	August 31, 2018	1.08%	¥ 700
	August 30, 2013	August 31, 2018	1.08%	500
	August 30, 2013	August 31, 2018	1.08%	300
	August 30, 2013	August 31, 2020	1.42%	1,500
	September 30, 2013	September 30, 2019	1.06%	1,800
	September 30, 2013	September 30, 2019	1.06%	900
	October 31, 2013	October 31, 2018	0.89%	500
	November 12, 2013	November 12, 2018	0.82%	1,000
	November 12, 2013	November 12, 2020	1.07%	2,000
	November 12, 2013	November 12, 2020	1.07%	500
	November 29, 2013	November 30, 2018	0.84%	200
	November 29, 2013	November 30, 2020	1.12%	1,000
	November 29, 2013	November 30, 2020	1.12%	900
	January 10, 2014	January 31, 2021	1.21%	1,300
	January 31, 2014	January 31, 2017	0.67%	1,200
	January 31, 2014	January 31, 2020	0.93%	3,700
	January 31, 2014	January 31, 2021	1.13%	2,300
	March 12, 2014	March 12, 2018	0.75%	2,250
	March 12, 2014	March 31, 2019	0.78%	450
	March 12, 2014	March 12, 2020	0.92%	1,800
	March 12, 2014	March 12, 2023	1.36%	1,800
	March 20, 2014	March 12, 2020	0.91%	3,000
	March 20, 2014	September 20, 2021	1.01%	4,000
	March 20, 2014	March 20, 2022	1.20%	3,000
	March 20, 2014	March 12, 2023	1.35%	2,000
	March 31, 2014	March 31, 2019	0.76%	2,500
	April 22, 2014	October 31, 2020	0.95%	2,900
	July 10, 2014	July 10, 2019	0.64%	500
	July 10, 2014	July 10, 2021	0.90%	2,000
	July 10, 2014	July 10, 2021	0.90%	500
	July 14, 2014	July 31, 2019	0.68%	1,000
	July 31, 2014	July 31, 2019	0.62%	1,000
	July 31, 2014	July 31, 2020	0.74%	2,700
	July 31, 2014	October 31, 2020	0.76%	300
	July 31, 2014	July 31, 2022	1.01%	2,200
	August 29, 2014	July 31, 2019	0.65%	1,000
	September 1, 2014	August 31, 2021	0.89%	800
	September 1, 2014	August 31, 2021	0.89%	500
	September 3, 2014	August 31, 2022	0.98%	1,000
	September 3, 2014	August 31, 2022	0.98%	950
September 22, 2014	September 30, 2020	0.80%	2,700	
September 30, 2014	September 30, 2021	0.89%	1,000	
October 31, 2014	October 31, 2021	0.80%	3,000	
October 31, 2014	October 31, 2023	1.07%	2,000	
October 31, 2014	October 31, 2023	1.13%	1,500	
October 31, 2014	October 31, 2023	1.07%	1,000	
October 31, 2014	October 31, 2024	1.26%	2,000	
October 31, 2014	October 31, 2024	1.26%	1,000	
Subtotal				133,350
Corporate bonds	March 15, 2007	March 15, 2017	2.37%	¥ 3,000
	March 8, 2012	September 8, 2017	2.00%	1,500
	September 12, 2013	September 12, 2018	1.00%	1,800
	July 25, 2014	July 25, 2024	1.18%	2,000
Subtotal				8,300
Total				¥187,685

6. REDUCTION ENTRY

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

	In thousands of yen	
	As of April 30, 2015	As of October 31, 2014
Buildings and structures	¥26,230	¥26,230

7. PER UNIT INFORMATION

	Yen	
	From November 1, 2014 to April 30, 2015	From May 1, 2014 to October 31, 2014
Net asset value per unit	¥523,485	¥509,408
Net income per unit	¥ 12,860	¥ 10,150
Weighted average number of units (units)	397,394	351,672

The weighted average number of units outstanding of 397,394 as of April 30, 2015 and 351,672 as of October 31, 2014 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.

8. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 34%. 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 ¥4,601 million (deducting ¥510 million as the provision of reserve for reduction entry) and ¥3,571 million (adding ¥2 million as the reversal of reserve for reduction entry) for the periods ended April 30, 2015, and October 31, 2014. 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 0.03% for the fiscal periods ended April 30, 2015 and October 31, 2014. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	From November 1, 2014 to April 30, 2015	From May 1, 2014 to October 31, 2014
Statutory tax rate	34.15%	34.16%
Deductible cash distributions	(30.74)	(34.17)
Provision of reserve for reduction entry	(3.41)	—
Others	0.03	0.04
Effective tax rate	0.03%	0.03%

The significant components of deferred tax assets and liabilities as of April 30, 2015 and October 31, 2014 were as follows:

	In thousands of yen	
	As of April 30, 2015	As of October 31, 2014
Deferred tax assets:		
Enterprise tax payable	¥ 33	¥ 30
Amortization of leasehold rights	2,210	2,071
Subtotal deferred tax assets	2,243	2,101
Valuation allowance	2,210	2,071
Total deferred tax assets	¥ 33	¥ 30

Tax rate changes after the twentieth fiscal period

With the "Act on Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) promulgated on March 31, 2015, the local corporation tax rate has been changed effective fiscal years starting on or after April 1, 2015. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for temporary differences, etc. expected to be resolved in accounting periods starting on or after April 1, 2015 will be changed to 32.31%. The effect of the announced tax rate changes is immaterial.

9. 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.

10. RELATED-PARTY TRANSACTIONS

1. PARENT COMPANY, CORPORATE UNITHOLDERS' AND OTHER

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015) and Nineteenth Fiscal Period (May 1, 2014 to October 31, 2014): Not applicable

2. AFFILIATED COMPANIES AND OTHER

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015) and Nineteenth Fiscal Period (May 1, 2014 to October 31, 2014): Not applicable

3. FELLOW SUBSIDIARY COMPANIES AND OTHER

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015) and Nineteenth Fiscal Period (May 1, 2014 to October 31, 2014): Not applicable

4. DIRECTORS, INDIVIDUAL UNITHOLDERS' AND OTHER

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015) and Nineteenth Fiscal Period (May 1, 2014 to October 31, 2014): Not applicable

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

Rental and other operating revenues, property-related expenses, gain and loss on sale of real estate property for the periods from November 1, 2014 to April 30, 2015 and from May 1, 2014 to October 31, 2014 consist of the following:

	In thousands of yen	
	From November 1, 2014 to April 30, 2015	From May 1, 2014 to October 31, 2014
Rental and other operating revenues:		
Rental revenues	¥ 9,075,126	¥ 8,101,029
Common area charges	1,983,917	1,698,433
Subtotal	11,059,043	9,799,462
Others:		
Parking space rental revenues	471,152	350,221
Utility charge reimbursement	1,019,055	976,931
Miscellaneous	287,557	168,793
Subtotal	1,777,764	1,495,945
Total rental and other operating revenues	12,836,807	11,295,407
Property-related expenses:		
Property management fees and facility management fees	¥ 1,241,711	¥ 1,074,236
Depreciation	2,221,037	2,022,380
Utilities	1,208,553	1,103,867
Taxes	957,213	916,289
Insurance	18,294	15,841
Repairs and maintenance	437,406	174,512
Trust fees	45,464	45,445
Others	247,927	205,090
Total property-related expenses	6,377,605	5,557,660
Gain on sale of real estate property:		
Revenue from sale of investment property	5,742,169	—
Cost of investment property	4,892,161	—
Other sales expenses	140,375	—
Gain on sale of real estate property	709,633	—
Loss on sale of real estate property:		
Revenue from sale of investment property	1,050,000	2,600,000
Cost of investment property	1,308,263	4,037,459
Other sales expenses	29,457	87,059
Loss on sale of real estate property	¥ 287,720	¥ 1,524,518

12. 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 and residential properties and with lease terms ranging from two to ten years for retail properties. The future minimum rental revenues under existing non-cancelable operating leases as of April 30, 2015 and October 31, 2014 are as follows:

	In thousands of yen	
	As of April 30, 2015	As of October 31, 2014
Due within one year	¥ 2,246,302	¥ 2,138,972
Due after one year	10,202,936	9,346,089
Total	¥12,449,238	¥11,485,061

13. FINANCIAL INSTRUMENTS

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015)

(A) OVERVIEW

(1) POLICY FOR FINANCIAL INSTRUMENTS

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

(2) TYPES OF FINANCIAL INSTRUMENTS AND RELATED RISK

Investment securities, 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.

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

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

(3) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

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

The Investment Corporation uses interest-rate swap 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 funds procurement

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

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

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

(B) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial instruments on the balance sheet as of April 30, 2015 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
① Cash and bank deposits	¥24,601,157	¥24,601,157	¥—
Subtotal	24,601,157	24,601,157	—
① Short-term debt	3,000,000	3,000,000	—
② Corporate bonds (including current portion of corporate bonds)	8,300,000	8,500,380	200,380
③ Long-term debt (including current portion of long-term debt)	163,300,000	163,418,891	118,891
Subtotal	174,600,000	174,919,271	319,271
Derivative Transactions (*)	—	—	—

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

1: METHODS TO DETERMINE THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER MATTERS RELATED TO SECURITIES AND DERIVATIVE TRANSACTIONS*ASSETS****① Cash and bank deposits**

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

LIABILITIES**① Short-term debt**

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

② Corporate bonds

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

③ Long-term debt

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

DERIVATIVE TRANSACTIONS

Please refer to Note 14 "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	¥1,076,656

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 bank deposits	¥24,601,157
Total	¥24,601,157

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

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	¥ 3,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	3,000,000	1,500,000	1,800,000	—	2,000,000
Long-term debt	¥32,800,000	¥17,700,000	¥19,250,000	¥15,050,000	¥14,700,000	¥63,800,000

Nineteenth Fiscal Period (May 1, 2014 to October 31, 2014)

(A) OVERVIEW

(1) POLICY FOR FINANCIAL INSTRUMENTS

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

(2) TYPES OF FINANCIAL INSTRUMENTS AND RELATED RISK

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

Debt and corporate bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of ten 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 transaction, the Investment Corporation fixes its interest expense for long-term debt bearing interest at a variable rate. With regard to hedge accounting methods, hedging instruments and hedged items, hedge policy, and the assessment of the effectiveness of hedging activities, please see Note 2(K) "Derivative Financial Instruments".

(3) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

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

The Investment Corporation uses interest-rate swap 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.

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

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

(B) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial instruments on the balance sheet as of October 31, 2014 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
① Cash and bank deposits	¥ 16,469,910	¥ 16,469,910	¥ —
Subtotal	16,469,910	16,469,910	—
① Short-term debt	15,900,000	15,900,000	—
② Corporate bonds (including current portion of corporate bonds)	8,300,000	8,522,510	222,510
③ Long-term debt (including current portion of long-term debt)	163,485,000	164,117,409	632,409
Subtotal	¥187,685,000	¥188,539,919	¥854,919
Derivative Transactions (*)	—	—	—

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

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

ASSETS

① Cash and bank deposits

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

LIABILITIES

① Short-term debt

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

② Corporate bonds

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

③ Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into. The fair value of long-term debt bearing interest at 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 applicable interest-rate swaps, discounted by the interest rate to be applied if similar loans were entered into.

DERIVATIVE TRANSACTIONS

Please refer to Note 14 "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	¥2,679,139

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

*3: REDEMPTION SCHEDULE FOR RECEIVABLES

	Due within 1 year or less (In thousands of yen)
Cash and bank deposits	¥16,469,910
Total	¥16,469,910

*4: REDEMPTION SCHEDULE FOR DEBT AND CORPORATE BONDS

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	¥15,900,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	—	4,500,000	1,800,000	—	2,000,000
Long-term debt	¥30,135,000	¥30,800,000	¥16,200,000	¥16,750,000	¥12,750,000	¥56,850,000

14. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap and the interest-rate cap contracts as of April 30, 2015:

① Hedge accounting not applied

Not applicable

② Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	¥90,550,000	¥86,050,000	*	—
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term debt	3,000,000	2,000,000	*	—
Total			¥93,550,000	¥88,050,000		—

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

The following summarizes the contracted amount and the fair value of interest-rate swap and the interest-rate cap contracts as of October 31, 2014:

① Hedge accounting not applied

Not applicable

② Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	¥77,850,000	¥71,850,000	*	—
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term debt	3,000,000	3,000,000	*	—
Total			¥80,850,000	¥74,850,000		—

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

15. INVESTMENT AND RENTAL PROPERTIES

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015)

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, 2015 (In thousands of yen)
As of October 31, 2014	Net change	As of April 30, 2015	
¥365,835,095	¥14,070,719	¥379,905,814	¥381,864,000

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

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

3. Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increases and decreases were the acquisition of seven properties totaling ¥22,140,043 thousand, the sale of four properties totaling ¥6,200,424 thousand and depreciation amounting to ¥2,221,037 thousand.

Income and loss in the fiscal period ended April 30, 2015 for real estate for rental purposes is listed in the Note 11. "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY".

Nineteenth Fiscal Period (May 1, 2014 to October 31, 2014)

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

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

Carrying value (In thousands of yen)			Fair value As of October 31, 2014 (In thousands of yen)
As of April 30, 2014	Net change	As of October 31, 2014	
¥332,883,295	¥32,951,800	¥365,835,095	¥358,470,000

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

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

3. Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increases and decreases were the acquisition of seven properties totaling ¥38,462,889 thousand, the sale of two property totaling ¥4,037,459 thousand and depreciation amounting to ¥2,022,380 thousand.

Income and loss in the fiscal period ended October 31, 2014 for real estate for rental purposes is listed in the Note 11. "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY".

16. SEGMENT AND RELATED INFORMATION

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015)

(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 revenue on the statement of income.

(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 revenue on the statement of income.

(b) Property and equipment

Disclosure is omitted because the amount of property and equipment located in Japan accounts for over 90% of the amount of property 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 revenue on the statement of income.

Nineteenth Fiscal Period (May 1, 2014 to October 31, 2014)

(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 revenue on the statement of income.

(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 revenue on the statement of income.

(b) Property and equipment

Disclosure is omitted because the amount of property and equipment located in Japan accounts for over 90% of the amount of property 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 revenue on the statement of income.

17. SUBSEQUENT EVENTS

Not applicable.

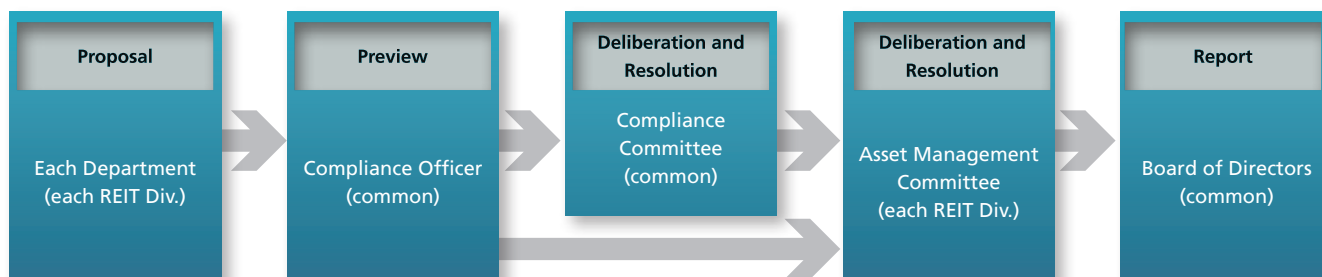
Corporate Governance

Investment and Management Decision-making System

As the asset management company, Kenedix Real Estate Fund Management (KFM) creates guidelines governing our asset management. These Asset Management Guidelines (AMGs) define our investment policy, rules concerning transactions with related parties, distribution policy and disclosure policy.

The structure of the decision-making process is outlined below.

Decision-making Process



1. Investment Policy

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

The AMGs may be revised to reflect changes in investment conditions and our investment policy, as well as other reasons such as changes in the legal or regulatory environment. Whenever the AMGs are changed, the General Manager of Office REIT Division must report each revision to the Board of Directors.

2. Decision-making Process on Asset Management

■ Asset Management Plans

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

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

■ Acquisition and Sale of Properties

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

In the event that the Compliance Officer identifies such issues as related-party transactions, potential regulatory conflicts or other cases the Officer deems require closer scrutiny, the proposal must be submitted for review and resolution by the Compliance Committee before proceeding to the OAMC for final review and resolution. After a related-party transaction is approved, the Compliance Officer must report this transaction to the Board of Directors.

The Investment Management Department of Office REIT Division also proposes property sales or disposals to the Compliance Officer, who reviews the proposal and, when necessary, forwards it to the Compliance Committee. In the absence of conflicts or other issues, the Compliance Officer may send the proposal directly to the OAMC for final review and resolution.

Environmental Initiatives

KFM undertakes investment management operations in accordance with the following environmental policies:

1. Compliance with Environmental Laws and Regulations
2. Promotion of Energy Conservation Measures
3. Reduction of Environmental Burden
4. Disclosure of Environmental Information
5. Environmental Education

Thanks to continuous efforts, we have won a range of certifications, including the highest ranked Green Star rating from the Global Real Estate Sustainability Benchmark (GRESB) surveys for three consecutive years.



Unitholders' Information

Kenedix Office Investment Corporation

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

IR Schedule (20th and 21st Fiscal Periods)



General Breakdown of Unitholders

	Foreign corporations and individuals	Other domestic corporations	Financial institutions (including securities companies)	Individuals and others	Total
End of the 20th Period	40.5%	1.2%	53.4%	4.9%	404,885 units
	163,866 units	4,991 units	216,234 units	19,794 units	
End of the 19th Period	41.2%	1.4%	52.1%	5.3%	355,010 units
	146,421 units	4,802 units	184,795 units	18,992 units	

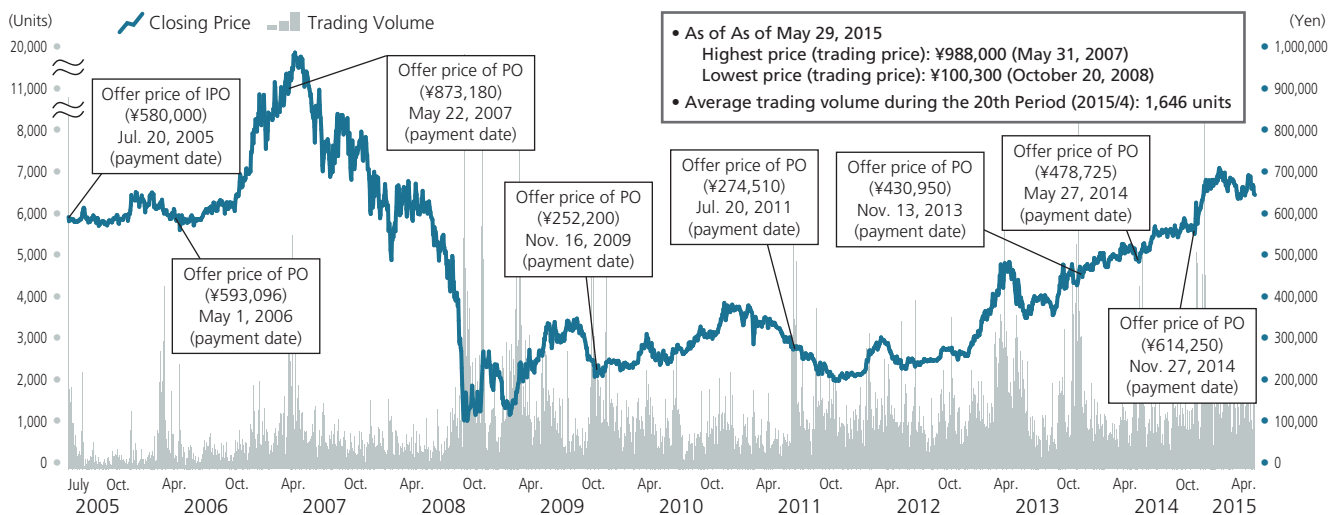
Note: Figures are rounded to the first decimal place.

Top Ten Unitholders (As of April 30, 2015)

Name	Units Held	Share of Outstanding Units <Note>
Japan Trustee Services Bank, Ltd. (Trust Account)	70,856	17.50%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	55,519	13.71%
The Master Trust Bank of Japan, Ltd. (Trust Account)	39,816	9.83%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	18,930	4.67%
Nomura Bank (Luxembourg) S.A.	18,101	4.47%
The Bank of New York Mellon SA/NV 10	9,674	2.38%
State Street Bank and Trust Company 505223	9,494	2.34%
JP Morgan Chase & Co. 385174	6,664	1.64%
The Bank of New York, Non-Treaty JASDEC Account	6,614	1.63%
State Street Bank and Trust Company 505001	6,218	1.53%
Total	241,886	59.74%

Note: The percentage of shares are rounded down to the second decimal place.

Unit Price and Trading Volume





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

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