



KENEDIX
Office Investment Corporation

23rd
Fiscal Period

SEMIANNUAL REPORT
May 1, 2016-October 31, 2016

TSE 8972

Growth

Stable

Selective

About KDO

Kenedix Office Investment Corporation (KDO) is a dynamic and proven J-REIT focusing on investments in mid-sized office buildings in the Tokyo Metropolitan Area. Since listing on the Tokyo Stock Exchange (8972) over a decade ago, KDO has deployed tactful property acquisition strategies in accordance with the real estate market environment. Through steady expansion, KDO's portfolio has grown from 31 properties with a total acquisition price of 69.1 billion yen to 99 properties with a total acquisition price of 398.3 billion yen in October 2016.

As the No.1 J-REIT focusing on mid-sized office buildings, we will continue raising portfolio quality through asset reshuffle and other initiatives, while advancing performance with internal growth, backed by sound financial management.

CHARACTERISTICS

Mid-sized office buildings

- Mid-sized office buildings refer to the type of office buildings with a "gross floor area of 500-3,000 tsubo and 100-150 tsubo on each floor", leased primarily to "SMEs consisted of less than 30 employees"
- **These properties are abundant in number, high in liquidity and rich in tenant base**

Tokyo metropolitan area

- Office buildings located within the **Tokyo metropolitan area occupy nearly 80%** of the portfolio properties
- Diversified investment in several properties in core regional cities, mitigating geographical concentration risk

"Selected" management of mid-sized office buildings

- Selective investment in the properties with competitive advantages in terms of location (within a walking distance from the nearest railway station), specifications and seismic resistance
- Management with an aim to **maintain / improve customer satisfaction** by making use of a customer satisfaction (CS) survey and making efforts to understand and address tenants' needs and issues

ACHIEVEMENTS

(23rd fiscal period ended October 2016)

➤ External growth

Continue to improve the portfolio quality by selective investment and asset reshuffle

- Acquired 2 office buildings (5.1bn yen)
 - Located within the central 5 wards of Tokyo
 - Negotiated transaction leveraging sponsor's M&A

Estimated NOI yield (after depreciation)
4.2% (3.8%)

➤ Internal growth

Further enhance upward trend in revenues by improving actual occupancy rate and unit rent

- Actual occupancy rates continued to improve with steady increases in new leases and gradual expiration of the existing free rent periods
- Steady rent growth achieved through tenant turnover and rent revisions

Increase in actual occupancy rate of office buildings	Percentage of the number of new contracts signed with higher rents at tenant turnover of office buildings	Increasing change in rent upon rent revisions of office buildings
End of 23rd fiscal period 93.4% (+0.9% period over period)	22nd fiscal period 23rd fiscal period 54.4% ➤ 60.9%	Total monthly amount for 23rd fiscal period +4.3 mn yen

* Occupancy rate (contracted area based): 96.8%

➤ Financial strategy

Maintain stable financial base and continue reducing financial cost

- Reduced financial cost and extended the remaining period to maturity for 6 consecutive fiscal periods

Average interest rate on interest-bearing debt	Average remaining period to maturity	LTV (interest-bearing debt ratio)
End of 23rd fiscal period 1.19% (-0.06% period over period)	End of 23rd fiscal period 4.9 yrs (+0.2 yrs period over period)	End of 23rd fiscal period 43.1% (+0.3% period over period)

Building a Portfolio with Robust Profitability to Realize Sustainable Growth

Selective Investment Leveraging Our Expertise in Evaluating and Managing Mid-sized Office Buildings



Making Steady Progress, We Achieved Solid Results amid a Favorable Environment in the 23rd Fiscal Period Ended October 2016

We again achieved steady growth and solid performance. During the 23rd fiscal period ended October 2016, the environment for office building management proved favorable.

Regarding external growth, Kenedix Office Investment Corporation (KDO) acquired two office buildings following a corporate acquisition by our sponsor company, both located in the central five wards of Tokyo. We invested in them after careful consideration of their merits, based on our acquisition criteria. Accordingly, KDO's portfolio grew to 99 properties with a total asset size of 398.3 billion yen as of October 31, 2016, the end of the fiscal period under review.

In the 24th fiscal period ending April 2017, we have already reached agreements on mutual transactions

with two real estate companies engaged in redevelopment projects. Specifically, with one company, we acquired a trust beneficiary interest in ARK Mori Building (compartmentalized ownership of the 34th and 35th floors) located in Minato-ku, Tokyo and sold BUREX Toranomom. With the other company, we have agreed to acquire Nishi-Shinbashi TS Building and sell KDX Nihonbashi Kabutocho Building. Aware of the demand for properties from real estate companies seeking to advance redevelopment in the areas surrounding the properties sold, we engaged persistently in negotiations on asset reshuffles. As a result, we determined that these transactions would serve to increase unitholder value more than continuing to hold the properties or taking part in their eventual redevelopment.



Naokatsu Uchida

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

Through these transactions, we expect to improve the portfolio quality, increase distributions, record a gain on sale of real estate and increase cash on hand to help fund future property acquisitions.

Looking at internal growth, we see gradual expiration of the existing free rent periods, thus increasing the actual occupancy rate. Backed by firm demand from tenants relocating to larger office spaces, we are seeing greater numbers of rent increases upon tenant turnover. Furthermore, we have made steady progress in raising rents upon rent revisions with existing tenants. These factors have led to growing revenue increases from existing properties.

Most of KDO's tenants are small- and mid-sized companies. These companies are exhibiting stable performance, and I strongly feel that we are anticipating an increase in well-performing tenants with a favorable business prospects. Accordingly, we expect the actual occupancy rate and unit rent to continue increasing for the immediate future, leading to ongoing revenue growth.

In terms of financial management, we reduced financial costs and extended the average borrowing period for a sixth consecutive fiscal period. Compared with the end of the previous fiscal period ended April 2016, the average interest rate on our interest-bearing debt fell from 1.25% to 1.19%, and the average remaining period to maturity lengthened from 4.7 years to 4.9 years. We kept the loan-to-value (LTV) ratio at the conservative level of 43.1%.

The distributions per unit for the 23rd fiscal period resulted in 11,365 yen, surpassing the goal of 11,000 yen that we set a year and a half earlier. This also marked a better than 10% increase from the 21st fiscal period distribution one year earlier.

Achieving Steady Results and Progress by Continuing to Make Selective Investment, Enhancing Upward Trend in Revenues and Reinforcing Our Financial Base



We Aim for Further Portfolio Growth Maintaining Existing Strategies and Policies

To pursue external growth, we will continue to make selective investment and reshuffle assets, thereby improving the quality of our portfolio. The market environment for office buildings has not changed greatly from six months ago. Opportunities to acquire properties at justifiable prices remain limited, and some properties that we bid on ultimately sell at prices far in excess of the levels permitted by our acquisition criteria.

At the same time, office building transactions are now decreasing, and we are seeing signs that property prices may be close to a peak. We will keep a close eye on market changes as we employ a variety of acquisition methods and continue to carefully invest in selective mid-sized office buildings.

To promote internal growth, we are working to further increase revenue from existing properties by continuously raising the actual occupancy rate and unit rent. We plan to continue enhancing the competitiveness of

our buildings with renovations, including air conditioning system upgrades. Through effective and strategic capital expenditure, we aim to accelerate internal growth.

In terms of financial strategy, we will continue our policy of stable financial management. While maintaining our LTV at a conservative level, we will respond nimbly to property acquisition opportunities.

Furthermore, as we still have some borrowings with relatively high interest rates, we believe that we can further reduce financial costs through refinancing and other means. In the near term, we expect reductions in financial costs to contribute to distributions.

Moving forward, we will make selective investment in newly acquired properties, reshuffle our assets, further increase revenue from existing properties and reduce financial costs. Through the combination of these efforts, we aim for sustained distribution growth.

Highlights for the 23rd Fiscal Period Ended October 2016

Distributions:

compared with fiscal period ended October 2015

+10.3%

Net asset value per unit:

compared with fiscal period ended October 2015 ^(note)

+6.9%

Appraisal profit of owned properties:

25.4 bn yen

Note: Net asset value (NAV) per unit is calculated based on appraisal value and differs from the accounting item net assets per unit. NAV per unit is truncated to the nearest thousand yen after deducting distributions per unit

Maximizing Unitholder Profit by Managing Mid-sized Office Buildings That Tenants Prefer Using Our Wealth of Accumulated Insight and Management Expertise

Beginning in 2018, a large supply of office buildings is expected to hit the market. Following the last supply surge in 2012, the vacancy rate in the central five wards of Tokyo rose to 9.4%. However, we believe that adjustment period was exceptional, exacerbated by weakened business sentiment in the wake of the financial crises and the Great East Japan Earthquake.

This time around, demand for office buildings is relatively strong. Barring an extraordinary confluence of factors that deeply damage business sentiment, we do not expect the upcoming supply surge to be great cause for concern.

Furthermore, the new supply of office buildings will be mainly large-scale buildings. These properties target different tenants than mid-sized office buildings, both in terms of contracted floor area and unit rent. We therefore expect that the new buildings will not directly impact KDO.

Some people say that competition among large buildings to attract tenants could conceivably lead to vacancies elsewhere through so-called secondary or tertiary vacancy,

potentially impacting small and mid-sized buildings as tenants move between properties. Still, we expect the impact to be minor.

We believe that our most important success factor is ensuring the properties we manage continue to be preferred by tenants over other small- and mid-sized buildings.

There is a wide range of mid-sized office buildings in the Tokyo Metropolitan Area, with considerable variation in management conditions and building quality. For KDO, this environment makes it easy to achieve differentiation from other small- and mid-sized office buildings by leveraging our wealth of management knowhow. I believe that we will be able to sustain our stable performance and pursue internal growth even if the leasing market slows.

Going forward, KDO aspires to meet the expectations of its investors as the No. 1 owner of mid-sized office buildings and fulfill its social mission of promoting mid-sized office buildings with heightened environmental value through such initiatives as reducing energy consumption.

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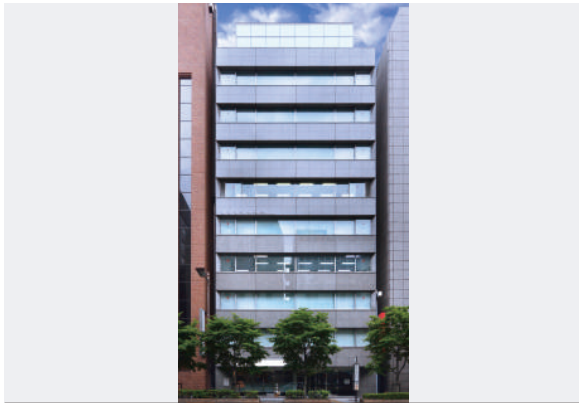
Continue to improve the portfolio quality by selective investment and asset reshuffle



Property acquisition in 23rd fiscal period (2016/10)

- Acquired 2 office buildings located within the central 5 wards of Tokyo
- Properties sourced through corporate acquisition by our sponsor, a unique approach leveraging Kenedix Group's strength

KDX Shin-Nihonbashi Ekimae Building



Location	Chuo-ku, Tokyo
Acquisition price	3,829 mn yen
Appraisal value at the time of acquisition	3,930 mn yen
Transportation	Right above Shin-Nihombashi Station on the JR Sobu Main Line About 4-minute walk from Mitsukoshimae Station on the Tokyo Metro Ginza / Hanzomon Lines

KDX Nihonbashi Edo-dori Building

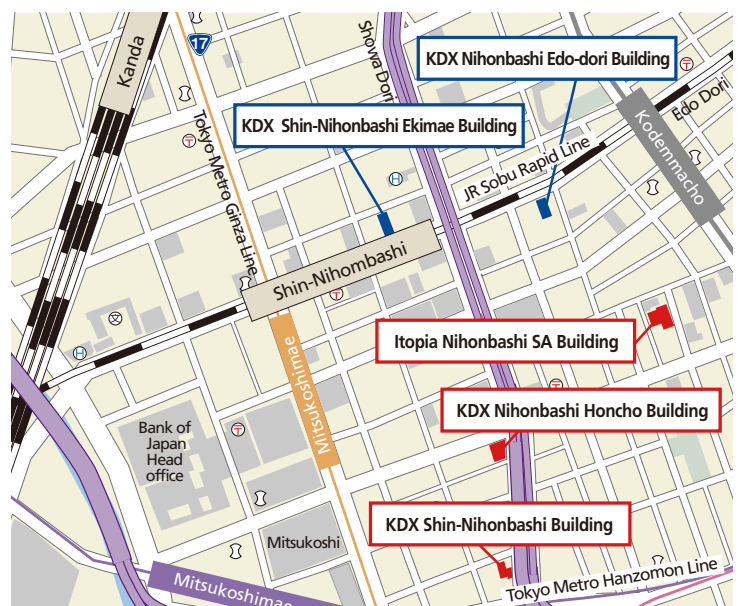


Location	Chuo-ku, Tokyo
Acquisition price	1,350 mn yen
Appraisal value at the time of acquisition	1,410 mn yen
Transportation	About 2-minute walk from Shin-Nihombashi Station on the JR Sobu Main Line About 2-minute walk from Kodemmacho Station on the Tokyo Metro Hibiya Line

The Nihombashi Honcho area in which the two properties are located is an area that has convenient access to where a number of routes can be utilized and has grown together with the adjacent Nihombashi Muromachi area, as commercial districts where traditional retailers set up stores including Nihombashi Mitsukoshi Main Store. It has been also developed as one of the leading office areas in Tokyo where many companies have located their headquarters and branches. It is still continuously growing even now with several redevelopment projects currently underway.

Transaction highlights

- Acquired 2 office buildings that a company acquired by our sponsor had possessed
- Located in the Nihombashi area in Chuo-ku, Tokyo where KDO has a wealth of experience owning and managing properties
- Regardless of expected decrease in occupancy rate by tenant move-outs, aiming to recover at an early stage through management improvements such as setting of adequate rents, early renaming of the buildings, renovating restrooms based on requests from tenants, etc.
- The estimated NOI yield after depreciation for the two properties exceeds that of our existing portfolio



External Growth

Asset reshuffle in 24th fiscal period (2017/4)

- Acquiring prime properties from real estate developers through mutual transactions by capturing their needs in relation to redevelopment projects

Transaction with Mori Building Co., Ltd. (December 1, 2016)

The property acquired is a highly competitive high-profile landmark office building due to continuous renovations located in ARK Hills. KDO decided to acquire this property on expectations that this transaction would help increase NOI and NOI after depreciation, stabilize revenues using the fixed rent master lease scheme, and earn a capital gain on sale.

Property acquired		Property sold	
	ARK Mori Building (compartmentalized ownership) <small>(Note)</small>		BUREX Toranomom
Location	Minato-ku, Tokyo	Location	Minato-ku, Tokyo
Acquisition price	4,169 mn yen	Disposition price	2,440 mn yen
Appraisal value as of October 31, 2016	4,310 mn yen	Appraisal value as of October 31, 2016	2,440 mn yen
Transportation	About 2-minute walk from Roppongi-itchome Station on the Tokyo Metro Namboku Line About 3-minute walk from Tameike-sanno Station on the Tokyo Metro Ginza / Namboku Lines	Initial acquisition price	1,750 mn yen

Note : Acquiring the trust beneficiary interest in 40% quasi co-ownership of compartmentalized ownership for the 34th and 35th floors of ARK Mori Building.

Transaction with HEIWA REAL ESTATE CO., LTD. (planned on February 1, 2017)

The property to be acquired is an office building located in Nishi-Shinbashi / Toranomom area which has a significant growth potential arising from the planned opening of a new subway station on the Tokyo Metro Hibiya Line and several redevelopment projects underway, while the property to be sold, which has been built for more than 18 years, may lose its competitiveness due to the environmental changes accompanied by the progress of redevelopment projects. Thus, KDO decided to conduct the transaction.

Property to be acquired		Property to be sold	
	Nishi-Shinbashi TS Building		KDX Nihonbashi Kabutocho Building
Location	Minato-ku, Tokyo	Location	Chuo-ku, Tokyo
Acquisition price	8,400 mn yen	Disposition price	12,400 mn yen
Appraisal value as of October 31, 2016	8,480 mn yen	Appraisal value as of October 31, 2016	12,400 mn yen
Transportation	About 8-minute walk from Toranomom Station on the Tokyo Metro Ginza Line and Kamiyacho Station on the Tokyo Metro Hibiya Line as well as Onarimon Station and Uchisaiwaicho Station on the Toei Mita Line	Initial acquisition price	11,270 mn yen

Effect of asset reshuffle

NOI yield after depreciation Properties sold (actual) 2.4% <small>(Note 1)</small> Properties acquired (estimate) 3.6% <small>(Note 2)</small>	Distributions per unit Mid-long term estimate +180 yen/period <small>(Note 3)</small>	<ul style="list-style-type: none"> • Contribute to distribution via improved portfolio profitability • Aim to improve portfolio quality by utilizing the gain on sale and accomplish further growth with achieved cash
Gain on sale of real estate 1.6 bn yen <small>(Note 4)</small>	Achieved cash on hand +1.8 bn yen <small>(Note 5)</small>	

Note 1: Calculated by dividing the sum of the rental operating income (NOI after depreciation (actual)) for 21st (2015/10) and 22nd (2016/4) fiscal period by the acquisition price, rounded to the first decimal place.

Note 2: Calculated by dividing estimated NOI after depreciation (NOI after excluding extraordinary factors for the year of the acquisition estimated by the Asset Management Company — estimated depreciation expenses) by the acquisition price, rounded to the first decimal place.

Note 3: Deducting the sum of NOI after depreciation (actual) for the properties sold from the sum of estimated NOI after depreciation for the properties acquired calculated in Note 2, then semi-annualize the said full-year amount and divide by the total number of investment units issued (as of the end of 23rd fiscal period (2016/10)) to calculate the difference in DPU.

Note 4: The amount of gain on sale of real estate is the estimate based on the assumed book value and disposition related expenses, etc.

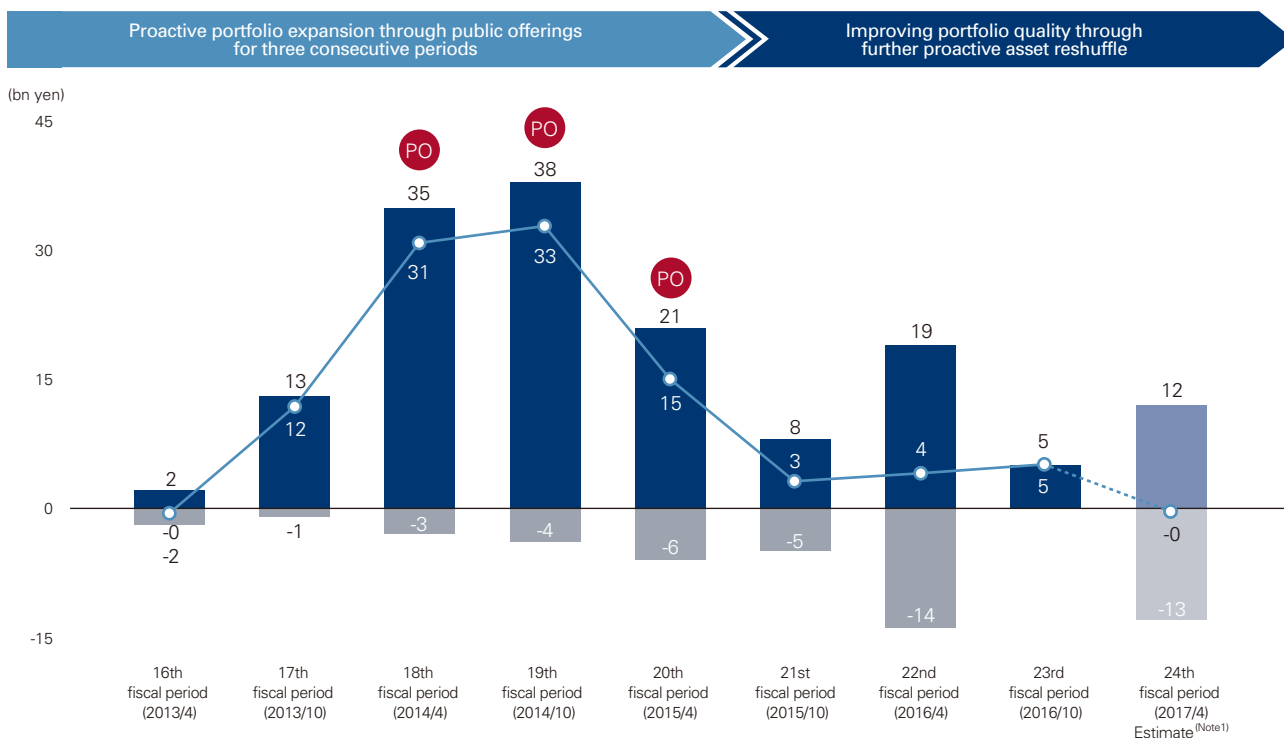
Note 5: Cash on hand is calculated by deducting the acquisition and disposition related expenses (estimated amounts) from the total of acquisition and disposition price.

Track record and effect of property acquisitions and dispositions

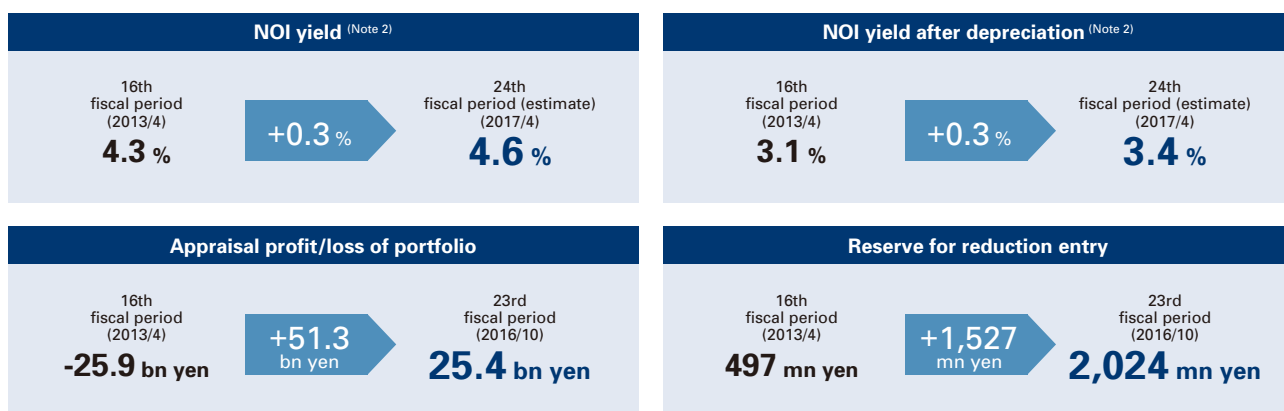
- Actualized enhancement of financial base and improvement in portfolio profitability through flexible and timely acquisitions / dispositions with the view to market conditions

Track record of property acquisitions / dispositions

■ Total acquisition price ■ Total disposition price (based on acquisition price) ○ Increased amount ● Fiscal period with public offering



Changes in related indices



Note 1: Total acquisition price for the properties (to be) acquired / sold in the 24th fiscal period (2017/4) as of December 14, 2016.

Note 2: NOI yield and NOI yield after depreciation calculation for the properties acquired during each fiscal period without property taxes are assumed as if the taxes are imposed. For the properties acquired / sold during each fiscal period, they are calculated by multiplying the ratio of actual operating days corresponding to each fiscal period's operating days against NOI and acquisition price, rounded to the first decimal place.

Internal Growth

Further enhance upward trend in revenues by improving actual occupancy rate and unit rent



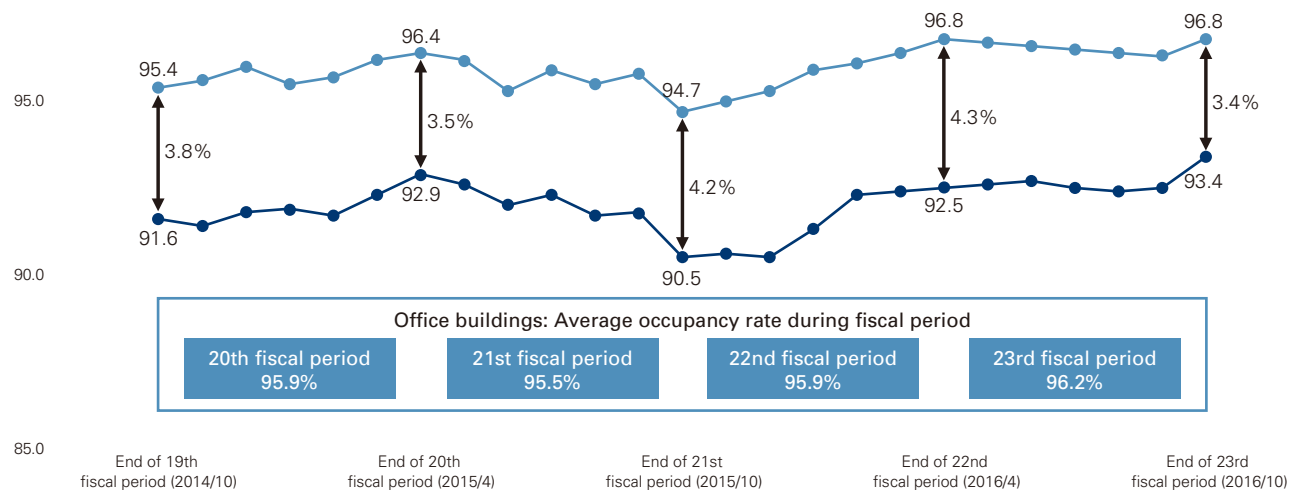
Changes in occupancy rate of office buildings

- Period-end occupancy rate is maintained at high level, with steady increases in new leases for low-occupancy properties
- Spread between actual occupancy rate and occupancy rate has shrunk to 3.4% with gradual expiration of existing free rent periods

Occupancy rate performance of office buildings

○ Occupancy rate (contracted area based) ● Actual occupancy rate (excl. free rent area)

(%)
100.0



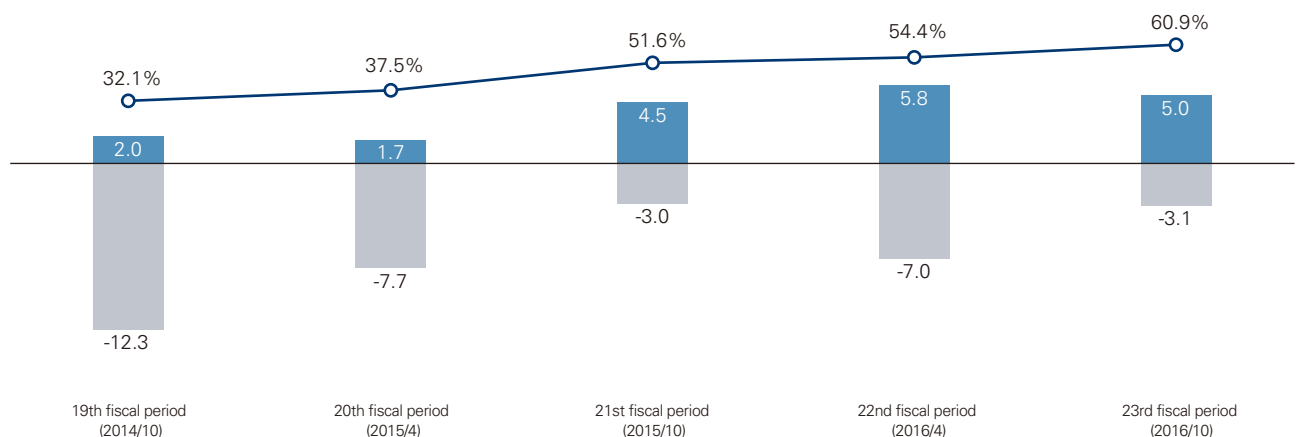
Note: Occupancy rate (contracted area based) is calculated by dividing contract based leased area by leasable area and actual occupancy rate (excluding free rent area) is calculated by dividing leased area subtracting free rent area by leasable area. The figures are rounded to the first decimal place.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

Rent trend upon tenant turnover of office buildings

- Rents for new lease contracts have been on the rise backed by favorable rental property market
- The proportion of the number of new leases signed with increased rent post move-out has been growing steadily

Increase / decrease in monthly rent upon tenant turnover ^(Note)

■ Total amount of increase in rent (mn yen) ■ Total amount of decrease in rent (mn yen) ○ Proportion of the number of new leases with increased rents upon tenant turnover



Note: Total amount of increase / decrease in rent is the total of positive / negative gaps between the new and the previous rent for the same areas in each period where the new and previous rents can be compared, the positive gaps are counted in to the amount of increase in rent and the negative gaps are counted as decrease.

Internal Growth

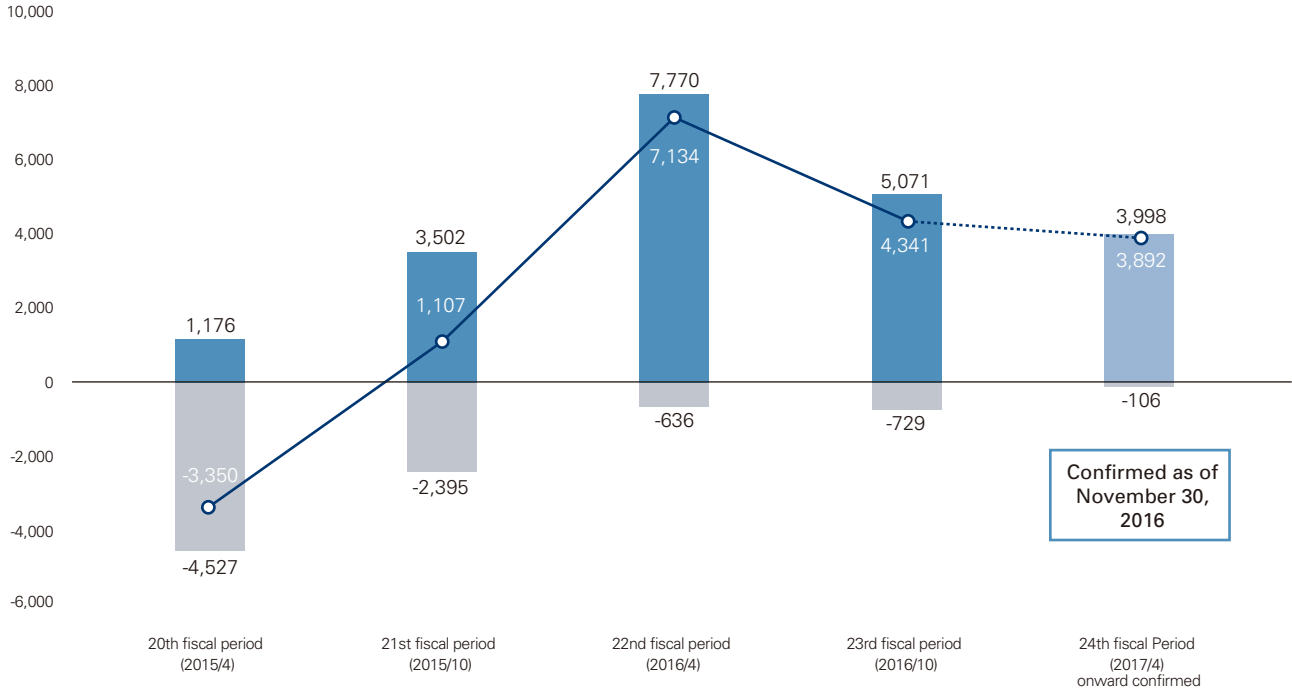
Status of rent revisions with existing tenants of office buildings

- Upward rent trend has gained steam, with upward rent revisions on a steady increase

Change in rent upon rent revisions (based on monthly rent) (Note)

■ Increase in rent ■ Decrease in rent ○ Increase in rent - decrease in rent

(thousand yen)

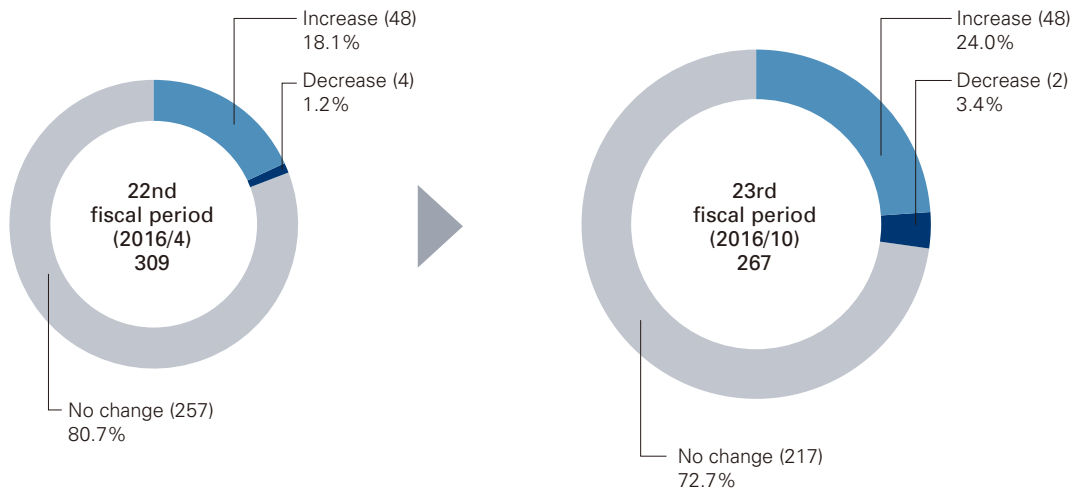


Note: Total amount of increases / decreases in monthly rent before and after rent revisions for each fiscal period is aggregated, respectively. Figures are rounded to the nearest thousand yen.

- The portion of upward rent revision has been increasing despite the decrease in the number of contracts subject to rent revisions

Status of rent revisions (based on leased area)


* Brackets indicate the number of contracts subject to rent revisions



Initiatives for enhancing competitiveness of properties

- Renovations have enhanced competitiveness of properties, facilitating attraction of tenants on the favorable rental terms

Renovation of KDX Yokohama Building



Enhancing competitiveness by renovation of common areas

Problems with the building

Diminishing competitiveness due to aging deterioration of the building and obsolescence of the design

↓


Rise in competitiveness through renovation

Common areas and the service facilities for tenants were fully renovated


↓

Contracted rent with new tenants **+15 %**

Before





Refresh corner



Community room

▶

After

Leasing of KDX Iidabashi Square



Renovation contributing to full occupancy

- The building was fully renovated in April 2016 following the move-out of the tenant that had occupied the whole building
- The contracted rate reached 57.9% as of June 1, 2016 after leasing contracts signed with 4 tenants and has reached 100% after leasing contracts signed with 2 additional tenants and a convenience store that occupies the 1st floor (total of 7 tenants)

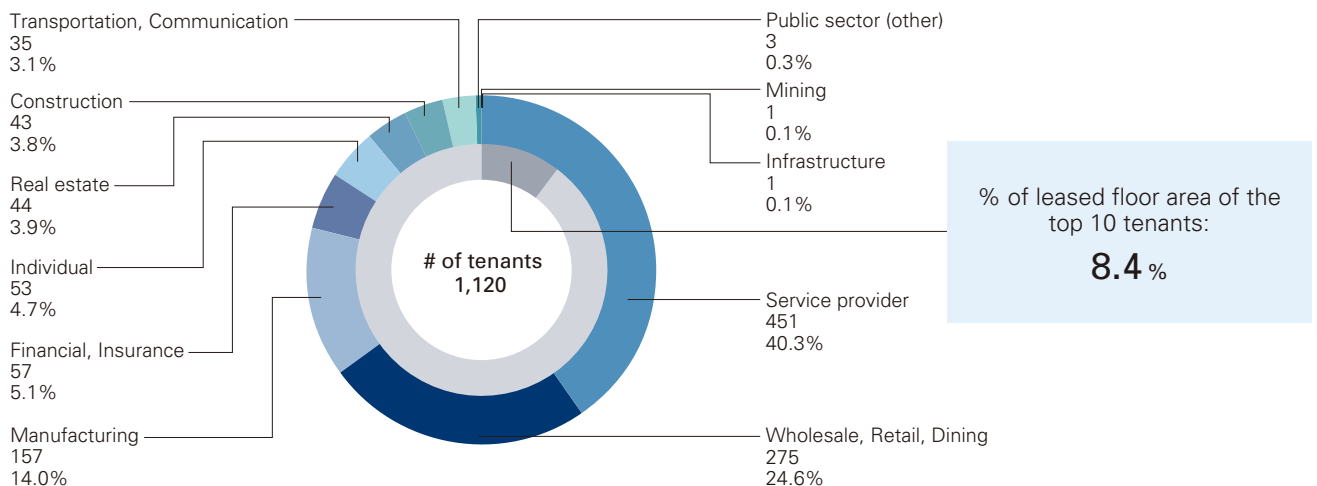
Changes in occupancy rate

End of Apr. 2016	End of Oct. 2016	Dec. 1, 2016
47.7 %	▶ 93.6 %	▶ 100 %

Tenants of KDO office buildings

- Proportion which largest tenant occupies among total leased floor area is 1.1% while other than the top 5 tenants each occupying less than 1.0%

Tenant diversification by type of business (based on # of tenants) ^(Note 1) and % of leased floor area of the top 10 tenants ^(Note 2)



Note 1: The outer pie chart shows the breakdown of tenants by type of business based on the total number of tenants in office portfolio (aggregated by name-base) as of the end of 23rd fiscal period (2016/10). Figures are rounded to the first decimal place.

Note 2: The inner pie chart shows % of leased area of each tenant against total leased floor area of KDO portfolio as of the end of the 23rd fiscal period (2016/10). Figures are rounded to the first decimal place.

Financial Strategy

Status of debt financing

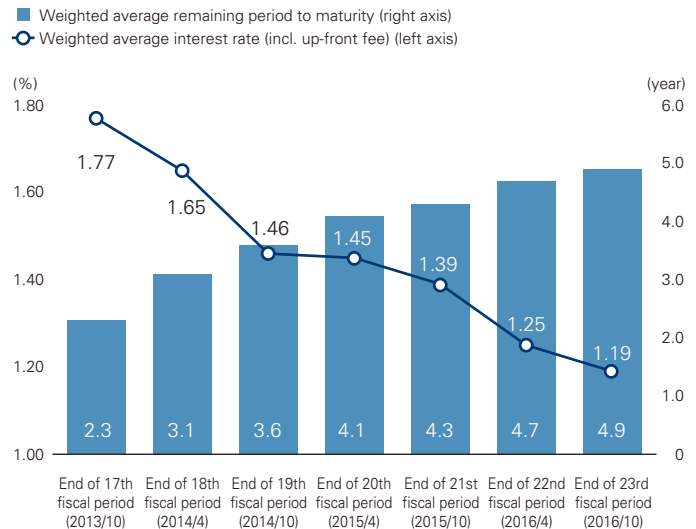
- Reduced financial cost and extended the remaining period to maturity for 6 consecutive fiscal periods
- Maintained stable financial base by keeping LTV at a conservative level and high ratio of fixed interest rate

Refinance record for 23rd fiscal period (2016/10) (Total of 13.5bn yen) (Note)

	Before refinancing	After refinancing
Average interest rate	1.49%	0.83%
Average borrowing period	4.1 years	8.6 years

Note: Average interest rate and borrowing period are weighted average numbers of interest rate (including up-front fee) and borrowing period based on borrowing amount, respectively (rounded to the second/first decimal place).

Average remaining period to maturity and interest rate (Note)



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

Major indices related to the stability of financial structure as of the end of 23rd fiscal period (2016/10)

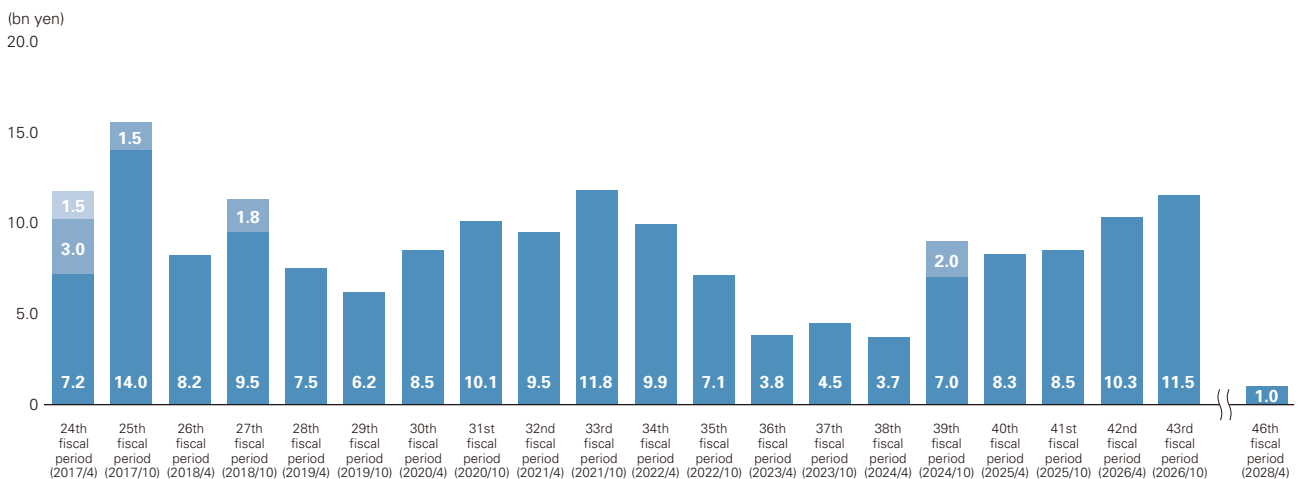
LTV (interest-bearing debt ratio) <small>(Note 1)</small>	Ratio of fixed interest rate <small>(Note 2)</small>	Status of credit rating
Conservative financial management with a target LTV of 45%	Continue to hedge against a potential rise in interest rates	Rating outlook revised in March 2016
43.1% <small>* LTV based on appraisal: 40.6%</small>	95.5%	JCR A+ (Positive)

Note 1: LTV is calculated by dividing balance of interest-bearing debt by the amount of total assets as of the end of the fiscal period, rounded to the first decimal place.

Note 2: Includes the borrowings with floating interest rate fixed by interest rate swap but excludes those hedged by interest rate cap, rounded to the first decimal place.

Balance of interest-bearing debt by maturity

■ Short-term borrowings (1.5 bn yen) ■ Corporate bonds (9.3 bn yen) ■ Long-term borrowings (167.3 bn yen) **Total debt 178.1 bn yen**

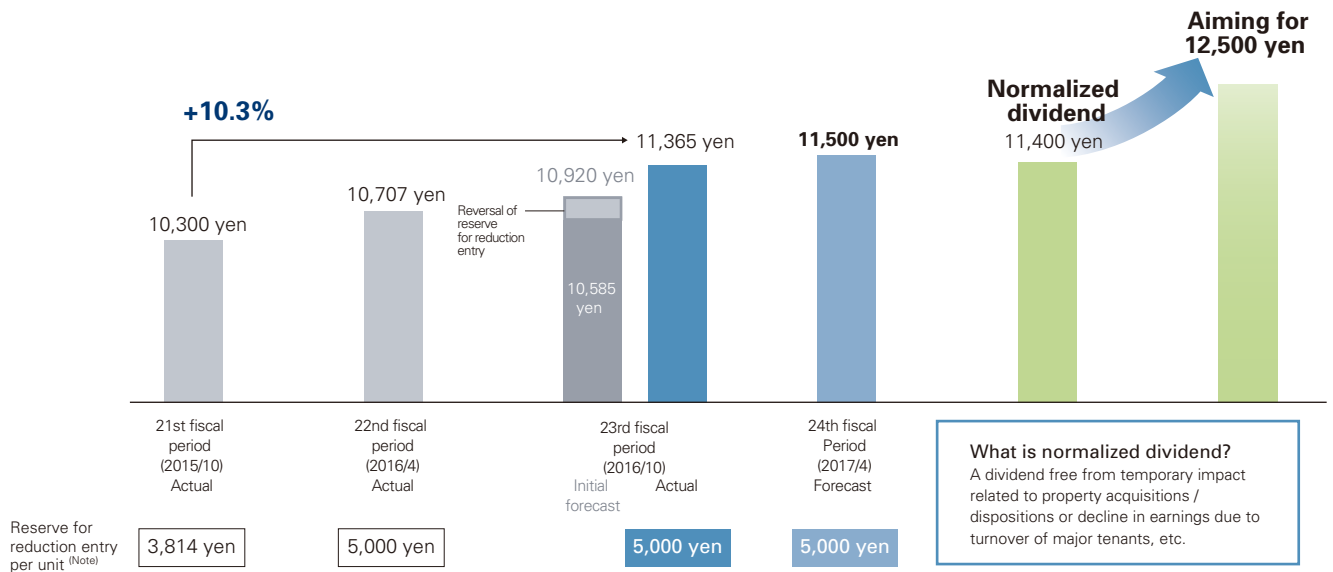


Dividend and NAV per unit

- Raised dividend by more than 10% year on year in the 23rd fiscal period (2016/10), beating the initial target of 11,000 yen
- Aiming for normalized dividend of 12,500 yen

Historical changes in dividend

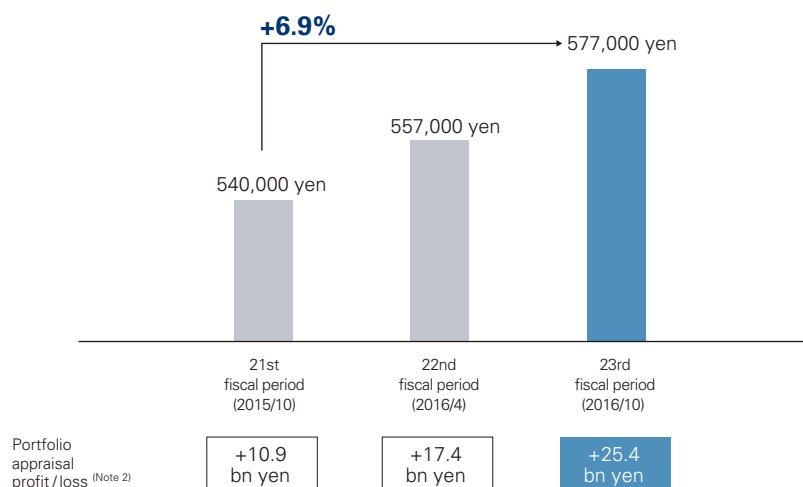
- Normalized dividend for the 24th fiscal period (2017/4) is assumed to be around 11,400 yen
- Reserve for reduction entry, a provision for one-time expense / loss in the future, was 5,000 yen per unit as of the end of 23rd fiscal period (2016/10)



Note: The balance of reserve for reduction entry is calculated by either adding provision of reserve for reduction entry or subtracting reversal of reserve for reduction entry to / from the balance of reserve for reduction entry on the balance sheet as of the end of relevant fiscal period.

NAV per unit: Historical performance ^(Note 1)

- Achieved 6.9% increase over the past year



Note 1: NAV per unit is truncated to the nearest thousand yen after subtracting the amount of DPU.

Note 2: Appraisal profit / loss is calculated by subtracting book values from appraisal values for all properties owned as of the end of relevant fiscal period.

Portfolio (As of October 31, 2016)

The properties acquired during the 23rd fiscal period are marked with a red box.

	No.	Property Name	Location	Acquisition Price (mn yen) (Note 1)	Year Built (Note 2)	Occupancy Rate (Note 3)
Office Building (Tokyo Metropolitan Area)	A-1	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	Apr. 1974	94.6%
	A-3	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	Jan. 1987	100.0%
	A-4	KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	Jun. 1993	100.0%
	A-5	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	Aug. 1992	94.8%
	A-6	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	Nov. 1985	100.0%
	A-7	KDX Minami Aoyama Building	Minato-ku, Tokyo	2,270	Nov. 1988	100.0%
	A-8	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	May 1993	100.0%
	A-13	KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	May 1994	100.0%
	A-14	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	100.0%
	A-16	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	100.0%
	A-17	KDX Ebisu Building	Shibuya-ku, Tokyo	4,640	Jan. 1992	100.0%
	A-19	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	Sep. 1999	100.0%
	A-20	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	Oct. 1987	100.0%
	A-21	KDX Shinbashi Building	Minato-ku, Tokyo	3,728	Feb. 1992	100.0%
	A-22	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	89.1%
	A-26	KDX Kiba Building	Koto-ku, Tokyo	1,580	Oct. 1992	88.1%
	A-27	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	Mar. 1990	100.0%
	A-29	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	Jan. 1990	100.0%
	A-30	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	Nov. 1992	74.8%
	A-31	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	Sep. 1986	100.0%
	A-32	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	Jul. 1986	100.0%
	A-33	KDX Okachimachi Building	Taito-ku, Tokyo	2,000	Jun. 1988	100.0%
	A-34	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May 1995	96.7%
	A-35	KDX Hachioji Building	Hachioji, Tokyo	1,155	Dec. 1985	85.5%
	A-37	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	Aug. 1982	100.0%
	A-38	KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	Oct. 1992	100.0%
	A-41	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	Aug. 1989	100.0%
	A-45	KDX Roppongi 228 Building	Minato-ku, Tokyo	3,300	Apr. 1989	100.0%
	A-46	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	Mar. 1988	100.0%
	A-47	KDX Shin-Yokohama 381 Building	Yokohama, Kanagawa	5,800	Mar. 1988	100.0%
	A-48	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	Feb. 1985	100.0%
	A-50	KDX Ikejiri-Oohashi Building	Meguro-ku, Tokyo	2,400	Sep. 1988	100.0%
	A-51	KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	Sep. 1988	100.0%
	A-52	KDX Kanda Misaki-cho Building	Chiyoda-ku, Tokyo	1,380	Oct. 1992	100.0%
	A-55	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	Jul. 1990	100.0%
A-56	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	May 1994	100.0%	
A-57	KDX Gobancho Building	Chiyoda-ku, Tokyo	1,951	Aug. 2000	100.0%	
A-59	KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	Mar. 2008	100.0%	
A-60	KDX Harumi Building	Chuo-ku, Tokyo	10,250	Feb. 2008	93.2%	
A-61	KDX Hamamatsucho Dai-2 Building	Minato-ku, Tokyo	2,200	Apr. 1992	100.0%	
A-62	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	Nov. 1989	100.0%	
A-63	Gotanda TG Building	Shinagawa-ku, Tokyo	2,620	Apr. 1988	100.0%	
A-64	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	Oct. 2006	100.0%	
A-66	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	May 1993	100.0%	
A-67	KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	Nov. 1991	98.2%	
A-68	KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	Jan. 1984	100.0%	
A-71	KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	Mar. 1990	100.0%	
A-72	KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	Jan. 1993	100.0%	
A-73	KDX Hakozaki Building	Chuo-ku, Tokyo	2,710	Nov. 1993	100.0%	
A-74	KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	Nov. 2002	100.0%	
A-75	KDX Nihonbashi Kabutocho Building	Chuo-ku, Tokyo	11,270	Nov. 1998	100.0%	
A-78	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	Feb. 1990	100.0%	
A-83	KDX Fuchu Building	Fuchu, Tokyo	6,120	Mar. 1996	85.2%	
A-84	KDX Kasuga Building	Bunkyo-ku, Tokyo	2,800	Jun. 1992	100.0%	
A-85	KDX Nakameguro Building	Meguro-ku, Tokyo	1,880	Oct. 1985	100.0%	

	No.	Property Name	Location	Acquisition Price (mn yen) (Note 1)	Year Built (Note 2)	Occupancy Rate (Note 3)
Office Building (Tokyo Metropolitan Area)	A-86	KDX Omiya Building	Saitama, Saitama	2,020	Apr. 1993	100.0%
	A-87	Itoya Nihonbashi SA Building	Chuo-ku, Tokyo	2,200	Jul. 1995	97.0%
	A-88	KDX Shinjuku 6-chome Building	Shinjuku-ku, Tokyo	1,900	Mar. 1990	100.0%
	A-89	KDX Takanawadai Building	Minato-ku, Tokyo	5,250	Oct. 1985	94.0%
	A-90	KDX Ikebukuro Building	Toshima-ku, Tokyo	3,900	Mar. 2009	90.3%
	A-91	KDX Mita Building	Minato-ku, Tokyo	3,180	Mar. 1993	100.0%
	A-92	KDX Akihabara Building	Chiyoda-ku, Tokyo	2,600	Dec. 1973	100.0%
	A-93	KDX Iidabashi Square	Shinjuku-ku, Tokyo	4,350	Jan. 1994	93.6%
	A-94	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	May 2013	100.0%
	A-95	KDX Toyosu Grand Square (Note 4)	Koto-ku, Tokyo	8,666	Apr. 2008	98.0%
	A-96	KDX Takadanobaba Building	Toshima-ku, Tokyo	3,650	Oct. 1988	93.1%
	A-99	KDX Ikebukuro West Building	Toshima-ku, Tokyo	1,934	Jul. 1988	100.0%
	A-101	KDX Yokohama Building	Yokohama, Kanagawa	7,210	Mar. 1994	95.0%
	A-102	KDX Yokohama Nishiguchi Building	Yokohama, Kanagawa	2,750	Oct. 1988	100.0%
	A-103	KDX Shin-Yokohama 214 Building	Yokohama, Kanagawa	2,200	Nov. 1989	95.6%
	A-105	BUREX Toranomon	Minato-ku, Tokyo	1,750	Jul. 2011	100.0%
	A-107	KDX Ginza East Building	Chuo-ku, Tokyo	3,600	Aug. 1991	100.0%
	A-108	Pentel Building	Chuo-ku, Tokyo	3,350	Nov. 1990	100.0%
	A-109	KDX Hamamatsucho Center Building	Minato-ku, Tokyo	3,950	Dec. 1985	100.0%
	A-112	Nittochi Toranomon Building	Minato-ku, Tokyo	15,550	Oct. 2013	100.0%
	A-113	KDX Shin-Nihonbashi Ekimae Building	Chuo-ku, Tokyo	3,829	May. 1992	67.2%
	A-114	KDX Nihonbashi Edo-dori Building	Chuo-ku, Tokyo	1,350	Mar. 1985	73.7%
Office Building (Other Regional Areas)	A-12	Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	96.7%
	A-42	KDX Karasuma Building	Kyoto, Kyoto	5,400	Oct. 1982	100.0%
	A-44	KDX Sendai Building	Sendai, Miyagi	2,100	Feb. 1984	100.0%
	A-53	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun. 1973	97.6%
	A-54	KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	89.3%
	A-58	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Apr. 2009	96.6%
	A-69	KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	Jul. 2009	100.0%
	A-70	KDX Sapporo Building	Sapporo, Hokkaido	2,005	Oct. 1989	100.0%
	A-79	KDX Nagoya Ekimae Building	Nagoya, Aichi	7,327	Apr. 1986	100.0%
	A-82	KDX Higashi Umeda Building	Osaka, Osaka	2,770	Jul. 2009	100.0%
	A-97	KDX Utsunomiya Building	Utsunomiya, Tochigi	2,350	Feb. 1999	100.0%
	A-98	KDX Hiroshima Building	Hiroshima, Hiroshima	1,300	Jan. 1990	90.5%
	A-100	Senri Life Science Center Building	Toyonaka, Osaka	13,000	Jun. 1992	83.3%
A-104	KDX Minami-Honmachi Building	Osaka, Osaka	2,200	Dec. 2009	92.5%	
A-106	KDX Sakura-dori Building	Nagoya, Aichi	5,900	Aug. 1992	99.1%	
A-110	KDX Shin-Osaka Building	Osaka, Osaka	4,550	May 1992	100.0%	
A-111	Nichigin-mae KD Building	Nagoya, Aichi	3,500	Sep. 2006	92.2%	
	Office Building Subtotal (94 properties)			367,937	Avg. 22.5 years	96.8%
Central Urban Retail Properties	C-1	Frame Jinnan-zaka	Shibuya-ku, Tokyo	9,900	Mar. 2005	100.0%
	C-2	KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	Aug. 1991	100.0%
	C-4	Ginza 4chome Tower	Chuo-ku, Tokyo	9,800	Nov. 2008	100.0%
		Central Urban Retail Properties Subtotal (3 properties)			22,179	Avg. 11.4 years
Residential Property	B-19	Residence Charmante Tsukishima	Chuo-ku, Tokyo	5,353	Jan. 2004	100.0%
	Residential Property Subtotal (1 property)			5,353	Avg. 12.8 years	100.0%
Other	D-2	Shinjuku 6chome Building (Land)	Shinjuku-ku, Tokyo	2,880	—	100.0%
		Other Subtotal (1 property)			2,880	—
Total (99 properties)				398,350	Avg. 21.8 years	96.9%
Investment Security	G.K. KRF 43 Silent Partnership Equity Interest		Shinjuku-ku, Tokyo	1,107	Dec. 1979	

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

Note 2: Year built shows the completion date recorded in the land register. The average value shown in the subtotal or total section is a weighted average number calculated based on acquisition price with a base date of October 31, 2016. Figures are truncated to the first decimal place.

Note 3: Occupancy rate is calculated by dividing leased area as of October 31, 2016 by leasable area and is rounded to the first decimal place.

Note 4: Acquisition price of KDX Toyosu Grand Square equals to the 25% quasi co-ownership of the property.

Management Team

(As of October 31, 2016)



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 as CEO for Joint Asset Management Co., Ltd., joined Kenedix Office Partners, Inc. and was a member of the Financial Planning Division for approximately 2 years
- Appointed Executive Officer of Kenedix Office Investment Corp. (to the present) after serving as President of Kenedix Office Partners, Inc.
- Appointed Director and COO, General Manager of Office REIT Division on October 1, 2013

2 Akimitsu Uezu

General Manager of Asset Investment Dept., Office REIT Division

- Joined Investment Management Dept., Kenedix REIT Management, Inc. in July 2006 and worked for 2 years after having engaged in real estate transactions at judicial scrivener's office and real estate company
- Appointed General Manager of Asset Investment Dept., Office REIT Division on March 1, 2016 after having worked as General Manager of Asset Investment Dept., Kenedix Residential Partners, Inc. and Director of Space Design, Inc.

3 Chisei Kaji

General Manager of Asset Management Dept., Office REIT Division

- Worked for Mitsui Fudosan Building Management for 9 years (Sales Division and others)
- Joined Kenedix Real Estate Fund Management, Inc. after having engaged in asset management for 10 years at Tokyo Realty Investment Management Inc.
- Appointed General Manager of Asset Management Dept., Office REIT Division on March 1, 2016 after having worked in Investment Management Dept., Office REIT Division for 1 year

4 Hikaru Teramoto

General Manager of Planning Dept., Office REIT Division

- After working for Sakura Bank for 6 years, worked at Sakura Securities, Daiwa Securities SMBC, and Goldman Sachs in investment banking business for 10 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. in August 2012
- Appointed General Manager of Planning Dept., Office REIT Division on October 1, 2013

5 Tetsushi Ichikawa

General Manager of Finance & Accounting Dept.,
Business Administration Dept.

- Worked for Sumitomo Mitsui Trust Bank for 15 years (Engaged in real estate finance, etc.)
- Joined Kenedix after having engaged in real estate 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, Inc.
- Appointed General Manager of Business Administration Dept. on April 1, 2015 (concurrent)

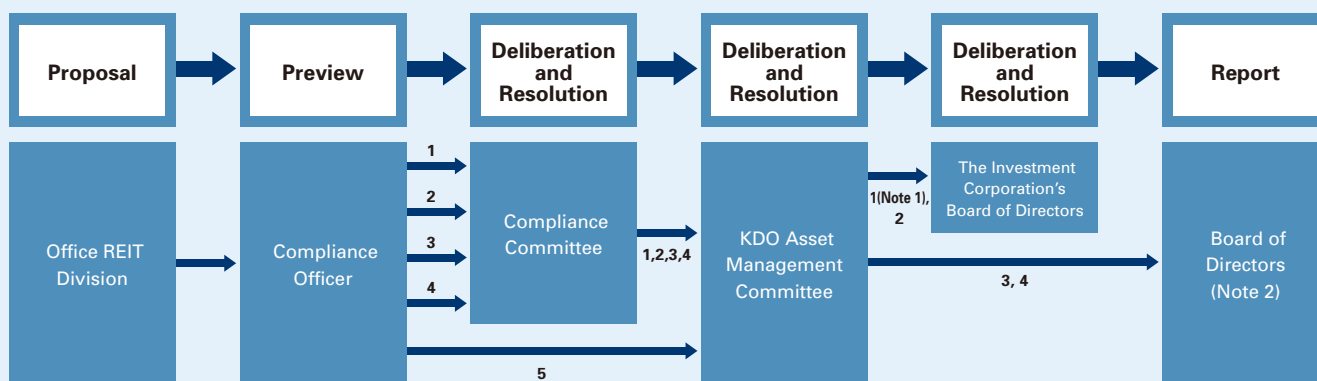
Corporate Governance

Investment and Management Decision-making System

As the asset management company, Kenedix Real Estate Fund Management, Inc. (KFM) creates guidelines governing our asset management. These asset management guidelines define our investment policy, related-party transaction rules, distribution policy and disclosure policy.

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

Decision-making Process



1: Related-party Transaction (acquisition and sale) 2: Establishing and revising asset management plans 3: Establishing and revising management guidelines
4: Transaction the Compliance Officer judges as the need and one outside management guidelines 5: Acquisition and sale

Note 1: In case that the said transaction falls under the prescribed minor transaction, the said transaction is implemented with the resolution of approval of KDO Asset Management Committee, without requirement of the resolution for approval of the Investment Corporation's Board of Directors and the consent of the Executive Director of the Investment Corporation based on the said resolution.

Note 2: The above 3 and 4 are also reported to the Investment Corporation's Board of Directors.

Environmental Initiatives

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

Environmental Policies

1. Compliance with Environmental Laws and Regulations

KFM will promote environment-friendly investment management operations by adhering to environmental laws and regulations.

2. Promotion of Energy Conservation Measures

KFM will systematically advance energy conservation measures at its managed properties, maintaining a strong awareness of the importance of natural and energy resources.

3. Reduction of Environmental Burden

KFM will undertake initiatives to reduce CO₂ and waste emissions as well as promote recycling at its managed properties, underscoring its commitment to alleviating its environmental burden. In addition, KFM will take sufficient care when handling harmful substances and environmental pollutants.

4. Disclosure of Environmental Information

KFM will work to disclose necessary information to a variety of concerned parties including investors, tenants and business partners, in such areas as its environmental policies and measures.

5. Environmental Education

KFM will take steps to improve the environmental consciousness of its officers and employees through internal 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) Real Estate Assessment for the fifth consecutive years.

The full renovation of KDX Iidabashi Square was chosen as a subject of innovation case study for its innovative approach towards improved sustainability.



Financial Section

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Financial Summary (Unaudited)

Historical Operating Trends
For the 19th–23rd Fiscal Periods

Period	Unit	19th Period (as of Oct. 31, 2014)	20th Period (as of Apr. 30, 2015)	21st Period (as of Oct. 31, 2015)	22nd Period (as of Apr. 30, 2016)	23rd Period (as of Oct. 31, 2016)
Operating revenues	mn yen	12,928	14,130	13,740	14,362	13,491
(Rental revenues)	mn yen	11,295	12,836	13,226	12,812	13,429
Operating expenses	mn yen	7,899	7,593	7,800	8,260	7,703
(Property-related expenses)	mn yen	5,557	6,377	6,668	6,533	6,754
Operating income	mn yen	5,028	6,537	5,940	6,102	5,788
Ordinary income	mn yen	3,570	5,111	4,565	4,816	4,603
Net income (a)	mn yen	3,569	5,110	4,564	4,815	4,601
Total assets (b) (Period-on-period change)	mn yen %	388,169 (+9.3)	407,799 (+5.1)	407,217 (-0.1)	408,813 (+0.4)	413,031 (+1.0)
Interest-bearing debt (c) (Period-on-period change)	mn yen %	187,685 (+11.9)	174,600 (-7.0)	174,100 (-0.3)	175,100 (+0.6)	178,100 (+1.7)
Unitholders' equity (d) (Period-on-period change)	mn yen %	180,844 (+6.3)	211,951 (+17.2)	211,914 (-0.0)	212,555 (+0.3)	212,825 (+0.1)
Unitholders' capital (Period-on-period change)	mn yen %	176,632 (+6.2)	206,199 (+16.7)	206,199 (0.0)	206,199 (0.0)	206,199 (0.0)
Number of investment units issued and outstanding (e)	unit	355,010	404,885	404,885	404,885	404,885
Unitholders' equity per unit (d)/(e)	yen	509,407	523,484	523,394	524,977	525,644
Total distribution (f)	mn yen	3,571	4,600	4,170	4,335	4,601
Distribution per unit (f)/(e)	yen	10,060	11,363	10,300	10,707	11,365
(Earnings distributed per unit)	yen	10,060	11,363	10,300	10,707	11,365
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.0 (1.9)	1.3 (2.6)	1.1 (2.2)	1.2 (2.4)	1.1 (2.2)
Return on net assets (annualized) (Notes 2 and 3)	%	2.0 (4.0)	2.6 (5.2)	2.2 (4.3)	2.3 (4.6)	2.2 (4.3)
Net assets ratio at end of period (d)/(b) (Period-on-period change)	%	46.6 (-1.3)	52.0 (+5.4)	52.0 (+0.1)	52.0 (-0.0)	51.5 (-0.5)
Interest-bearing debt ratio at end of period (c)/(b) (Period-on-period change)	%	48.4 (+1.1)	42.8 (-5.5)	42.8 (-0.1)	42.8 (+0.1)	43.1 (+0.3)
Payout ratio (Note 4) (f)/(a)	%	100.0	90.0	91.3	90.0	99.9
Other references						
Number of properties	properties	94	97	97	97	99
Total leasable floor area	m ²	437,233.24	453,999.44	453,681.06	457,774.90	462,533.92
Occupancy ratio at end of period	%	95.6	96.5	94.9	96.9	96.9
Depreciation expenses for the period	mn yen	2,022	2,221	2,218	2,230	2,274
Capital expenditures for the period	mn yen	550	329	469	1,120	1,165
Leasing NOI (Net Operating Income) (Note 5)	mn yen	7,760	8,680	8,775	8,509	8,949
FFO (Funds From Operation) (Note 6)	mn yen	7,116	6,909	6,487	6,302	6,877
FFO per unit (Note 7)	yen	20,045	17,065	16,023	15,565	16,985

- Notes:
- Return on assets = Ordinary income / ((Total assets at beginning of period + Total assets at end of period) / 2) × 100
 - Annualized values for the 19th Fiscal Period are calculated based on a period of 184 days, 181 days for the 20th Fiscal Period, 184 days for the 21st Fiscal Period, 182 days for the 22nd Fiscal Period, 184 days for the 23rd Fiscal Period.
 - Return on net assets = Net income / ((Total net assets at beginning of period + Total net assets at end of period) / 2) × 100
 - Payout ratio is rounded down to the first decimal place.
 - Leasing NOI = Rental revenues – Property-related expenses + Depreciation expenses for the period
 - FFO = Net income + Depreciation expenses for the period – Gain on sale of real estate property + Loss on sale of real estate property
 - FFO per unit = FFO / Number of investment units issued and outstanding (figures below ¥1 rounded down)
 - 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 October 31, 2016, 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 October 31, 2016, 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

January 30, 2017
Tokyo, Japan

Balance Sheets

Kenedix Office Investment Corporation
As of October 31, 2016 and April 30, 2016

	In thousands of yen	
	As of October 31, 2016	As of April 30, 2016
ASSETS		
Current assets:		
Cash and bank deposits (Notes 3 and 13)	¥ 20,710,565	¥ 20,602,996
Operating accounts receivable	330,775	341,787
Consumption taxes receivable	—	53,578
Other current assets (Note 8)	115,403	59,744
Total current assets	21,156,743	21,058,105
Property, plant and equipment, at cost: (Notes 4 and 15)		
Buildings and structures (Note 6)	138,160,941	136,422,576
Machinery and equipment	2,091,284	2,041,893
Tools, furniture and fixtures	524,435	514,082
Accumulated depreciation	(29,568,985)	(27,295,009)
Land	277,637,658	273,049,253
Net property, plant and equipment	388,845,334	384,732,795
Investments and other assets:		
Leasehold right (Note 15)	351,685	352,460
Investment securities (Note 13)	1,093,584	1,089,761
Investment corporation bond issuance costs	36,498	42,378
Investment unit issuance costs	54,159	110,641
Other assets	1,493,754	1,427,315
Total investments and other assets	3,029,682	3,022,554
Total assets	¥413,031,761	¥408,813,455
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Operating accounts and other payables	¥ 1,614,589	¥ 1,170,894
Short-term loans payable and current portion of long-term loans payable (Notes 5 and 13)	22,700,000	22,200,000
Current portion of investment corporation bonds (Notes 5 and 13)	4,500,000	3,000,000
Deposits received	2,896	54,160
Advances received	2,143,523	2,115,825
Other current liabilities	422,783	91,257
Total current liabilities	31,383,793	28,632,136
Non-current liabilities:		
Investment corporation bonds (Notes 5 and 13)	4,800,000	6,300,000
Long-term loans payable (Notes 5 and 13)	146,100,000	143,600,000
Tenant leasehold and security deposits	17,921,592	17,721,596
Other non-current liabilities	977	4,328
Total non-current liabilities	168,822,570	167,625,924
Total liabilities	200,206,363	196,258,060
Net Assets		
Unitholders' equity		
Unitholders' capital	206,199,945	206,199,946
Units authorized:2,000,000 units		
Units issued and outstanding:404,885 units		
As of October 31, 2016 and April 30, 2016, respectively		
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	2,024,673	1,544,522
Unappropriated retained earnings	4,601,756	4,815,255
Total surplus	6,626,429	6,359,777
Total unitholders' equity	212,826,375	212,559,723
Valuation and translation adjustments		
Deferred gains or losses on hedges (Note 14)	(977)	(4,328)
Total valuation and translation adjustments	(977)	(4,328)
Total net assets (Note 9)	212,825,397	212,555,395
Total liabilities and net assets	¥413,031,761	¥408,813,455

Statements of Income and Retained Earnings

Kenedix Office Investment Corporation

For the period from May 1, 2016 to October 31, 2016 and the period from November 1, 2015 to April 30, 2016

	In thousands of yen	
	From May 1, 2016 to October 31, 2016	From November 1, 2015 to April 30, 2016
Operating revenues:		
Rent revenue - real estate (Note 11)	¥13,429,773	¥12,812,029
Gain on sale of real estate property (Note 11)	—	1,510,169
Dividends income	61,739	40,015
Total operating revenues	13,491,513	14,362,213
Operating expenses:		
Expenses related to rent business (Note 11)	6,754,675	6,533,203
Loss on sale of real estate property (Note 11)	—	766,005
Asset management fees	755,591	759,990
Administrative service and custodian fees	78,143	78,413
Other operating expenses	114,926	122,520
Total operating expenses	7,703,337	8,260,131
Operating income	5,788,175	6,102,082
Non-operating expenses:		
Interest expenses	941,102	993,892
Financing-related expenses	176,510	183,756
Amortization of investment unit issuance costs	56,481	56,481
Amortization of investment corporation bond issuance costs	5,879	5,263
Others, net	5,082	46,171
Total non-operating expenses	1,185,056	1,285,563
Ordinary income	4,603,119	4,816,519
Income before income taxes	4,603,119	4,816,519
Income taxes (Note 8)	1,363	1,264
Net income	4,601,756	4,815,255
Unappropriated retained earnings	¥ 4,601,756	¥ 4,815,255

See accompanying notes to the financial statements.

Statements of Changes in Net Assets

Kenedix Office Investment Corporation

For the period from May 1, 2016 to October 31, 2016 and the period from November 1, 2015 to April 30, 2016

	In thousands of yen						
	Unitholders' equity					Valuation and translation adjustments	Total net assets
	Unitholders' capital	Surplus			Total unitholders' equity		
		Voluntary retained earnings	Unappropriated retained earnings	Total surplus		Deferred gains or losses on hedges	
Reserve for reduction entry							
Balance as of October 31, 2015	¥206,199,946	¥1,150,495	¥ 4,564,342	¥ 5,714,837	¥211,914,783		—
Changes during the fiscal period							
Provision of reserve for reduction entry	—	394,027	(394,027)	—	—	—	—
Dividends of surplus	—	—	(4,170,315)	(4,170,315)	(4,170,315)	—	(4,170,315)
Net income	—	—	4,815,255	4,815,255	4,815,255	—	4,815,255
Net changes of items other than unitholder's equity	—	—	—	—	—	(4,328)	(4,328)
Total changes during the fiscal period	—	394,027	250,913	644,940	644,940	(4,328)	640,612
Balance as of April 30, 2016	¥206,199,946	¥1,544,522	¥ 4,815,255	¥ 6,359,777	¥212,559,723	¥(4,328)	¥212,555,395
Changes during the fiscal period							
Provision of reserve for reduction entry	—	480,151	(480,151)	—	—	—	—
Dividends of surplus	—	—	(4,335,103)	(4,335,103)	(4,335,103)	—	(4,335,103)
Net income	—	—	4,601,756	4,601,756	4,601,756	—	4,601,756
Net changes of items other than unitholder's equity	—	—	—	—	—	3,350	3,350
Total changes during the fiscal period	—	480,151	(213,499)	266,652	266,652	3,350	270,002
Balance as of October 31, 2016	¥206,199,945	¥2,024,673	¥ 4,601,756	¥ 6,626,429	¥212,826,375	¥(977)	¥212,825,397

See accompanying notes to the financial statements.

Statements of Cash Flows

Kenedix Office Investment Corporation

For the period from May 1, 2016 to October 31, 2016 and the period from November 1, 2015 to April 30, 2016

	In thousands of yen	
	From May 1, 2016 to October 31, 2016	From November 1, 2015 to April 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income taxes	¥4,603,119	¥4,816,519
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,508,463	2,470,695
Interest income	(38)	(697)
Interest expenses	941,102	993,892
Changes in assets and liabilities:		
Decrease (increase) in Operating accounts receivable	11,011	(3,500)
Decrease (increase) in Consumption taxes receivable	53,578	(53,578)
Increase (decrease) in Accrued consumption taxes	343,665	(407,556)
Increase (decrease) in Operating accounts and other payables	287,690	(203,532)
Increase (decrease) in Advances received	29,973	157,163
Decrease in property, plant and equipment due to sale	—	14,591,896
Others, net	(351,949)	(123,666)
Subtotal	8,426,615	22,237,636
Interest income received	38	697
Interest expenses paid	(953,601)	(989,130)
Income taxes paid	(805)	(869)
Net cash provided by (used in) operating activities	7,472,246	21,248,334
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(6,173,576)	(20,403,242)
Purchase of intangible assets	—	(5,913)
Proceeds from tenant leasehold and security deposits	1,065,383	1,851,210
Payments of tenant leasehold and security deposits	(918,051)	(1,496,099)
Payments of restricted bank deposits in trust	—	(600,262)
Proceeds from restricted bank deposits in trust	552,921	—
Net cash provided by (used in) investing activities	(5,473,322)	(20,654,306)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term loans payable	—	1,500,000
Decrease in short-term loans payable	(1,000,000)	(1,500,000)
Proceeds from long-term loans payable	16,500,000	18,300,000
Repayments of long-term loans payable	(12,500,000)	(18,300,000)
Proceeds from issuance of investment corporation bonds	—	990,472
Payments of investment corporation bond issuance costs	(4,010)	—
Dividends paid	(4,334,422)	(4,169,538)
Net cash provided by (used in) financing activities	(1,338,432)	(3,179,066)
Net increase (decrease) in cash and cash equivalents	660,491	(2,585,038)
Cash and cash equivalents at the beginning of period	19,175,542	21,760,581
Cash and cash equivalents at the end of period (Note3)	¥19,836,034	¥19,175,543

See accompanying notes to the financial statements.

Notes to Financial Statements

Kenedix Office Investment Corporation

For the period from May 1, 2016 to October 31, 2016 and the period from November 1, 2015 to April 30, 2016

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 April 30, 2016, the Investment Corporation acquired one office buildings (Nittochi Toranomom Building: acquisition price of ¥15,550 million) located in the Tokyo Metropolitan Area, one office building (Nichigin-mae KD Building: acquisition price of ¥3,500 million) located in Other Regional Areas, and sold KDX Toranomom Building (initial acquisition price of ¥4,400 million) and Toranomom Toyo Building (initial acquisition price of ¥9,850 million) (with a total combined disposition price of ¥15,420 million).

During the period ended October 31, 2016, the Investment Corporation acquired two office buildings (KDX Shin-Nihonbashi Ekimae building : acquisition price of ¥3,829 million , KDX Edo-dori Building: acquisition price of ¥1,350 million) located in the Tokyo Metropolitan Area.

At the end of the twenty-second and twenty-third fiscal periods, the Investment Corporation had total unitholders' capital of ¥206,200 million with 404,885 investment units outstanding, respectively. The Investment Corporation owned a portfolio of 97 properties (consisting of 92 office buildings, one residential property, three central urban retail properties and one other property), 99 properties (consisting of 94 office buildings, one residential property, three central urban retail properties and one other property) with total acquisition prices of ¥393,171 million and ¥398,350 million at the end of the twenty-second and twenty-third fiscal periods, respectively. The occupancy ratios were approximately 96.9% at the end of the twenty-second and twenty-third fiscal periods.

BASIS OF PRESENTATION

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

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

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) SECURITIES

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

(B) PROPERTY, PLANT AND EQUIPMENT

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

	From May 1, 2016 to October 31, 2016	From November 1, 2015 to April 30, 2016
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) INVESTMENT UNIT ISSUANCE COSTS

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

(D) INVESTMENT CORPORATION BOND ISSUANCE COSTS

Investment corporation 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) LEASEHOLD RIGHT

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

(G) REVENUE RECOGNITION

Operating revenues consist of rental revenues including base rents, 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, PLANT AND EQUIPMENT

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to the said period. Under Japanese tax rules, the seller of property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is 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 ¥13,334 thousand and ¥83,802 thousand as of October 31, 2016 and April 30, 2016, 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 the 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. Unless otherwise noted, amounts of twenty-third fiscal and twenty-second fiscal period are rounded down and rounded off, respectively, and ratios are rounded off in the accompanying financial statements.

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of October 31, 2016 and April 30, 2016

	In thousands of yen	
	As of October 31, 2016	As of April 30, 2016
Cash and bank deposits	¥20,710,565	¥20,602,996
Restricted bank deposits in trust (Note)	(874,531)	(1,427,453)
Cash and cash equivalents in trust	¥19,836,034	¥19,175,543

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

4. SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

	In millions of yen					
	As of October 31, 2016			As of April 30, 2016		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Buildings and structures	¥138,160	¥28,327	¥109,833	¥136,423	¥26,134	¥110,289
Machinery and equipment	2,091	956	1,134	2,042	895	1,147
Tools, furniture and fixtures	524	284	239	514	266	248
Land	277,637	—	277,637	273,049	—	273,049
Total	¥418,414	¥29,568	¥388,845	¥412,028	¥27,295	¥384,733

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

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of October 31, 2016:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term loans payable	March 31, 2016	March 31, 2017	0.41%	¥ 1,500
Current portion of long-term loans payable	November 12, 2015	November 30, 2016	0.41%	2,000
	December 10, 2012	December 12, 2016	0.98%	500
	December 28, 2012	December 28, 2016	1.01%	2,000
	January 15, 2013	January 15, 2017	0.97%	1,000
	January 31, 2014	January 31, 2017	0.67%	1,200
	March 28, 2012	March 28, 2017	1.36%	500
	June 29, 2012	June 30, 2017	1.29%	1,500
	July 29, 2016	July 31, 2017	0.38%	1,000
	August 2, 2016	August 31, 2017	0.38%	1,000
	August 2, 2016	August 31, 2017	0.23%	1,000
	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
Subtotal	October 31, 2012	October 31, 2017	1.10%	2,500
Long-term loans payable	November 12, 2010	November 12, 2017	2.02%	¥ 2,300
	December 1, 2010	November 12, 2017	2.21%	700
	March 28, 2012	March 28, 2019	1.77%	1,400
	March 28, 2012	March 28, 2019	1.77%	1,000
	October 31, 2012	October 31, 2018	1.25%	2,500
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500
	March 26, 2013	March 26, 2018	1.04%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	July 31, 2013	July 31, 2018	0.56%	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 loans payable	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, 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
	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	
August 31, 2015	August 31, 2022	0.87%	500	
August 31, 2015	August 31, 2022	0.87%	500	
August 31, 2015	August 31, 2022	0.87%	500	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term loans payable	August 31, 2015	August 31, 2022	0.87%	¥ 500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	September 30, 2015	September 30, 2024	1.07%	2,000
	October 30, 2015	October 31, 2024	0.99%	1,000
	October 30, 2015	October 30, 2025	1.11%	2,500
	October 30, 2015	October 30, 2025	1.12%	2,500
	October 30, 2015	October 30, 2025	1.11%	2,000
	October 30, 2015	October 30, 2025	1.11%	1,500
	November 12, 2015	November 30, 2025	1.17%	1,000
	January 29, 2016	January 31, 2022	0.59%	2,500
	January 29, 2016	January 31, 2022	0.64%	500
	January 29, 2016	January 29, 2026	1.07%	2,000
	January 29, 2016	January 29, 2026	1.02%	1,800
	February 18, 2016	February 18, 2026	1.00%	1,000
	February 18, 2016	February 18, 2026	1.00%	500
	March 30, 2016	March 31, 2019	0.17%	1,000
	March 31, 2016	March 31, 2026	0.90%	1,000
	April 28, 2016	April 30, 2024	0.65%	2,000
	April 28, 2016	April 30, 2026	0.84%	2,000
	April 28, 2016	April 30, 2026	0.87%	1,000
	July 29, 2016	July 31, 2026	0.61%	1,500
	August 2, 2016	July 31, 2026	0.54%	1,000
	October 31, 2016	October 31, 2018	0.33%	1,000
	October 31, 2016	October 31, 2024	0.67%	1,000
	October 31, 2016	October 31, 2026	0.73%	4,000
	October 31, 2016	October 31, 2026	0.88%	2,500
	October 31, 2016	October 31, 2026	0.83%	1,500
	October 31, 2016	October 31, 2026	0.76%	1,000
	Subtotal			
Current portion of Investment corporation bonds	March 15, 2007	March 15, 2017	2.37%	¥ 3,000
	March 8, 2012	September 8, 2017	2.00%	1,500
Subtotal				4,500
Investment corporation bonds	September 12, 2013	September 12, 2018	1.00%	¥ 1,800
	July 25, 2014	July 25, 2024	1.18%	2,000
	April 28, 2016	April 28, 2028	0.90%	1,000
Subtotal				4,800
Total				¥178,100

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of April 30, 2016:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term loans payable	July 31, 2015	July 31, 2016	0.51%	¥ 1,000
	March 31, 2016	March 31, 2017	0.45%	1,500
Current portion of long-term loans payable	July 31, 2013	July 29, 2016	0.57%	1,500
	December 26, 2011	October 31, 2016	1.42%	2,500
	December 26, 2011	October 31, 2016	1.44%	2,500
	December 26, 2011	October 31, 2016	1.44%	2,000
	October 31, 2012	October 31, 2016	1.06%	2,500
	October 31, 2012	October 31, 2016	1.05%	1,500
	November 12, 2015	November 30, 2016	0.49%	2,000
	March 28, 2012	March 28, 2017	1.36%	500
	December 10, 2012	December 12, 2016	0.98%	500
	December 28, 2012	December 28, 2016	1.01%	2,000
	January 15, 2013	January 15, 2017	0.97%	1,000
	January 31, 2014	January 31, 2017	0.67%	1,200
Subtotal				22,200
Long-term loans payable	November 12, 2010	November 12, 2017	2.02%	¥ 2,300

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term loans payable	December 1, 2010	November 12, 2017	2.21%	¥ 700
	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, 2017	1.10%	2,500
	October 31, 2012	October 31, 2018	1.25%	2,500
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500
	March 26, 2013	March 26, 2018	1.04%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	July 31, 2013	July 31, 2018	0.67%	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	0.95%	500
	August 19, 2013	August 19, 2018	0.97%	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, 2020	1.12%	1,000
	November 29, 2013	November 30, 2020	1.12%	900
	November 29, 2013	November 30, 2018	0.84%	200
	January 10, 2014	January 31, 2021	1.21%	1,300
	January 31, 2014	January 31, 2021	1.13%	2,300
	January 31, 2014	January 31, 2020	0.93%	3,700
	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	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term loans payable	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
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	September 30, 2015	September 30, 2024	1.07%	2,000
	October 30, 2015	October 31, 2024	0.99%	1,000
	October 30, 2015	October 30, 2025	1.11%	1,500
	October 30, 2015	October 30, 2025	1.11%	2,000
	October 30, 2015	October 30, 2025	1.11%	2,500
	October 30, 2015	October 30, 2025	1.12%	2,500
	November 12, 2015	November 30, 2025	1.17%	1,000
	January 29, 2016	January 31, 2022	0.59%	2,500
	January 29, 2016	January 31, 2022	0.64%	500
	January 29, 2016	January 29, 2026	1.07%	2,000
	January 29, 2016	January 29, 2026	1.02%	1,800
	February 18, 2016	February 18, 2026	1.00%	1,000
	February 18, 2016	February 18, 2026	1.00%	500
March 30, 2016	March 31, 2019	0.17%	1,000	
March 31, 2016	March 31, 2026	0.90%	1,000	
April 28, 2016	April 30, 2024	0.65%	2,000	
April 28, 2016	April 30, 2026	0.84%	2,000	
April 28, 2016	April 30, 2026	0.87%	1,000	
Subtotal				143,600
Current portion of Investment corporation bonds	March 15, 2007	March 15, 2017	2.37%	¥ 3,000
Subtotal				3,000
Investment corporation bonds	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
	April 28, 2016	April 28, 2028	0.90%	1,000
Subtotal				6,300
Total				¥175,100

6. REDUCTION ENTRY

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

	In thousands of yen	
	As of October 31, 2016	As of April 30, 2016
Buildings and structures	¥26,230	¥26,230

7. PER UNIT INFORMATION

	Yen	
	From May 1, 2016 to October 31, 2016	From November 1, 2015 to April 30, 2016
Net asset value per unit	¥525,644	¥524,977
Net income per unit	¥ 11,365	¥ 11,893
Weighted average number of units (units)	404,885	404,885

The weighted average number of units outstanding of 404,885 as of October 31, 2016 and April 30, 2016, respectively was used for the computation of the amount of net income per unit. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

8. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement that it currently distribute in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. The Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥4,601 million and ¥4,335 million (deducting ¥480 million as the provision of reserve for reduction entry) for the periods ended October 31, 2016, and April 30, 2016. 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 October 31, 2016 and April 30, 2016. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	From May 1, 2016 to October 31, 2016	From November 1, 2015 to April 30, 2016
Statutory tax rate	31.74%	32.31%
Deductible cash distributions	(31.73)	(29.08)
Provision of reserve for reduction entry	—	(3.22)
Others	0.02	0.02
Effective tax rate	0.03%	0.03%

The significant components of deferred tax assets and liabilities as of October 31, 2016 and April 30, 2016 are as follows:

	In thousands of yen	
	As of October 31, 2016	As of April 30, 2016
Deferred tax assets:		
Enterprise tax payable	¥ 39	¥ 31
Deferred gains or losses on hedges	310	1,374
Amortization of leasehold rights	2,908	2,663
Subtotal deferred tax assets	3,257	4,068
Valuation allowance	(3,218)	4,037
Total deferred tax assets	¥ 39	¥ 31

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, MAJOR CORPORATE UNITHOLDERS' AND OTHER

Twenty-third Fiscal Period (May 1, 2016 to October 31, 2016) and Twenty-second Fiscal Period (November 1, 2015 to April 30, 2016):
Not applicable

(2) AFFILIATED COMPANIES AND OTHER

Twenty-third Fiscal Period (May 1, 2016 to October 31, 2016) and Twenty-second Fiscal Period (November 1, 2015 to April 30, 2016):
Not applicable

(3) FELLOW SUBSIDIARY COMPANIES AND OTHER

Twenty-third Fiscal Period (May 1, 2016 to October 31, 2016) and Twenty-second Fiscal Period (November 1, 2015 to April 30, 2016):
Not applicable

(4) DIRECTORS, MAJOR INDIVIDUAL UNITHOLDERS' AND OTHER

Twenty-third Fiscal Period (May 1, 2016 to October 31, 2016) and Twenty-second Fiscal Period (November 1, 2015 to April 30, 2016):
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 May 1, 2016 to October 31, 2016 and from November 1, 2015 to April 30, 2016 consist of the following:

	In thousands of yen	
	From May 1, 2016 to October 31, 2016	From November 1, 2015 to April 30, 2016
Rental and other operating revenues:		
Rental revenue - real estate:		
Rental revenues	¥ 9,450,736	¥ 9,117,586
Common area charges	1,911,609	1,930,493
Subtotal	11,362,345	11,048,079
Others:		
Parking space rental revenues	490,492	471,916
Utility charge reimbursement	1,136,867	990,852
Miscellaneous	440,067	301,182
Subtotal	2,067,427	1,763,950
Total rent revenue - real estate	13,429,773	12,812,029
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	1,280,694	1,251,483
Depreciation	2,274,750	2,230,747
Utilities	1,110,302	1,071,935
Taxes	1,111,203	1,112,600
Insurance	18,018	17,492
Repairs and maintenance	582,716	451,262
Trust fees	32,348	32,130
Others	344,639	365,554
Total expenses related to rent business	¥ 6,754,675	6,533,203
Gain on sale of real estate property:		
Revenue from sale of investment property	—	11,470,000
Cost of investment property	—	9,899,061
Other sales expenses	—	60,770
Gain on sale of real estate property	—	1,510,169
Loss on sale of real estate property:		
Revenue from sale of investment property	—	3,950,000
Cost of investment property	—	4,692,834
Other sales expenses	—	23,171
Loss on sale of real estate property	—	¥ 766,005

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 October 31, 2016 and April 30, 2016 are as follows:

	In thousands of yen	
	As of October 31, 2016	As of April 30, 2016
Due within one year	¥ 1,444,094	¥ 1,486,303
Due after one year	9,350,987	9,544,086
Total	¥10,795,081	¥11,030,389

13. FINANCIAL INSTRUMENTS

Twenty-third Fiscal Period (from May 1, 2016 to October 31, 2016)

(A) OVERVIEW

(1) POLICY FOR FINANCIAL INSTRUMENTS

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

(2) TYPES OF FINANCIAL INSTRUMENTS AND RELATED RISK

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

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 11 years and 6 months 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 loans payable bearing interest at a variable rate. With regard to hedge accounting methods, hedging instruments and hedged items, hedge policy, and the assessment of the effectiveness of hedging activities, please see Note 2(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, 2016 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	¥ 20,710,565	¥ 20,710,565	¥ —
Subtotal	20,710,565	20,710,565	—
① Short-term loans payable	1,500,000	1,500,000	—
② Investment corporation bonds (including current portion of investment corporation bonds)	9,300,000	9,448,956	148,956
③ Long-term loans payable (including current portion of long-term loans payable)	167,300,000	169,668,738	2,368,738
Subtotal	¥178,100,000	¥180,617,694	¥2,517,694
Derivative Transactions (*)	(977)	(977)	—

(*)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 loans payable

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

② Investment corporation bonds

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

③ Long-term loans payable

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

DERIVATIVE TRANSACTIONS

Please refer to Note 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	¥1,093,584

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	¥20,710,565
Total	¥20,710,565

*4: REDEMPTION SCHEDULE FOR LOANS PAYABLE AND INVESTMENT CORPORATION BONDS

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 1,500,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	4,500,000	1,800,000	—	—	—	3,000,000
Long-term loans payable	¥21,200,000	¥17,750,000	¥13,750,000	¥18,600,000	¥21,300,000	¥74,700,000

(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.

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 12 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 loans payable bearing interest at a variable rate. With regard to hedge accounting methods, hedging instruments and hedged items, hedge policy, and the assessment of the effectiveness of hedging activities, please see Note 2(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 April 30, 2016 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	¥ 20,602,996	¥ 20,602,996	¥ —
Subtotal	20,602,996	20,602,996	—
① Short-term loans payable	2,500,000	2,500,000	—
② Investment corporation bonds (including current portion of investment corporation bonds)	9,300,000	9,486,050	186,050
③ Long-term loans payable (including current portion of long-term loans payable)	163,300,000	165,889,327	2,589,327
Subtotal	¥175,100,000	¥177,875,377	¥2,775,377
Derivative Transactions (*)	(4,328)	(4,328)	—

(*) 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 loans payable

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

② Investment corporation bonds

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

③ Long-term loans payable

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

DERIVATIVE TRANSACTIONS

Please refer to Note 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	¥1,089,761

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	¥20,602,996
Total	¥20,602,996

***4: REDEMPTION SCHEDULE FOR LOANS PAYABLE AND INVESTMENT CORPORATION BONDS**

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 2,500,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	3,000,000	1,500,000	1,800,000	—	—	3,000,000
Long-term loans payable	¥19,700,000	¥19,250,000	¥16,050,000	¥14,700,000	¥19,600,000	¥74,000,000

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 October 31, 2016:

① Hedge accounting not applied

Not applicable

② Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 2,500,000	¥ 2,500,000	¥(977)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	103,350,000	99,650,000	*	
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term loans payable	500,000	500,000	*	
Total			¥106,350,000	¥102,650,000	¥(977)	

(*) 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 loans payable.

The following summarizes the contracted amount and the fair value of interest-rate swap and the interest-rate cap contracts as of April 30, 2016:

① Hedge accounting not applied

Not applicable

② Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 1,000,000	¥ 1,000,000	¥(4,328)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	109,350,000	102,150,000	*	
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term loans payable	2,000,000	500,000	*	
Total			¥112,350,000	¥103,650,000	¥(4,328)	

(*) 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 loans payable.

15. INVESTMENT AND RENTAL PROPERTIES

Twenty-third Fiscal Period (from May 1, 2016 to October 31, 2016)

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, 2016 (In thousands of yen)
As of April 30, 2016	Net change	As of October 31, 2016	
¥ 385,085,254	¥ 4,111,765	¥ 389,197,020	¥ 414,605,000

*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. The fair value of KDX Nihonbashi Kabutocho Building and BUREX Toranomon are calculated based on the sales price of ¥12,400,000 thousand under the sales and purchase agreement dated November 1, 2016 and the sales price of ¥2,440,000 thousand under the sales and purchase agreement dated December 1, 2016, respectively.

*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 two properties totaling ¥5,221,373 thousand and depreciation amounting to ¥2,274,750 thousand.

Income and loss in the fiscal period ended October 31, 2016 for real estate for rental purposes is listed in Note 11. "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY".

Twenty-second Fiscal Period (from November 1, 2015 to April 30, 2016)

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, 2016 (In thousands of yen)
As of October 31, 2015	Net change	As of April 30, 2016	
¥381,466,641	¥3,618,614	¥385,085,255	¥402,555,000

*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 two properties totaling ¥19,321,019 thousand, the sale of two properties totaling ¥14,591,896 thousand and depreciation amounting to ¥2,230,747 thousand.

Income and loss in the fiscal period ended April 30, 2016 for real estate for rental purposes is listed in 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

Twenty-third Fiscal Period (from May 1, 2016 to October 31, 2016)

(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 and retained earning.

(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 and retained earning.

(b) Property, plant and equipment

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

(3) INFORMATION ABOUT EACH MAJOR CUSTOMER

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

Twenty-second Fiscal Period (November 1, 2015 to April 30, 2016)

(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 and retained earning.

(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 and retained earning.

(b) Property, plant and equipment

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

(3) INFORMATION ABOUT EACH MAJOR CUSTOMER

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

17. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

Unitholders' Information

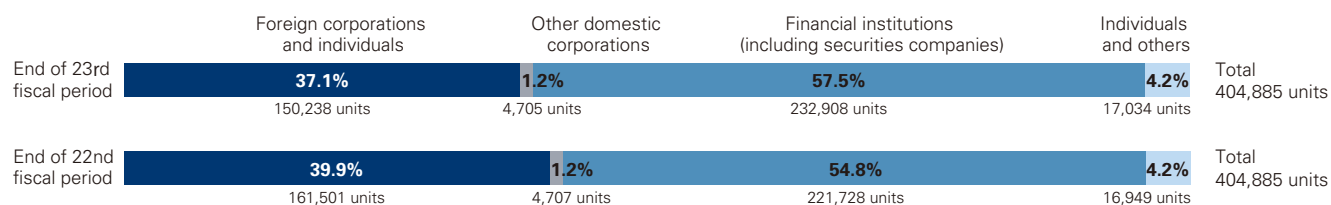
Kenedix Office Investment Corporation

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

IR Schedule (23rd and 24th fiscal periods)



General Breakdown of Unitholders



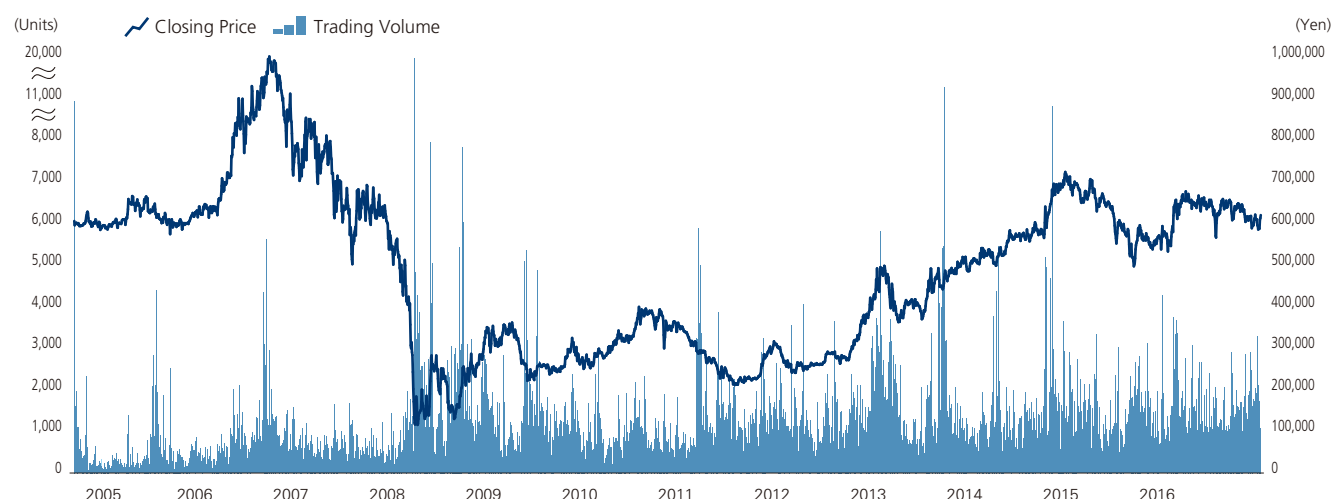
Note: The ratios are rounded to the first decimal place

Top Ten Unitholders (As of October 31, 2016)

Name	# of Units Held (Unit)	Percentage Share (Note)
Japan Trustee Services Bank, Ltd. (Trust Acct.)	71,334	17.6%
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	56,155	13.9%
The Master Trust Bank of Japan, Ltd. (Trust Acct.)	47,407	11.7%
Nomura Bank (Luxemburg) S.A.	22,089	5.5%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Acct.)	19,845	4.9%
The Bank of New York Mellon SA/NV 10	9,842	2.4%
State Street Bank and Trust Company 505223	8,504	2.1%
State Street Bank and Trust Company 505001	6,726	1.7%
State Street Bank and Trust Company	6,262	1.5%
State Street Bank and Trust Company 505012	5,722	1.4%
Total	253,886	62.7%

Note: The ratios are rounded to the first decimal place

Unit Price and Trading Volume





<http://www.kdo-reit.com/en/>

Disclaimer:

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The financial statements of KDO have been prepared in accordance with generally accepted accounting principles in Japan (Japanese GAAP), which may materially differ in certain respects from generally accepted accounting principles of other jurisdictions.

This semiannual report contains forward-looking statements. These statements appear in a number of places in this semiannual report and include statements regarding the intent, belief, or current and future expectations of KDO or Kenedix Real Estate Fund Management, Inc. with respect to its business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "would," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Accordingly, readers of this document should not interpret the forward-looking statements included herein as predictions or representations of future events or circumstances.

Potential risks and uncertainties also include those identified and discussed in this document. Given these risks and uncertainties, readers of this document are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of information produced herein. We disclaim any obligation to update or, except in the limited circumstances required by the Tokyo Stock Exchange, announce publicly any revisions to any of the forward-looking statements contained in these documents.

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