

# Kenedix Office Investment Corporation

21st Period Results (Ended October 2015)

December 15, 2015



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## Section 1

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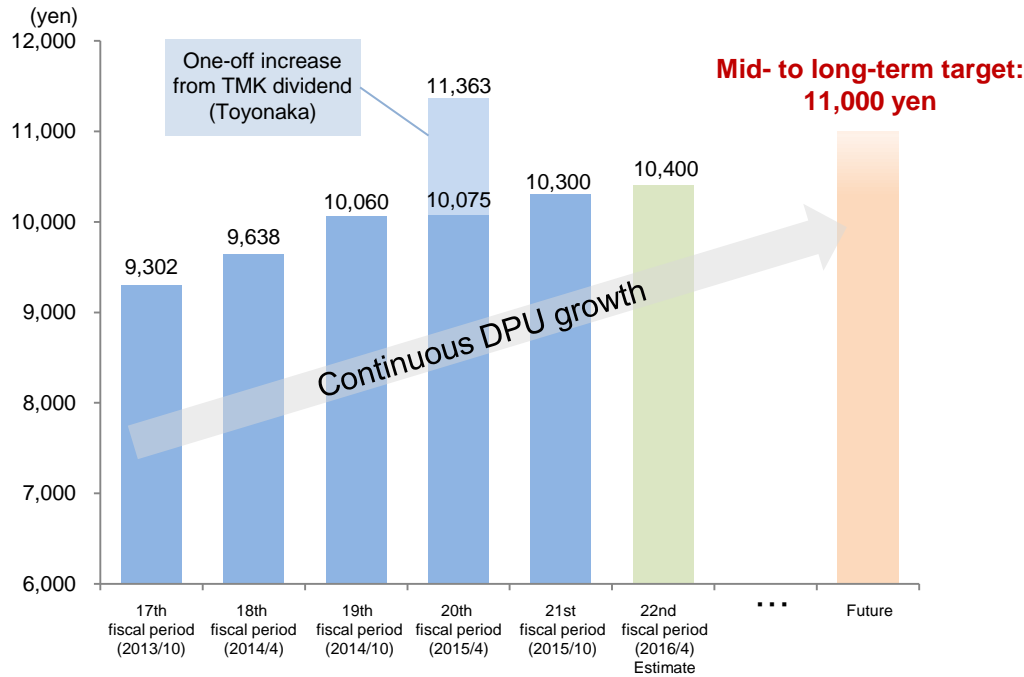
Executive Summary / highlights

# Highlights of 21st fiscal period (2015/10) and future initiatives

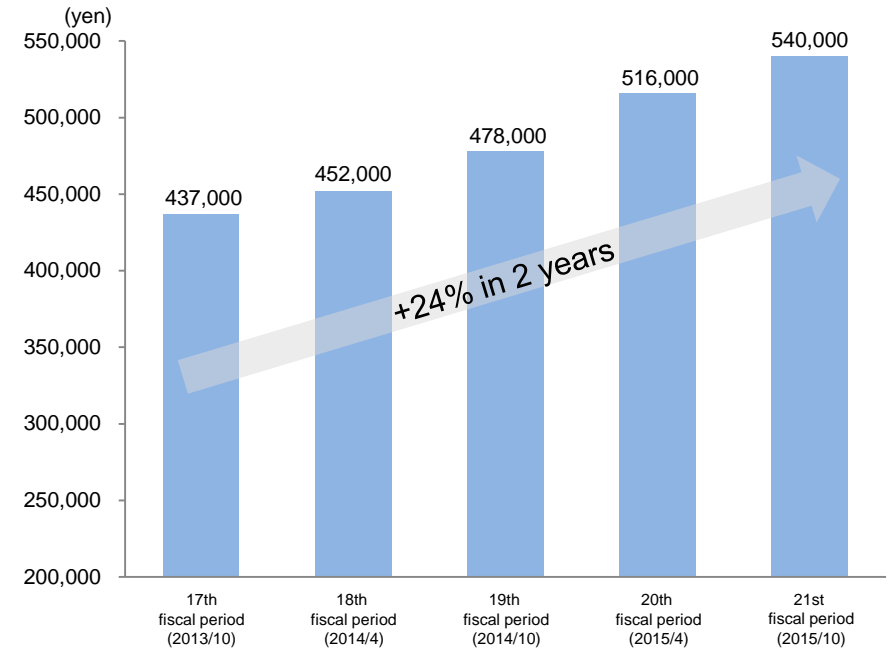
	Highlights	Future initiatives								
External growth	<p><b>Improved portfolio quality through asset reshuffle</b></p> <p>Acquisition of 2 office buildings  <b>Selective investment in mid-sized office buildings 8.5bn yen</b></p> <p>Net increase in NOI <b>Asset reshuffle</b> Lowering of average age of properties</p> <p>Disposition of 2 office buildings  <b>Secured gains from sales and increased retained earnings 5.2bn yen</b></p> <p>Asset size <b>388.3bn yen</b></p> <p># of properties <b>97 properties</b></p> <p>Balance of reserve for reduction entry <b>1.54bn yen</b></p>	<p><b>Continue selective investment and property reshuffle</b></p> <ul style="list-style-type: none"> <li>Continue selective investment in mid-sized office buildings in the Tokyo metropolitan area</li> <li>Acquire properties meeting our criteria through diversified acquisition methods</li> <li>Proactively promote asset reshuffle in view of the trend of real-estate transaction market</li> </ul>								
	<p><b>Steadily ensured the rise in the number of properties with increased revenues</b>  <b>Rent revenues from existing properties demonstrate an upward trend</b></p> <p><b>Rent gap with market rent has been filled</b></p> <p>Overall average: 20th period +2.5% &gt;&gt; 21st period 0%</p> <p><b>Increase in new rent and revised rent level</b></p> <p>Unit rent for new tenants: +3.3%      Change in rent level at time of rent revision: +1.107mn yen/month</p> <p><b>Progress in leasing</b></p> <ul style="list-style-type: none"> <li>KDX Kawasaki-Ekimae Hon-cho Building: Leased to a new tenant without downtime</li> <li>KDX Iidabashi Square: Negotiating with a prospective tenant on details of the leasing terms after receiving request for consideration from this tenant</li> </ul>	<p><b>Accelerate increases in rent revenues</b></p> <ul style="list-style-type: none"> <li>Seek to increase rent per unit for new tenants and improve actual occupancy rate by shortening rent free period</li> <li>Promote negotiation on rent revision targeting further rent increases and prevention of rent reduction</li> <li>Allocate Capex more efficiently and strategically (to renovation works, upgrade of air conditioning systems, etc.)</li> </ul>								
Financial strategy	<p><b>Promoted financial strategy to stabilize financial position over the long term</b></p> <table border="1"> <tr> <td>Improvement in terms and conditions of borrowings</td> <td>Cost of interest-bearing debt</td> <td>Average remaining period to maturity</td> <td>LTV</td> </tr> <tr> <td>LTV at the conservative level</td> <td>End of 21st fiscal period (vs. prior period) <b>1.39%</b> (-0.06%)</td> <td><b>4.3 yrs</b> (+0.2 yrs)</td> <td><b>42.8%</b> (±0%)</td> </tr> </table> <p>Further increase in appraisal profit: End of 20th fiscal period <b>1.9bn yen</b> &gt;&gt; End of 21st fiscal period <b>10.9bn yen</b></p> <p>Expansion of lender formation: Lender formation expanded to 15 financial institutions with adding Mie Bank. Realized further diversification/enhancement in financing sources</p>	Improvement in terms and conditions of borrowings	Cost of interest-bearing debt	Average remaining period to maturity	LTV	LTV at the conservative level	End of 21st fiscal period (vs. prior period) <b>1.39%</b> (-0.06%)	<b>4.3 yrs</b> (+0.2 yrs)	<b>42.8%</b> (±0%)	<p><b>Continue strengthening financial position</b></p> <ul style="list-style-type: none"> <li>Lower the average interest rate and further extend the average remaining period to maturity through refinancing 18.3bn yen of long-term debt maturing in the 22nd fiscal period</li> <li>Respond quickly and flexibly to acquisition opportunities, maintaining the conservative LTV level</li> </ul>
Improvement in terms and conditions of borrowings	Cost of interest-bearing debt	Average remaining period to maturity	LTV							
LTV at the conservative level	End of 21st fiscal period (vs. prior period) <b>1.39%</b> (-0.06%)	<b>4.3 yrs</b> (+0.2 yrs)	<b>42.8%</b> (±0%)							

# DPU and NAV per unit levels

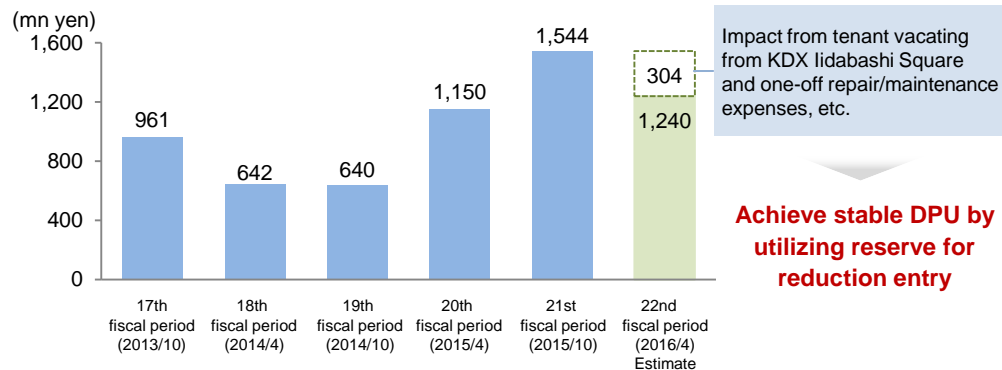
DPU: Historical performance and forecast



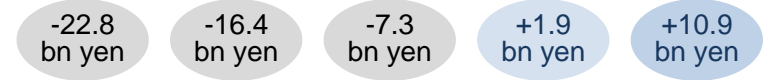
NAV per unit: Historical performance (Note 2)



Reserve for reduction entry: Historical performance (Note 1)



Portfolio appraisal profit/loss (Note 3)



- Note 1: 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 on the balance sheet as of the end of relevant fiscal period.
- Note 2: NAV per unit is truncated to the nearest thousand yen after subtracting the amount of DPU.
- Note 3: Appraisal profit/loss is calculated by subtracting book values from appraisal values for all properties owned as of the end of relevant fiscal period.

Memo

## Section 2

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21st fiscal period results (2015/10)  
and earning forecasts

# 21st fiscal period (2015/10) financial results:

## Performance highlight

Items	A	B	C	(Unit: mn yen)	
	20th fiscal period 2015/4 Actual	21st fiscal period 2015/10 Forecast (published on Jun.12)	21st fiscal period 2015/10 Actual	C-A 21st (actual) vs 20st (actual) Comparison Change	C-B 21st (actual) vs 21st (forecast) Comparison Change
<b>Operating revenue</b>	14,130	13,050	13,740	-389	690
Gain on sale of real estate	709	-	461	-248	461
Dividend	583	52	53	-530	1
<b>Operating expense</b>	7,593	7,501	7,800	207	299
Loss on sale of real estate	287	-	165	-122	165
<b>Operating income</b>	6,537	5,548	5,940	-596	391
<b>Non-operating income</b>	2	2	1	-0	-0
<b>Non-operating expense</b>	1,427	1,378	1,376	-51	-1
<b>Ordinary income</b>	5,111	4,172	4,565	-546	392
<b>Net income</b>	5,110	4,170	4,564	-546	393
Provision/reversal (-) of reserve for reduction entry	509	-	394	-115	394
<b>Total distributions</b>	4,600	4,170	4,170	-430	-
<b>Distributions per unit (yen)</b>	11,363	10,300	10,300	-1,063	0
<b># of total units outstanding</b>	404,885	404,885	404,885	0	0
<b>Related information</b>					
Rental NOI (Note 1)	8,680	8,677	8,775	95	98
FFO (Note 2)	6,909	6,391	6,487	-421	96
Depreciation	2,221	2,220	2,218	-2	-1
Number of properties	97	97	97	0	0
Total interest-bearing debt	174,600	-	174,100	-500	
LTV	42.8%	-	42.8%	0.0%	
Book value (Period-end)	379,905	-	381,466	1,561	
Appraisal value (Period-end)	381,864	-	392,422	10,558	
Net assets	211,951	-	211,914	-37	

Note 1: Rental NOI = Operating revenue - Gain/loss on sale of real estate - Dividend income - Expense related to rental business (excl. depreciation).

Note 2: FFO = Net income + Depreciation - Gain on sale of real estate + Loss on sale of real estate.

Note 3: Early termination of lease agreement on Sep.30, 2015 due to the tenant cancellation. We have received cancellation penalty which equals to the amount of rents through Jan.9, 2016.

### Major changes in 21st fiscal period (2015/10) against actual result in 20th fiscal period (2015/4)

<b>Operating revenue</b>	<b>-389 mn yen</b>	
• Rent/common area charge	+47 mn yen	(Properties acquired: +61 (21st), +296 (20th), Existing properties: -53 (among them, KDX Iidabashi Square -27 <sup>(Note 3)</sup> ) Properties sold: -63 (21st), -194 (20th))
• Parking space rental revenue	-1 mn yen	
• Utilities	+112 mn yen	
• Other revenues	+231 mn yen	(21st: Cancellation penalty +89 <sup>(note 3)</sup> , Restoration fee +116 for KDX Iidabashi Square)
• Gain on sale of real estate	-248 mn yen	(Disappearance of gain on the sales of properties (20th): KDX Hamacho Bldg -244, Venus Hibarigaoka -134, Sendai Nikko Bldg. -331 21st: Nagoya Nikko Shoken Building +461)
• Dividend income	-530 mn yen	(20th: TMK dividend (Toyonaka) -521, etc.)
<b>Operating expense</b>	<b>+207 mn yen</b>	
• Depreciation	-2 mn yen	(Properties acquired: +9 (21st), +36 (20th) Properties sold: -4 (21st), -51 (20th), Other: +8)
• Property management fee	+20 mn yen	(Properties acquired: +7 (21st), +54 (20th), Existing properties: -7 Properties sold: -10 (21st), -24 (20th))
• Taxes	+140 mn yen	(Properties acquired in and after 18th fiscal period (after KDX Iidabashi Square) +161 Properties sold: -3 (21st), -31 (20th), Other: +13)
• Repair/maintenance	+60 mn yen	
• Utilities	+24 mn yen	
• Loss on sale of real estate	-122 mn yen	(Disappearance of loss on the sale of property 20th: KDX Minami Semba Dai-2 Bldg. -287 21st: KDX Nogizaka Bldg. +165)
• Asset management fee	+13 mn yen	
• Other expenses	+74 mn yen	
<b>Non-operating expense</b>	<b>-51 mn yen</b>	
• Interest expense/Financing-related expense		-52 mn yen
• Amortization of investment unit issuance cost, etc.	+1 mn yen	

### Major changes in 21st fiscal period (2015/10) against 21st fiscal period (2015/10) forecast, published on June 12

<b>Operating revenue</b>	<b>+690 mn yen</b>	
• Rent/common area charge	-22 mn yen	(Properties acquired: +61(21st), Existing properties: -16, Properties sold: -67(21st))
• Parking space rental revenue	+12 mn yen	
• Utilities	-23 mn yen	
• Other revenues	+261 mn yen	(21st: Cancellation penalty + 89, Restoration fee +116 for KDX Iidabashi Square, etc.)
• Gain on sale of real estate	+461 mn yen	(21st: Profit on the sale of Nagoya Nikko Shoken Bldg.)
• Dividend income	+1 mn yen	(TK Dividend: KRF43 (Shinjuku))
<b>Operating expense</b>	<b>+299 mn yen</b>	
• Utilities	-92 mn yen	
• Depreciation	+1 mn yen	(Properties acquired: +9 (21st), Properties sold: -5 (21st), Other: -3)
• Repair/maintenance	+221 mn yen	(KDX Utsunomiya Bldg.: +48, KDX Ikebukuro West Bldg.: +19, KDX Hiroshima Bldg.: +18, Hamamatsucho Center Bldg.: +13, KDX Omiya Bldg.: +10, etc)
• Loss on sale of real estate	+165 mn yen	(21st: Loss on the sale of KDX Nogizaka Bldg)
• Other expenses	+4 mn yen	
<b>Non-operating expense</b>	<b>-1 mn yen</b>	
• Interest expense/Financing-related expense		-22 mn yen
• Non-deductible consumption taxes, etc.		+21 mn yen



# 22nd fiscal period (2016/4): Earning forecast

(Unit: mn yen)

Items	A	B	B-A
	21st fiscal period 2015/10 Actual	22nd fiscal period 2016/4 Forecast	22nd (forecast) vs 21st (actual) Comparison Change
<b>Operating revenue</b>	13,740	12,841	-898
Gain on sale of real estate	461	-	-461
Dividend	53	33	-20
<b>Operating expense</b>	7,800	7,666	-133
Loss on sale of real estate	165	-	-165
<b>Operating income</b>	5,940	5,175	-765
<b>Non-operating income</b>	1	2	0
<b>Non-operating expense</b>	1,376	1,268	-107
<b>Ordinary income</b>	4,565	3,908	-657
<b>Net income</b>	4,564	3,906	-657
Provision/reversal (-) of reserve for reduction entry	394	-304	-698
<b>Total distributions</b>	4,170	4,210	40
<b>Distributions per unit (yen)</b>	10,300	10,400	100
<b># of total units outstanding</b>	404,885	404,885	0
<b>Related Information</b>			
Rental NOI <sup>(Note 1)</sup>	8,775	8,318	-457
FFO <sup>(Note 2)</sup>	6,487	6,127	-360
Depreciation	2,218	2,220	1
Number of properties	97	97	0
(Reference) Estimated property and city planning taxes	-	1,089	

## Major changes in 22nd fiscal period (2016/4) against actual result in 21st fiscal period (2015/10)

<b>■ Operating revenue</b>	<b>-898 mn yen</b>	
• Rent/common area charge	-86 mn yen	(Properties acquired: +140 (21st), Properties sold: -139 (21st), Existing properties: -87 (among them, KDX lidabashi Square -136))
• Parking space rental revenue	-19 mn yen	
• Utilities	-99 mn yen	
• Other revenues	-213 mn yen	(Disappearance of revenues occurred in 21st: Cancellation penalty -89, Restoration fee -116 for KDX lidabashi Square, etc.)
• Gain on sale of real estate	-461 mn yen	(21st: Profit on the sale of Nagoya Nikko Shoken Bldg..)
• Dividend income	-20 mn yen	
<b>■ Operating expense</b>	<b>-133 mn yen</b>	
• Depreciation	+1 mn yen	(Properties acquired: +18 (21st), Properties sold: -15 (21st), Other: -2)
• Utilities	-27 mn yen	
• Taxes	-7 mn yen	(Properties acquired: +6 (21st), Properties sold: -27 (21st), Existing properties: +14))
• Repair/maintenance	+43 mn yen	(KDX lidabashi Square +91, KDX Shin-Yokohama 214 Bldg. +61, Koishikawa TG Bldg. +16)
• Property management fee	-13 mn yen	(Properties acquired: +15 (21st), Properties sold: -19 (21st), Other: -9)
• Loss on sale of real estate	-165 mn yen	(21st: Loss on the sale of KDX Nogizaka Bldg.)
• Other expenses	+35 mn yen	(Expense related to rental business +43 Other operating expense -8 )
<b>■ Non-operating expense</b>	<b>-107 mn yen</b>	
• Interest expense/Financing-related expense	-87 mn yen	
• Non-deductible consumption taxes, etc	-20 mn yen	

Note 1: Rental NOI = Operating revenue - Gain/loss on sale of real estate - Dividend income - Expense related to rental business (excl. depreciation).

Note 2: FFO = Net income + Depreciation - Gain on sale of real estate + Loss on sale of real estate.

## Section 3

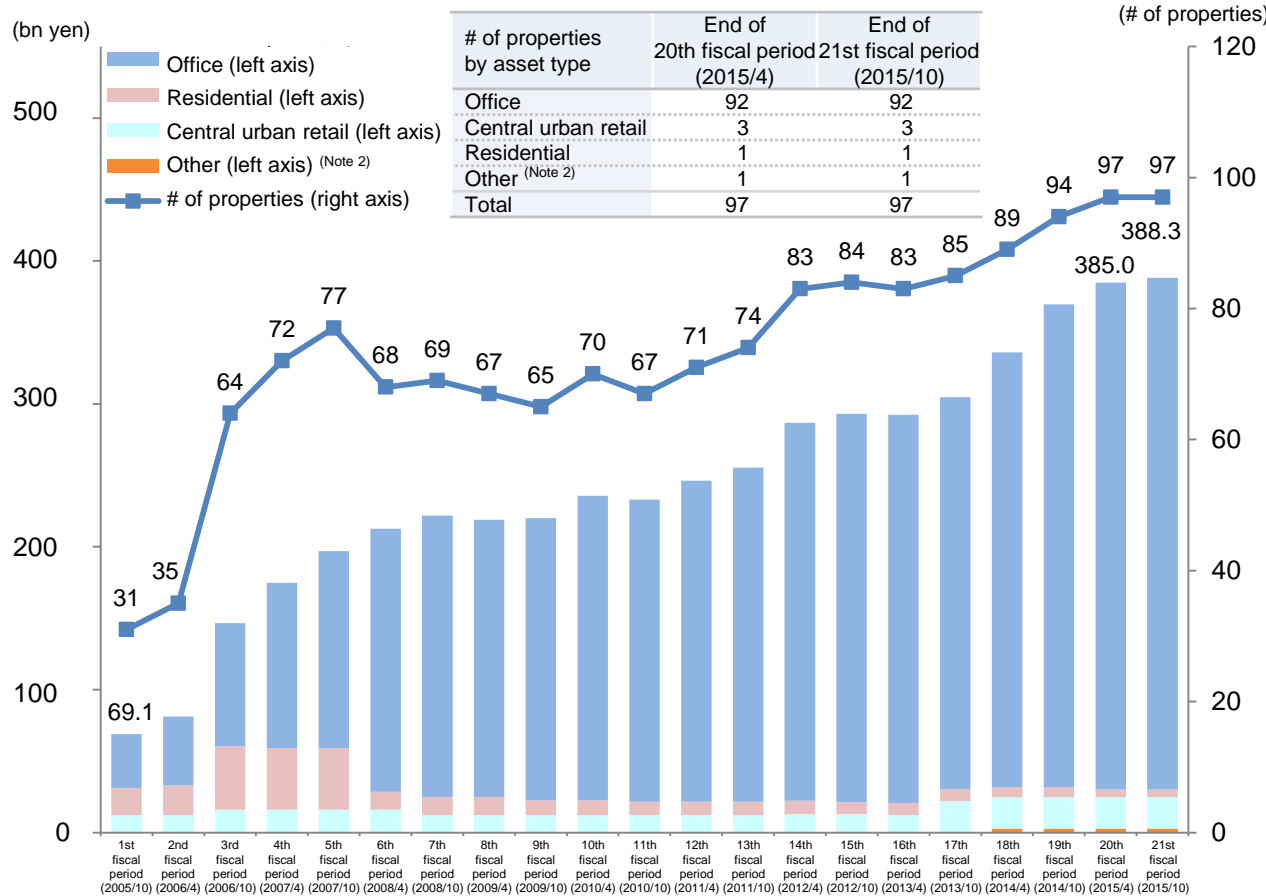
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### External growth

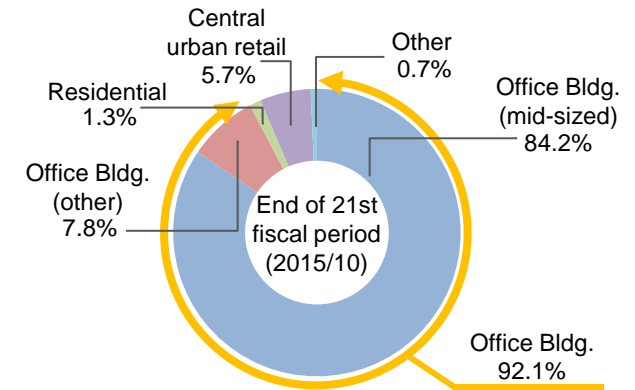
# Portfolio overview

- Portfolio mainly consists of mid-sized office buildings in the Tokyo metropolitan area
- Consistently expanding asset size while improving portfolio quality through asset reshuffle

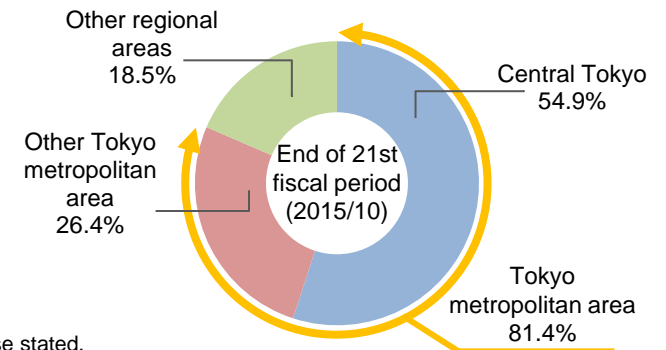
Portfolio growth (based on total acquisition price) (Note 1)



Breakdown by asset type (based on acquisition price) (Note 3)



Breakdown by region (based on acquisition price) (Note 4)



Note 1: Figures are truncated to the nearest 100 million yen. Figures in this material are truncated to the nearest unit unless otherwise stated.

Note 2: "Other" properties include Kanazawa Nikko Building for 14th fiscal period (2012/4) and 15th fiscal period (2012/10), and Shinjuku 6chome Building (Land) for 18th fiscal period (2014/4) onward.

Note 3: Portfolio breakdown by asset type based on acquisition price (truncated to the first decimal place).

Note 4: Portfolio breakdown by region based on acquisition price (truncated to the first decimal place).

# Asset reshuffle in 21st fiscal period (2015/10)


- Portfolio expansion and quality improvement through effective portfolio reshuffle
- Realized a net increase in NOI without increasing LTV, through effective use of sales proceeds and cash reserves

### Property acquisitions

- Selected investments based on locational advantages and tenant demand

#### Hamamatsucho Center Building

(Acquired on Sep. 1, 2015)




- **High accessibility**
  - 2-minute walk from Hamamatsucho station and Daimon station
- **Our abundant knowhow in Hamamatsucho area**
  - Owning 3 office buildings in this area

Central Tokyo

#### Shin Osaka Center Building

(Acquired on Sep. 1, 2015)



- **Connected to station via pedestrian deck**
  - 3-minute walk from Shin Osaka station
- **Advantage in leasing**
  - High visibility from the station
  - Flexible floor plans

Other regional area

Total acquisition price	8,500mn yen
Total appraisal value <small>(Note 3)</small>	8,670mn yen
Total acquisition price/ Total appraisal value	98.0%



**Effect of asset reshuffle**

**Portfolio size expansion and net increase in NOI (Note 1)**

Portfolio size : +3,300mn yen  
 Net increase in Portfolio NOI: +200mn yen

**Rejuvenation of building age**

Lowered to about 12 years (Note 2) 

**Further focus on Tokyo metropolitan area**

Increased central Tokyo share 

**Growth of retained earnings through gains from property dispositions**


Gains from sale of 2 properties: 295mn yen  
 Increase in reserve for reduction entry: 394mn yen

### Property dispositions

- Disposition determinations based on building age, tenant concentration, future profitability, etc.

#### Nagoya Nikko Shoken Bldg.

(sold on Aug. 28, 2015)




- **Risks in terms of future profitability**
  - Heavy dependence on the largest tenant and a significant rent gap against the market rent
  - 41 years of building age and mounting investments in retaining the property's competitiveness
- **Replacement with KDX Sakura-dori Building**
  - Risks diversified through rejuvenation of building age and increase of tenants

Other regional area

#### KDX Nogizaka Building

(sold on Oct. 29, 2015)



- **Diminished competitiveness as an office building**
  - Located in a neighborhood where the number of office buildings is limited
  - Irregular floor shape
- **A higher percentage of unrealized losses**
  - Appraisal loss at sales of 35%

Central Tokyo

Total disposition price	5,760mn yen
Total appraisal value <small>(Note 3)</small>	4,865mn yen
Total disposition price/ Total appraisal value	118.4%

Note 1: Portfolio size expansion indicates the difference between the total acquisition price of the properties acquired and that of the properties sold. Net increase in NOI indicates the difference between the total estimated NOI of the properties acquired upon acquisition and the total annualized actual NOI in 21st fiscal period for the properties sold.

Note 2: Rejuvenation of building age indicates the difference of the weighted average building age of the properties acquired (based on acquisition price) and that of properties sold (based on disposition price).

Note 3: Appraisal values on acquisition or disposition.

# Properties acquired in 21st fiscal period (2015/10)

- Acquired two mid-sized office buildings highly accessible to terminal stations

Hamamatsucho Center Building



- Conveniently located within walking distance of 4 railway stations and easily accessible from/to Haneda Airport
- Flexible floor plans available on regular-shaped floors
- Planned redevelopment projects in the Hamamatsu-cho 1-chome and 2-chome zones will likely better position the area as an office district

Location	Minato-ku, Tokyo	Completion date	December, 1985
Gross floor area	3,981.69㎡	Occupancy rate (as of Sep. 1 2015)	100%
Acquisition price	3,950mn yen	Appraisal value at the time of acquisition	4,010mn yen
NOI yield (Note 1)	4.0%	Appraisal NOI yield (Note 2)	4.6%
Transportation	About 2-minute walk from Hamamatsucho station (JR and Tokyo Monorail Line) About 2-minute walk from Daimon station (Toei Asakusa/Oedo Lines)		

Note 1: NOI yield is calculated by dividing the estimated NOI (based on asset manager's estimate at the time of acquisition) by the acquisition price of the property. Figures are rounded to the first decimal place.

Note 2: Appraisal NOI yield is calculated by dividing annualized net operating income (based on the direct capitalization method described in the relevant appraisal report at the time of acquisition) by the acquisition price. Figures are rounded to the first decimal place.

Shin Osaka Center Building



- Located near Shin Osaka, a terminal station, in Osaka and accessible via a pedestrian deck from the station
- Located in a business district with many medium- and high-rise office buildings and hotels
- Regular-shaped rental floors without pillars enabling flexible responses to various tenant needs

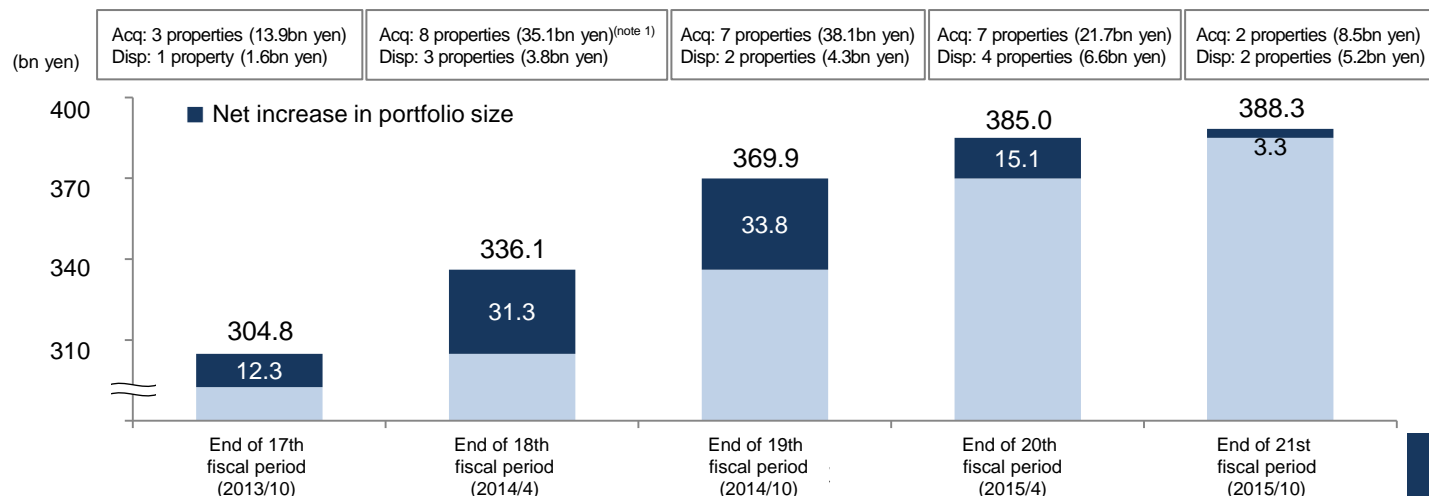
Location	Osaka, Osaka	Completion date	May, 1992
Gross floor area	7,987.35㎡	Occupancy rate (as of Sep. 1 2015)	90.3%
Acquisition price	4,550mn yen	Appraisal value at the time of acquisition	4,660mn yen
NOI yield (Note 1)	4.5%	Appraisal NOI yield (Note 2)	5.1%
Transportation	About 3-minute walk from Shin Osaka station (JR and Osaka Municipal Subway)		

# Track record and effect of property acquisitions and dispositions

- Enhance profitability, earnings stability and financial position through dynamic acquisition/disposition of properties, with due consideration for market trends

**Active expansion of portfolio size through public offerings for 3 consecutive periods**

**Portfolio quality improvement through more active asset reshuffle**



	End of 17th fiscal period (2013/10)	End of 18th fiscal period (2014/4)	End of 19th fiscal period (2014/10)	End of 20th fiscal period (2015/4)	End of 21st fiscal period (2015/10)	Achievement in 2 years	
Number of properties owned <sup>(Note 1)</sup>	85	89	94	97	97	<b>+12</b>	Enhanced portfolio stability through diversification
Number of tenants of office buildings <sup>(Note 2)</sup>	865	886	1,004	1,075	1,090	<b>+225</b>	
NOI yield	4.2%	4.4%	4.4%	4.5%	4.5%	<b>+0.3%</b>	Improved portfolio profitability
Change in appraisal profit/loss due to property transactions <sup>(Note 3)</sup>	+0.9bn yen	+1.6bn yen	+2.7bn yen	+2.3bn yen	+0.6bn yen	<b>+8.1bn yen</b>	Strengthened financial base
Appraisal profit/loss of portfolio <sup>(Note 4)</sup>	-22.8bn yen	-16.4bn yen	-7.3bn yen	+1.9bn yen	+10.9bn yen	<b>+33.7bn yen</b>	
Reserve for reduction entry	0.96bn yen	0.64bn yen	0.64bn yen	1.15bn yen	1.54bn yen	<b>+0.58bn yen</b>	

Note 1: 1 of the 8 properties acquired in the 18th fiscal period (2014/4) is the additional portion in KDX Shinbashi Building, and is counted together with the existing portion as 1 property in calculation of number of properties owned.

Note 2: End-tenants leasing spaces in multiple buildings or multiple areas in the same building are counted as 1 tenant in calculating number of tenants of office buildings.

Note 3: Change in appraisal profit/loss due to property transactions is calculated by adding the difference between the appraisal value and the acquisition price of properties acquired and subtracting the difference between the appraisal value and the book value of the properties disposed of.

Note 4: Appraisal profit/loss of portfolio is calculated as the difference between the total appraisal value and total book value of the properties owned as of the end of each period.

Memo

## Section 4

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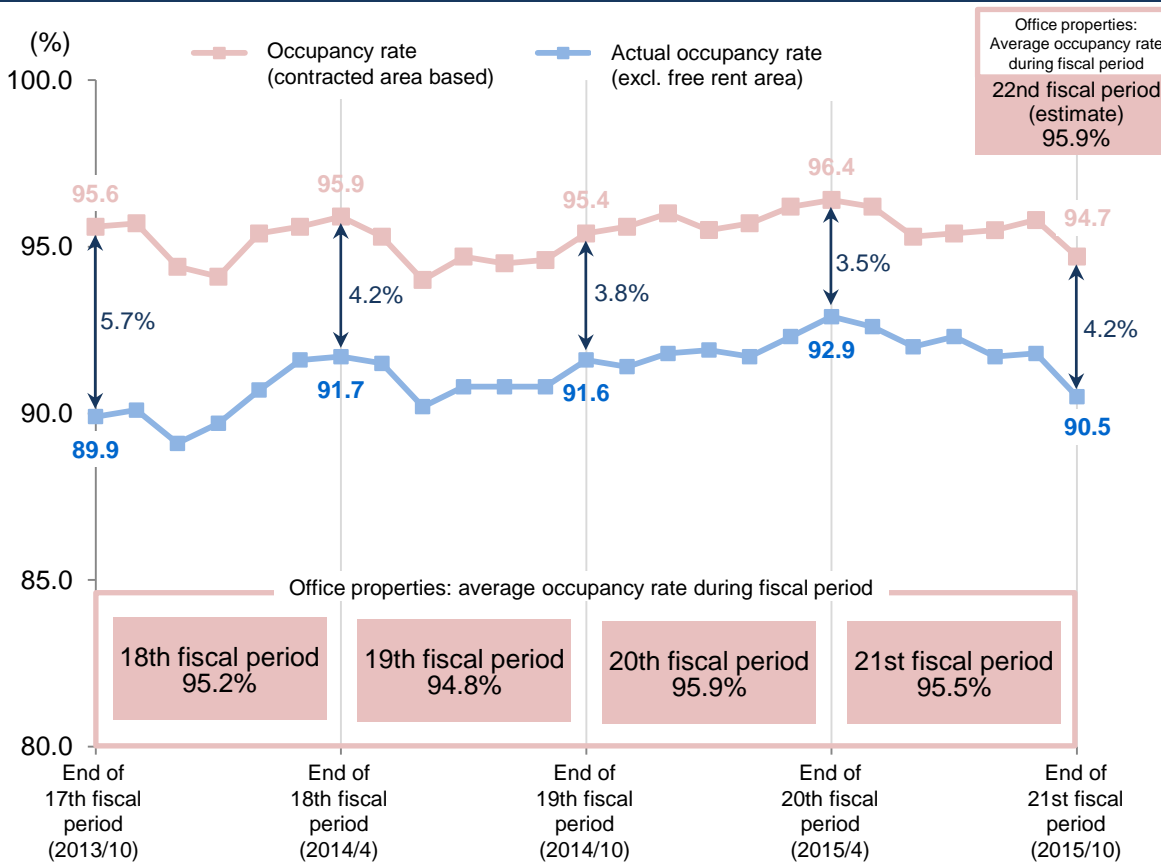
### Internal growth



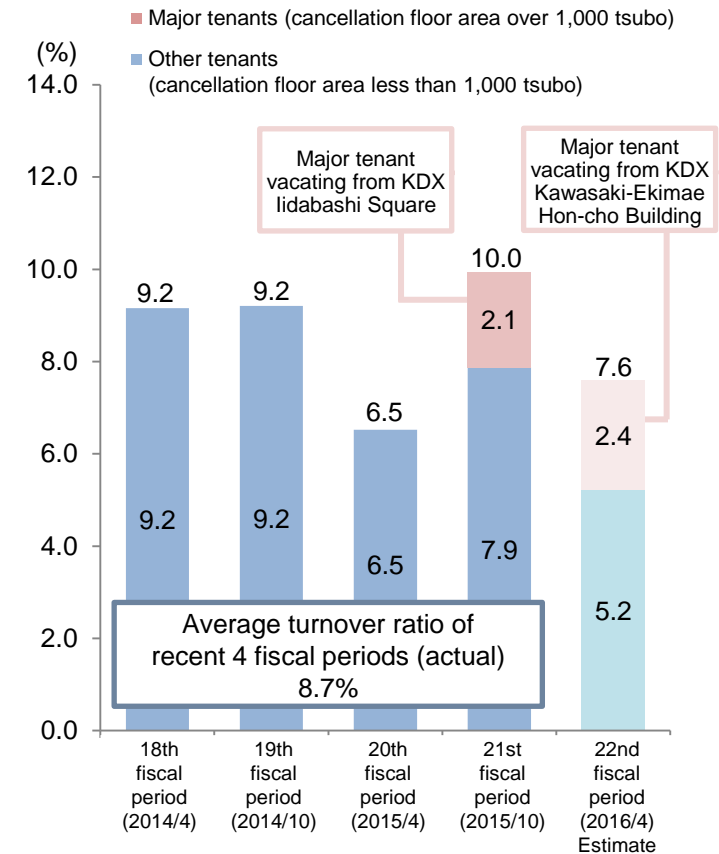
# Occupancy rate and turnover ratio for KDO office buildings KENEDIX Office Investment Corporation

- Occupancy rate fell below 95%, affected by move-out of a key tenant from KDX lidabashi Square
- Aim to lease vacant spaces in low occupancy properties and improve actual occupancy rate

Occupancy rate performance of office buildings (Note 1)



Turnover ratio (annualized) of office buildings (Note 2) (Note 3)



Note 1: Occupancy rate (contracted area based) is calculated by dividing the contract based leased area by leasable area and actual occupancy rate (excl. free rent area) is calculated by dividing the leased area subtracting the 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. Furthermore, the estimated average occupancy rate for 22nd fiscal period (2016/4) is the assumed figure used in the earnings forecast.

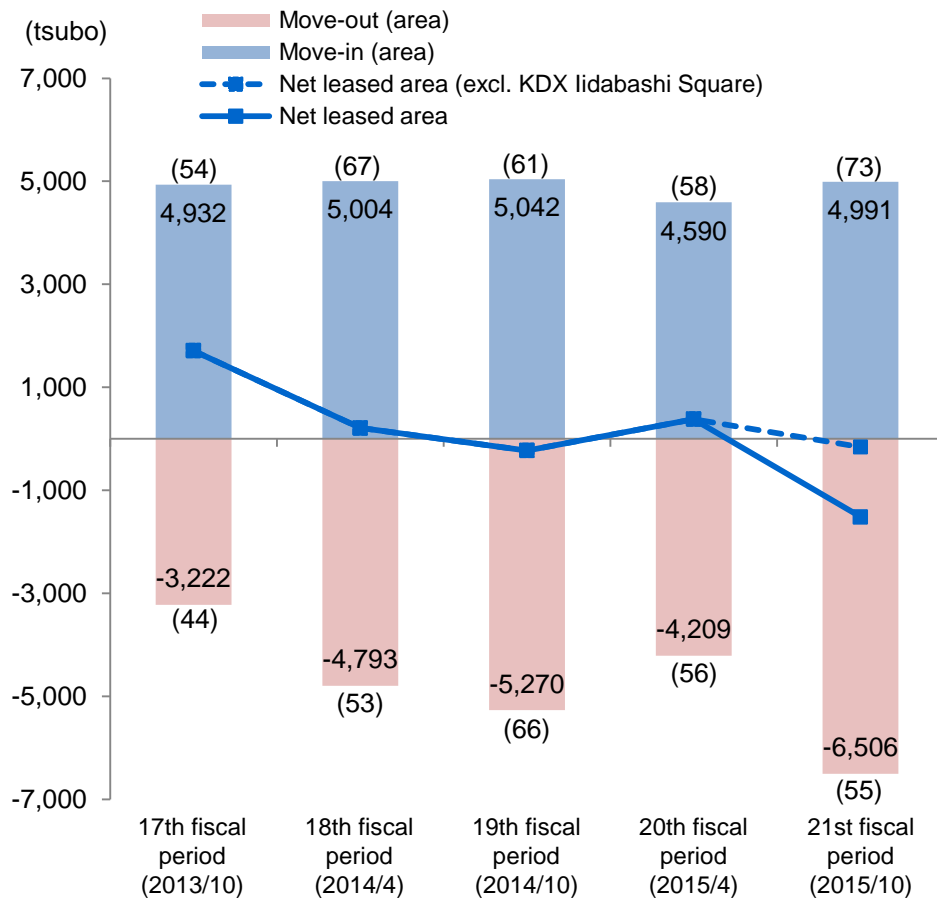
Note 2: Annualized turnover ratio is calculated and annualized as follows: (Total leasable area of the end-tenants who cancelled the lease agreement during the six-month period from the beginning to the end of each period) / (Average leasable area of all office buildings owned by KDO as of each month-end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

Note 3: The forecast for 22nd period (2016/4) is based on the cancellation notice received prior to the end of 21st period (2015/10).

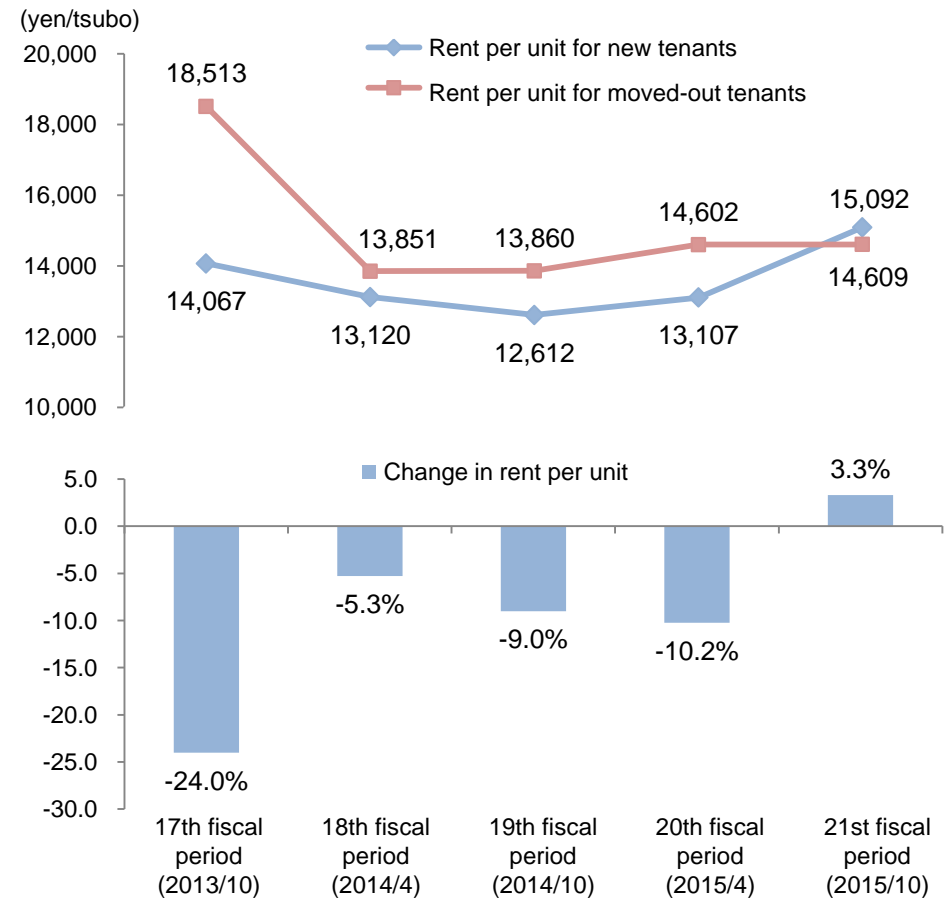
# Tenant turnover and rent per unit for new tenants (office buildings) KENEDIX Office Investment Corporation

- Newly leased area almost equal to newly vacated area, excluding move-out from KDX lidabashi Square
- Rent per unit for new tenants exceeds that of moved-out tenants

Turnover by the number of tenants and leased area (Note 1)



Historical rent per unit and % change upon tenant replacement (Note 2)



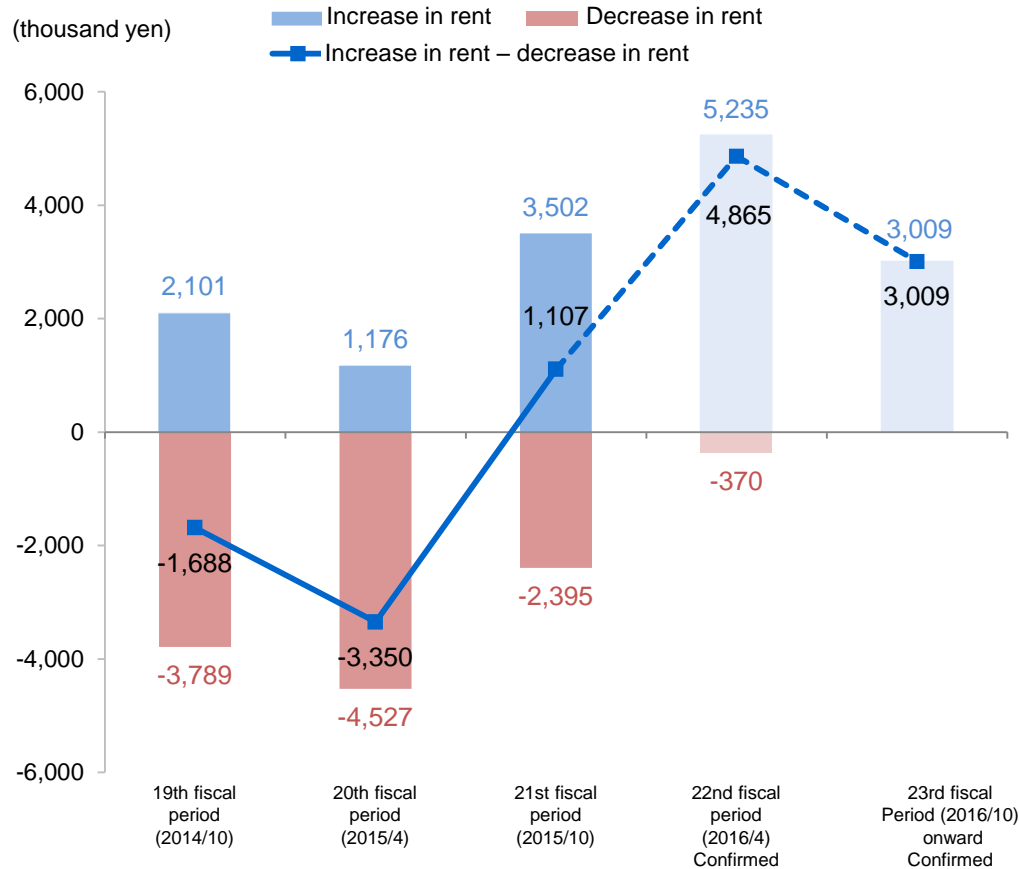
Note 1: The number of tenants and leased area are calculated based on floor. In the case that an end-tenant moves-out from/moves-in to multiple floors, the number is counted by floor.

Note 2: Rent per unit for new tenants is calculated as the weighted average rent per unit of new tenants, based on areas where the rents of the new tenants are comparable with those of the moved-out tenants. Rent per unit for moved-out tenants is calculated as the weighted average rent of moved-out tenants for the same areas.

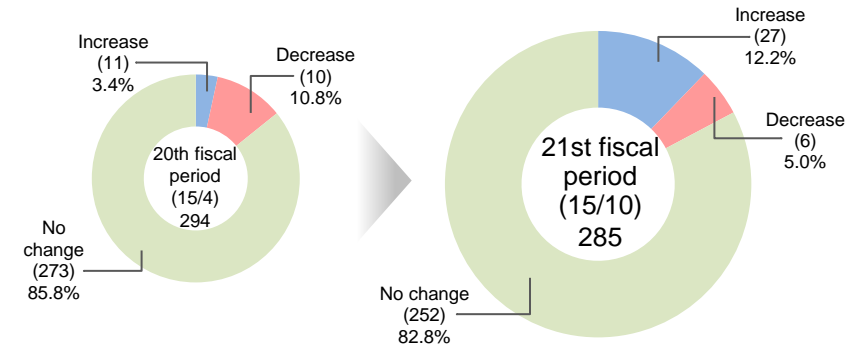
# Status of rent revisions with existing tenants for office buildings

- Built up a solid track record of upward rent revisions due to proactive negotiations
- Paying special attention to tenants whose rents diverge largely from market rent

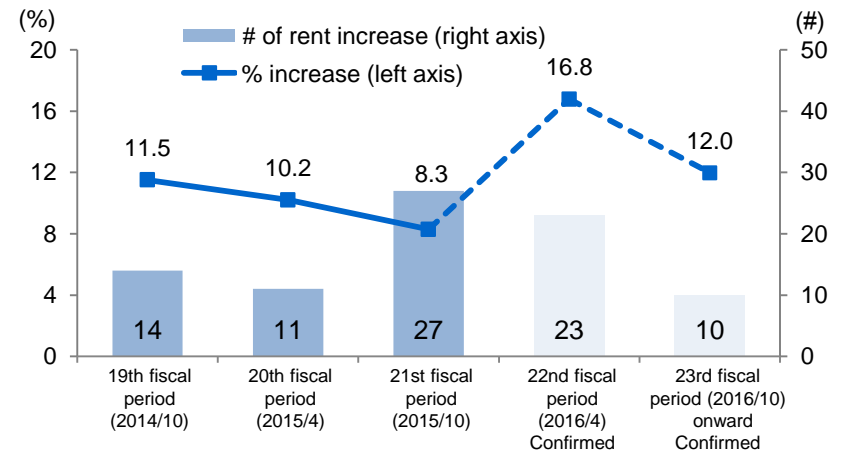
**Change in rent per unit upon rent revision (based on monthly rent) (Note 1)**



**Status of rent revision (based on leased area) (Note 2)**



**Rent increases upon rent revision (# of increases; % increase) (Note 3)**



Note 1: Difference in monthly rent per unit before and after rent revision, is calculated separately for each tenant. Numbers are rounded to the nearest thousand yen. The data for 22nd fiscal period (2016/4) confirmed and 23rd fiscal period (2016/10) onward confirmed are based on rent revision confirmed as of Dec 1, 2015.

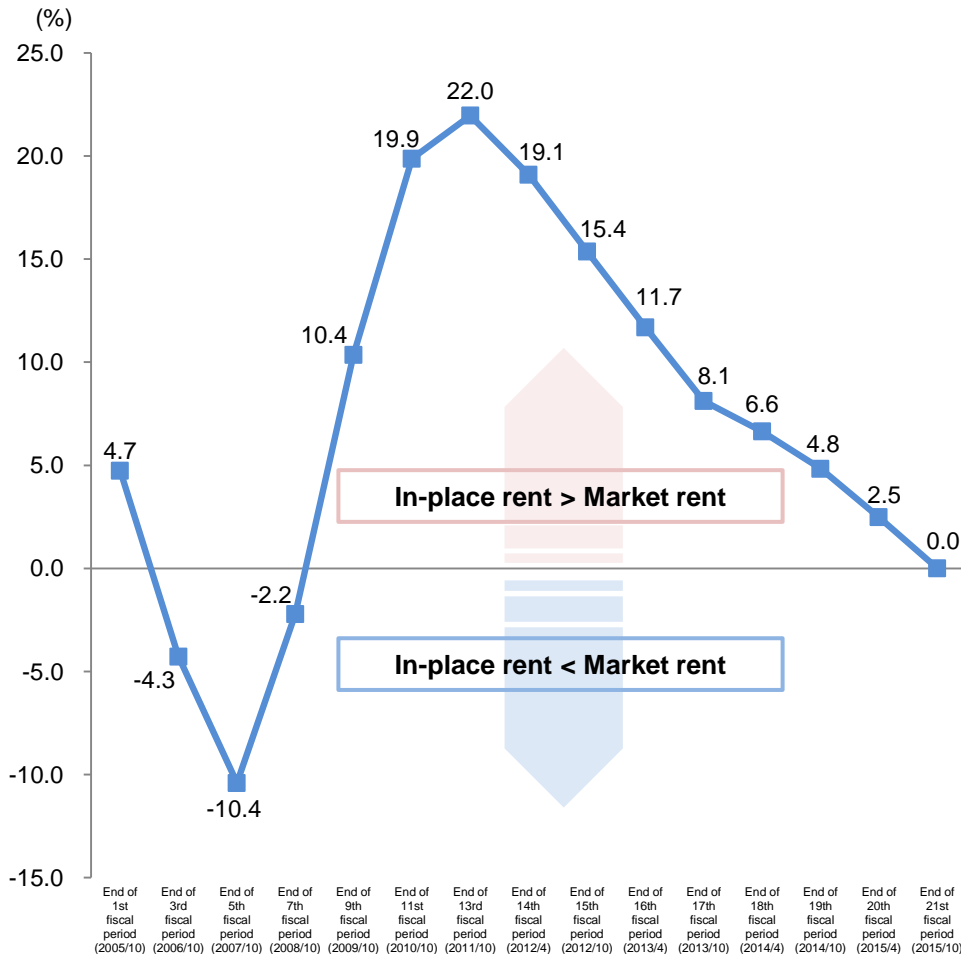
Note 2: Status of rent revisions (increase / decrease / no change) by percentage based on leased area with respect to contracts that are renewed or revised during relevant fiscal period. Numbers are rounded to the first decimal place.

Note 3: Rent increases for 22nd fiscal period (2016/4) confirmed, as well as 23rd fiscal period (2016/10) onward confirmed are based on rent revisions confirmed as of Dec. 1, 2015. % increase is calculated by dividing the total amount of monthly rent increases by the total amount of monthly rents before revisions.

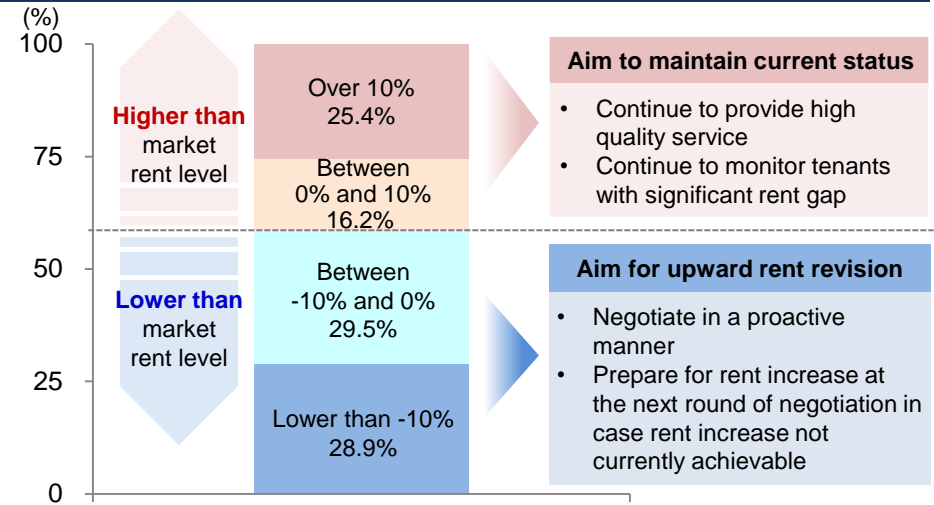
# Rent gap of KDO office buildings

- Average portfolio rent gap filled. Aim to accelerate rent increases and prevent rent decreases

KDO office buildings: Historical rent gap (Note 1)



KDO office buildings: Breakdown of rent gap (based on monthly rent) (Note 2)



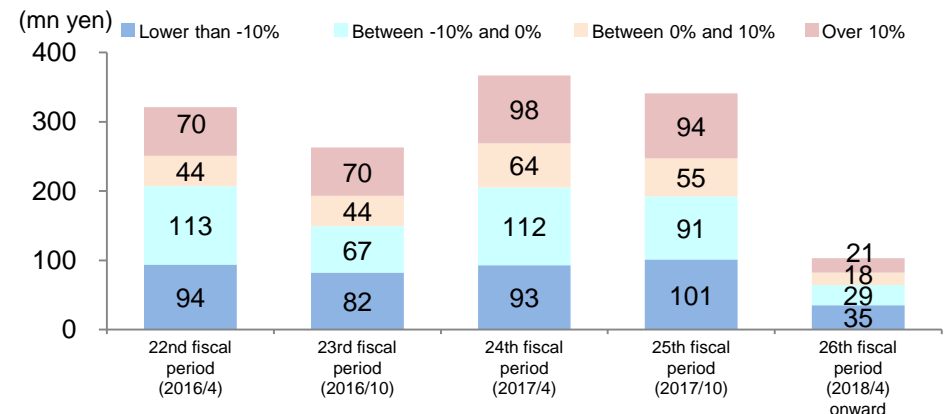
**Aim to maintain current status**

- Continue to provide high quality service
- Continue to monitor tenants with significant rent gap

**Aim for upward rent revision**

- Negotiate in a proactive manner
- Prepare for rent increase at the next round of negotiation in case rent increase not currently achievable

Rent revision schedule and rent gap against market rent level (based on monthly rent) (Note 2)



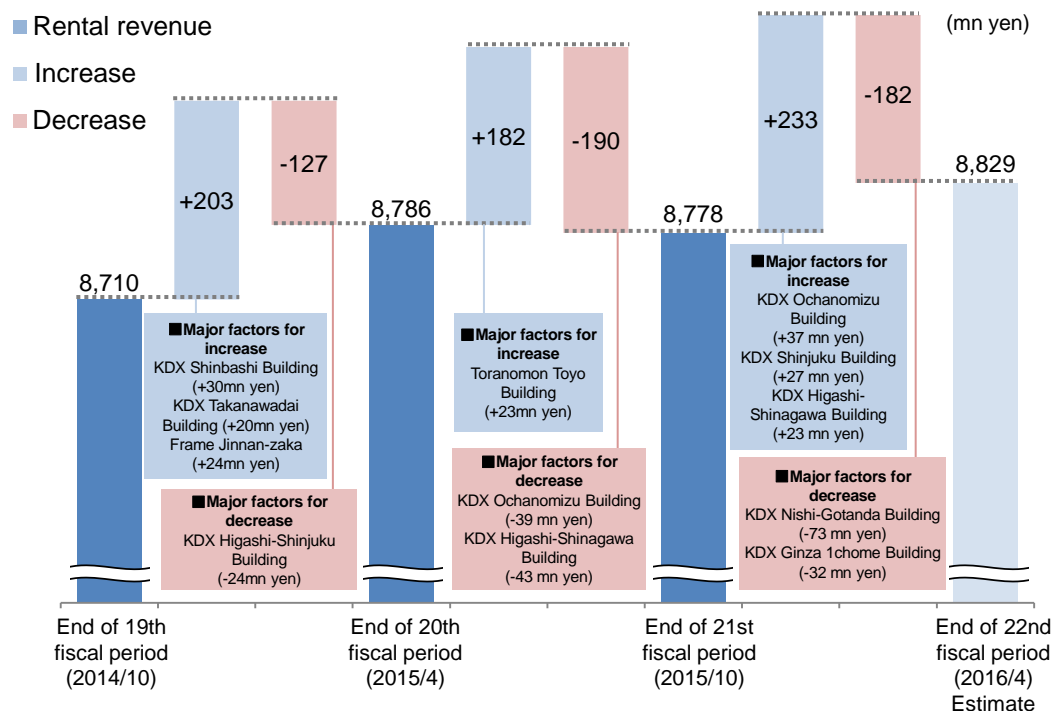
Note 1: Rent gap for office buildings is the difference between average rent for standard floor of each of our office buildings and market contracted rent (standard floor) of the same building. Average rent for standard floor of each of our office properties is calculated by computing an average rent of occupied area (office use) on standard floor for each of our office buildings (excluding properties sold) and taking a weighted average of such average rents by leasable area. Market contracted rent is an assumed achievable market rent (standard floor) for our buildings assessed by CBRE at each evaluation point.

Note 2: Average market rent is contracted market rent (standard floor) for each building assessed by CBRE on Oct. 31, 2015. In-place rent equal to market rent is included "Between 0% and 10%".

# Rental revenues, etc. of existing 80 properties

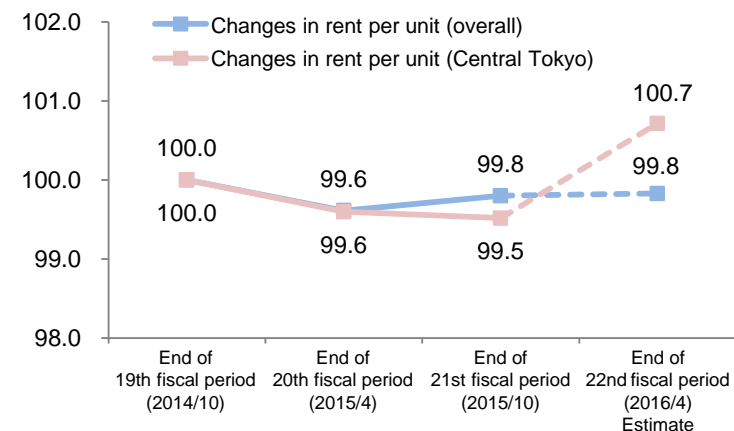
- Number of properties with increased rental revenue steadily growing. Rental revenue from existing properties showing upward trend
- Expect to achieve increase in actual occupancy rate and rent per unit in Central Tokyo in the 22nd fiscal period (16/4)

Change in rent revenues from existing properties(excl. KDX Iidabashi Square) (Note 1)

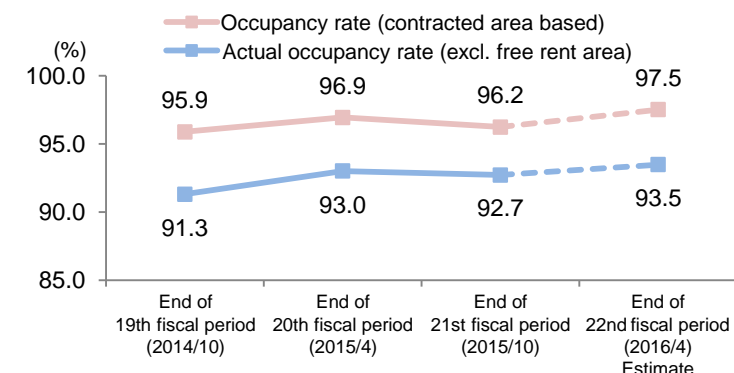


	19th fiscal period ⇒20th fiscal period	20th fiscal period ⇒21st fiscal period	21st fiscal period ⇒22nd fiscal period
Increase in rental revenue (# of properties)	34 properties	39 properties	42 properties
Decrease in rental revenue (# of properties)	30 properties	28 properties	22 properties

Change in rent per unit index (Note 1) (Note 2)



Change in occupancy rate and actual occupancy rate (Note 1) (Note 3)



Note 1: For the 80 properties (all asset type, excl. KDX Iidabashi Square and properties sold) owned as of the beginning of 19th fiscal period (2014/10). Rent includes common area charge.

Note 2: Rent per unit index is an index with the rent per unit as of the end of 19th fiscal period (2014/10) given a value of 100.

Note 3: Occupancy rate (contracted area based) is calculated by dividing the contract based leased area by leasable area and actual occupancy rate (excl. free rent area) is calculated by dividing the leased area after subtracting the free rent areas by leasable area. The figures are rounded to the first decimal place.

# Our leasing focus and status update

- Occupancy rates improved/recovered steadily through proactive leasing activities with due consideration for each property's characteristics

**KDX Higashi-Shinagawa Building**



June 30, 2014	Dec. 31, 2015 (estimate)	Change in occupancy
56.7%	88.4%	+31.7%
Space leased	Space vacated	Difference
1,398.55 tsubo	716.16 tsubo	+682.39 tsubo

- Attracted the tenant planning to move out of KDX Ochanomizu Bldg. into this property by leveraging the relationship with the tenant
- Flexibly responded to various tenant needs such as floor partitions

**Pentel Building**



Upon acquisition (March 2015)	Dec. 31, 2015 (estimate)	Change in occupancy
100%	94.9%	-5.1%
Space leased	Space vacated	Difference
440.93 tsubo	507.43 tsubo	-66.50 tsubo

- Occupancy rate successfully recovered to 94.9% by leveraging our leasing expertise in the Kayabacho-area, although the occupancy rate was expected to fall to 61.4% due to submission of cancellation notice as a time of acquisition.

**KDX Kawasaki-Ekimae Hon-cho Building**



June 30, 2015	Jan. 31, 2016 (estimate)	Change in occupancy
100%	100%	—
Space leased (Note 3)	Space vacated (Note 3)	Difference
1,550.82 tsubo	1,550.31 tsubo	—

- Successfully concluded a leasing contract with a new tenant that the existing tenant introduced to us without downtime and under more favorable leasing terms, although the existing tenant currently occupying the whole building submitted a cancellation notice at the end of June 2015

**KDX Sakura-dori Building**



Upon acquisition (Jan. 31, 2015)	Jan. 31, 2016 (estimate)	Change in occupancy
84.8%	98.3%	+13.5%
Space leased	Space vacated	Difference
560.21 tsubo	58.48 tsubo	+501.73 tsubo

- Successfully improved the occupancy rate by leveraging our abundant leasing experience in the Nagoya area
- Promoted value-upgrading works such as the renovation of rest rooms, etc. The building is expected to be almost fully occupied as of January 2016

**KDX Toyosu Grand Square (Note 4)**



July 31, 2015	Nov. 31, 2015	Change in occupancy
85.5%	87.7%	+2.2%
Space leased	Space vacated	Difference
2,127.05 tsubo	1,820.73 tsubo	+306.32 tsubo

- Successfully improved the occupancy rate, which was expected to fall to the 70% level as of the end of Sep. 2015, by meeting various demands of the tenants
- Expect occupancy rate to recover to over 90% in Jan. 2016 with a potential tenant with high probability of leasing

**KDX Hiroshima Building**



Upon acquisition (Sep. 30, 2014)	Oct. 31, 2015	Change in occupancy
73.3%	82.3%	+9.0%
Space leased	Space vacated	Difference
207.17 tsubo	98.67 tsubo	+108.50 tsubo

- Steadily improving occupancy rate by matching leasing needs from small/medium-sized tenants with office floors that can be flexibly divided and leased separately
- Expect occupancy rate to improve to 90.5% as of Apr. 30, 2016 with application for vacant space from a potential tenant

Note 1: "Space leased" and "Space vacated" on this page indicate the accumulated leased/vacated space based on the same period for the calculation of "Change in occupancy".

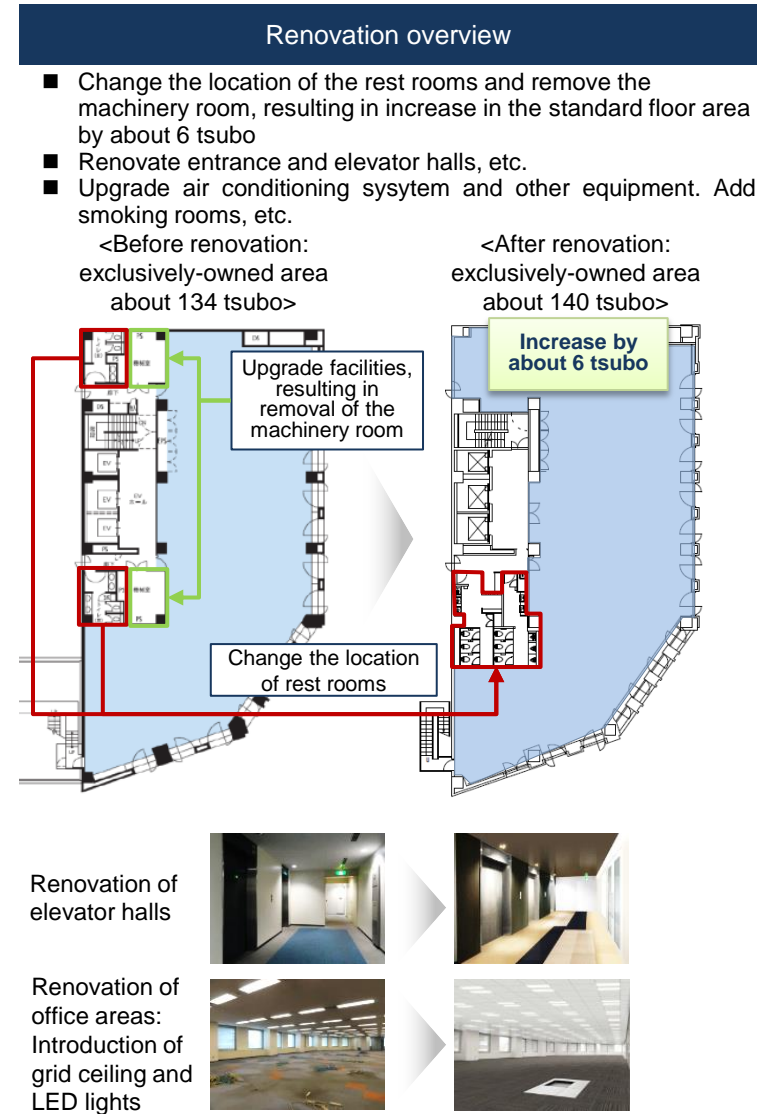
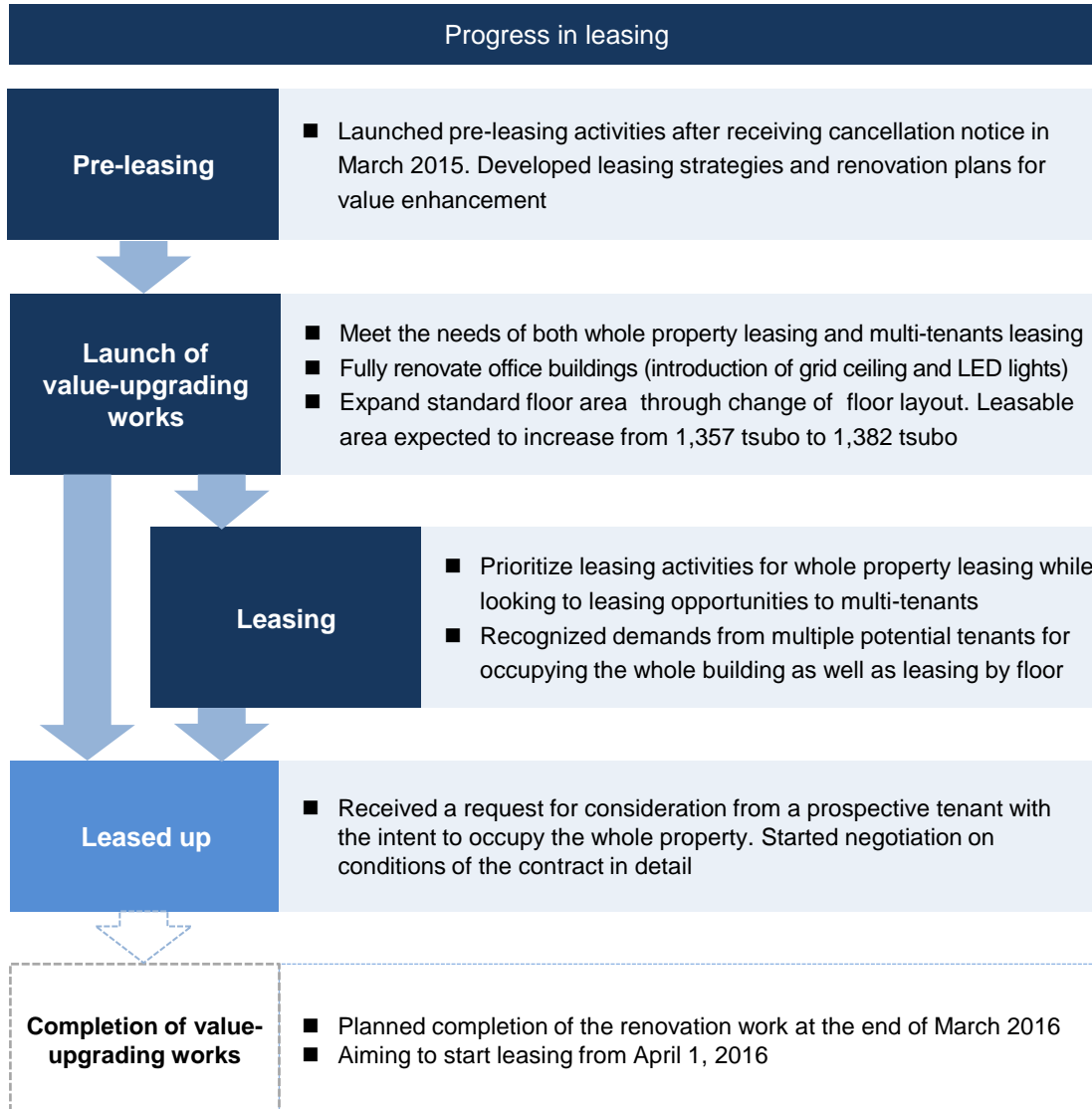
Note 2: Estimated occupancy on this page rates are based on lease agreements contracted as of Dec.10, 2015.

Note 3: As a result of re-calculating leasable area, there is a difference between space leased and vacated.

Note 4: KDO owns 25% co-ownership of this building. Figures shown in the table are for the whole property.

# Leasing status of KDX Idabashi Square

- Received a request for consideration from a prospective tenant with the intent to occupy the whole property



# End-tenants of KDO office buildings

- Largest tenant occupies 3.1% of total leased floor area. Top 10 tenants occupy 10.3%
- Further diversification achieved with the tenants other than the top 3 tenants each occupying less than 1.0%

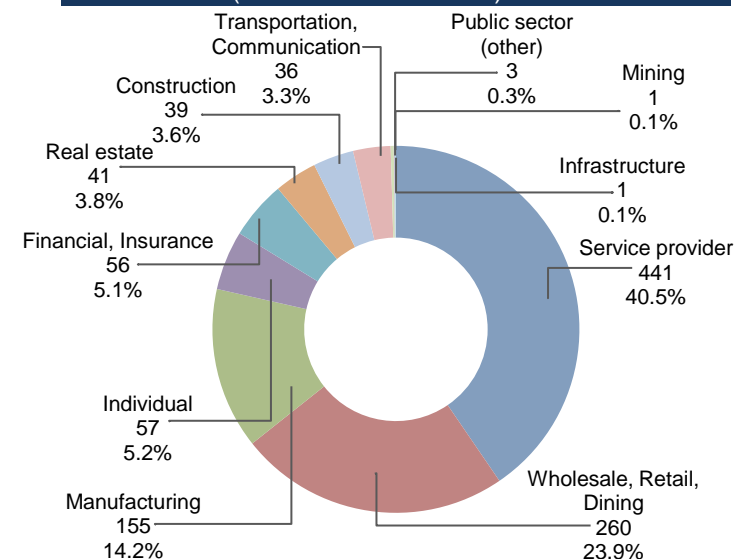
List of top end-tenants for office building (as of the end of 21st fiscal period (2015/10))

Tenant name	Leased area (tsubo)	% share of leased floor area (Note 1)	Name of property
1 Kenedix, Inc.	4,066.9	3.1 (Note 2)	KDX Nihonbashi Kabutocho Bldg. KDX Musashi-Kosugi Bldg.
2 Tenant A (service provider)	1,550.3	1.2	KDX Kawasaki-Ekimae Hon-cho Bldg. (expected to be cancelled on Dec. 31, 2015, signed contract with next tenant)
3 JASTEC	1,304.6	1.0	KDX Takanawadai Bldg.
4 Bank of Tokyo Mitsubishi UFJ	1,188.1	0.9	Harajuku FF Bldg. Toranomom Toyo Bldg.
5 Medical Corporation DOYUKAI	1,022.4	0.8	Koishikawa TG Bldg.
6 Customer relation telemarketing, CO,LTD	985.2	0.8	KDX Higashi Umeda Bldg.
7 Tenant B (wholesales, retail and dining)	912.2	0.7	Harajuku FF Bldg.
8 Space Design	798.7	0.6	KDX Shinbashi Building BUREX Toranomom
9 Tenant C (financial)	781.8	0.6	KDX Harumi Bldg.
10 Tenant D (manufacturing)	747.5	0.6	KDX Kobayashi-Doshomachi Bldg.
<b>Total</b>	<b>13,357.7</b>	<b>10.3</b>	

Average rent by area (as of the end of 21st fiscal period (2015/10)) (Note 3)

	Number of properties	Average rent (yen/tsubo)
Tokyo metropolitan area	76	14,800
Japan	92	14,100

Tenant diversification by type of business (based on # of tenants) (Note 4)



Note 1: Leased area of each end-tenant against total leased floor area of our portfolio as of the end of the 21st fiscal period (2015/10). Numbers are rounded to the first decimal place.

Note 2: Total floor area leased to Kenedix, Inc., the sponsor company, as a proportion of the total portfolio owned by the Investment Corporation was 3.1% (KDX Nihonbashi Kabutocho Building 0.6%, KDX Musashi-Kosugi Building 2.5%). Thus the largest tenant for office buildings in terms of leased floor area is Kenedix, Inc. The fixed lease agreement for KDX Musashi-Kosugi Building expires on December 31, 2015 and is not planned to be re-signed, while Kenedix, Inc. is conducting sub-master leasing in which Kenedix, Inc. sub-leases part of the property leased from the Investment Corporation, its master lease company, to third parties. Furthermore, Kenedix, Inc. sub-leases all parts of the leased floor area to third parties, and the Investment Corporation is due to succeed the lessor status with the fixed lease agreement expiring.

Note 3: Weighted average rent by area, truncated to the nearest hundred.

Note 4: The 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 21st fiscal period (2015/10).



## Section 5

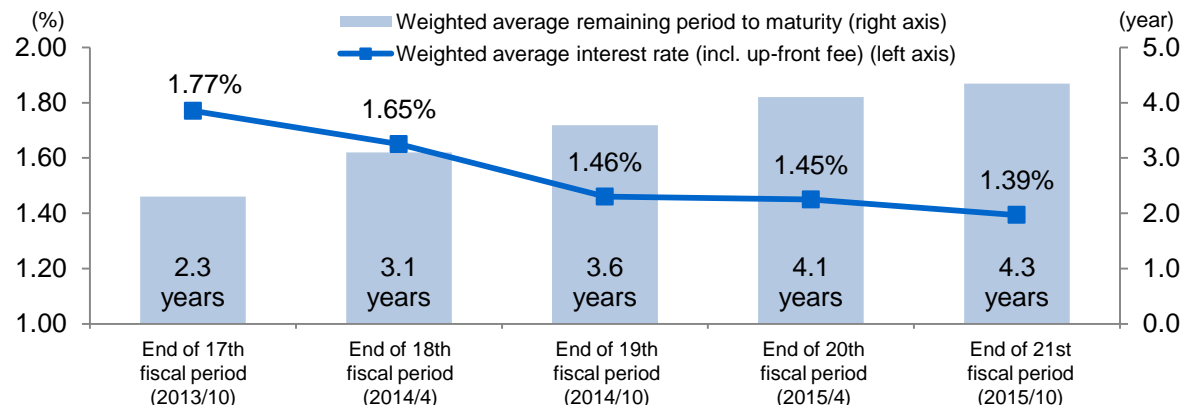
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### Financial strategy

# Overview of interest-bearing debt and LTV

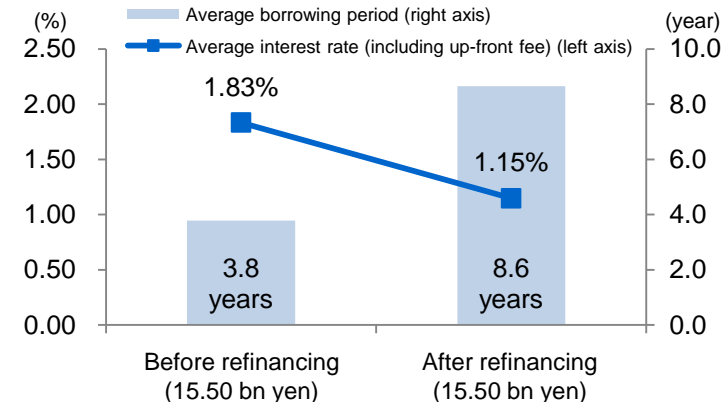
- Steadily reducing financial costs while lengthening remaining period to maturity
- Maintaining stable financial base by keeping conservative LTV and high fixed interest rate ratio

Average remaining period to maturity and interest rate (Note 1)



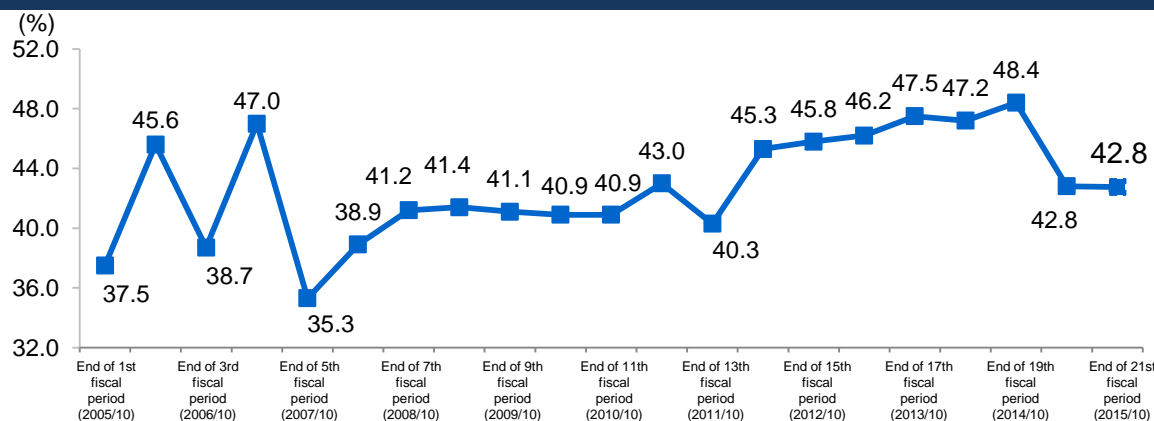
Note 1: Average remaining period to maturity and interest rate are weighted averages based on outstanding debts at the end of each fiscal period (Average remaining period to maturities and interest rate are rounded to the first and second decimal places respectively).

Refinance record for 21st fiscal period (2015/10) (Note 2)



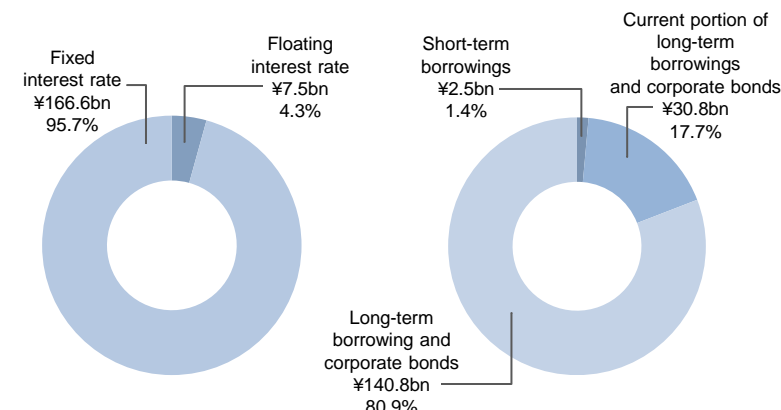
Note 2: Average borrowing period and interest rate are weighted average numbers as of the date of borrowing based on borrowing amount (rounded to the first/second decimal place, respectively).

Historical LTV level (Note 3)



Note 3: LTV = the balance of interest-bearing debt / Total assets, as of the end of relevant fiscal period (rounded to the first decimal place).

Status of fixing interest rate and terms of debt (as of the end of the 21st fiscal period (2015/10) (Note 4)

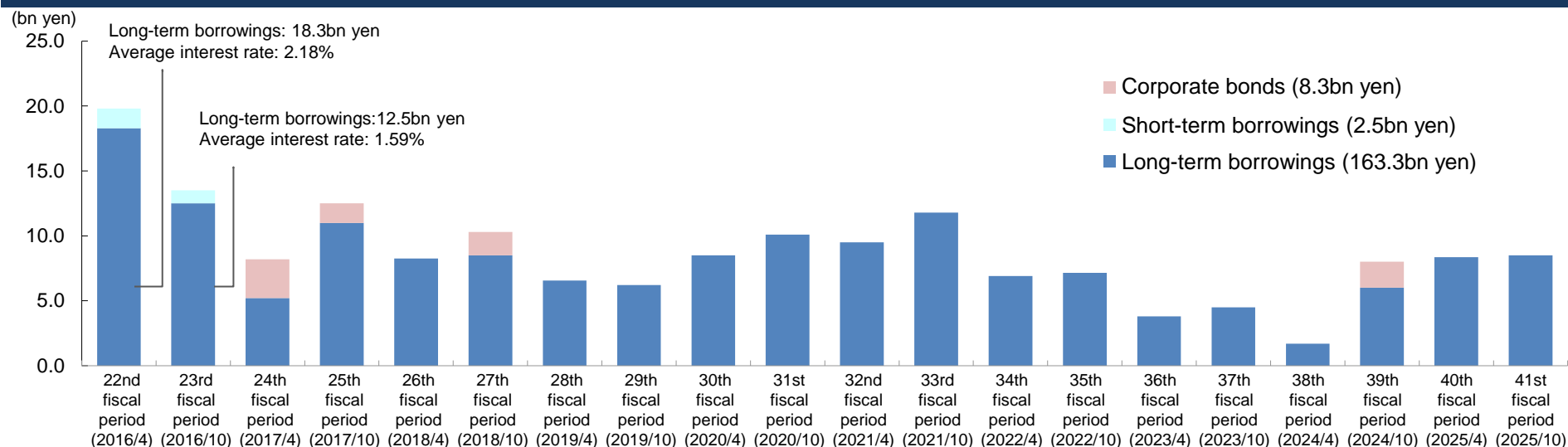


Note 4: Fixed interest rate includes borrowings that are fixed through interest rate swap but excludes those that are hedged by interest rate cap (numbers are rounded to the first decimal place).

# Maturity dates diversification and lending sources

- Secure financial stability by diversifying and extending debt maturity dates
- Expanded lender formation to 15 financial institutions due to new borrowings from Mie Bank

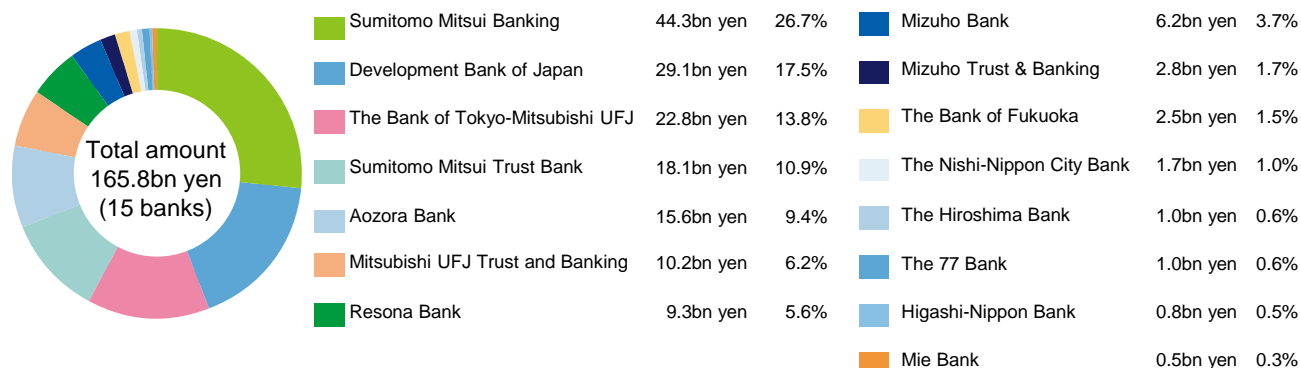
Diversification of debt maturities (as of the end of 21st fiscal period (2015/10)) (Note 1) (Note 2)



Note 1: Bars in the chart illustrate total debt amounts that reach maturity in each period.

Note 2: Average interest rate includes up-front fee.

Outstanding borrowings by financial institutions (as of the end of 21st fiscal period (2015/10)) (Note 3)



Credit rating (as of the end of 21st fiscal period (2015/10))

Rating agency:	Japan Credit Rating Agency (JCR)
Long-term issuer rating:	A+ (Outlook: stable)
Rating on bonds / shelf registration:	A+

Note 3: Loan amounts and shares are rounded to the first decimal place. The total interest-bearing debt is 174.1bn yen including outstanding corporate bonds of 8.3bn yen.

Memo

# Appendices

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# Portfolio overview 1 (as of the end of 21st fiscal period (2015/10))

## Office Buildings (92 properties)

Type	Area	No.	Name	Location	Acquisition price (¥ mn) (Note 1)	Year built (Note 2)	End of 21st fiscal period occupancy rate (%) (Note 3)	Type	Area	No.	Name	Location	Acquisition price (¥ mn) (Note 1)	Year built (Note 2)	End of 21st fiscal period occupancy rate (%) (Note 3)
Office Buildings	Tokyo Metropolitan Area	A001	KDX Nihonbashi 313 Building	Chuo ward, Tokyo	5,940	1974/4	100.0	Office Buildings	Tokyo Metropolitan Area	A055	Shin-toshin Maruzen Building	Shinjuku ward, Tokyo	2,110	1990/7	100.0
		A003	Higashi-KayabachoYuraku Building	Chuo ward, Tokyo	4,450	1987/1	100.0			A056	KDX Jimbocho Building	Chiyoda ward, Tokyo	2,760	1994/5	100.0
		A004	KDX Hatchobori Building	Chuo ward, Tokyo	3,680	1993/6	100.0			A057	KDX Gobancho Building	Chiyoda ward, Tokyo	1,951	2000/8	100.0
		A005	KDX Nakano-Sakaue Building	Nakano ward, Tokyo	2,533	1992/8	94.8			A059	KDX Iwamoto-cho Building	Chiyoda ward, Tokyo	1,864	2008/3	100.0
		A006	Harajuku F.F. Building	Shibuya ward, Tokyo	2,450	1985/11	100.0			A060	KDX Harumi Building	Chuo ward, Tokyo	10,250	2008/2	100.0
		A007	KDX Minami Aoyama Building	Minato ward, Tokyo	2,270	1988/11	100.0			A061	KDX Hamamatsucho Dai-2 Building	Minato ward, Tokyo	2,200	1992/4	100.0
		A008	Kanda Kihara Building	Chiyoda ward, Tokyo	1,950	1993/5	100.0			A062	Koishikawa TG Building	Bunkyo ward, Tokyo	3,080	1989/11	100.0
		A013	KDX Kojimachi Building	Chiyoda ward, Tokyo	5,950	1994/5	100.0			A063	Gotanda TG Building	Shinagawa ward, Tokyo	2,620	1988/4	88.5
		A014	KDX Funabashi Building	Funabashi, Chiba	2,252	1989/4	95.6			A064	KDX Nihonbashi 216 Building	Chuo ward, Tokyo	2,010	2006/10	100.0
		A016	Toshin 24 Building	Yokohama, Kanagawa	5,300	1984/9	100.0			A066	KDX Shinjuku Building	Shinjuku ward, Tokyo	6,800	1993/5	100.0
		A017	KDX Ebisu Building	Shibuya ward, Tokyo	4,640	1992/1	100.0			A067	KDX Ginza 1chome Building	Chuo ward, Tokyo	4,300	1991/11	65.4
		A019	KDX Hamamatsucho Building	Minato ward, Tokyo	3,460	1999/9	100.0			A068	KDX Nihonbashi Honcho Building	Chuo ward, Tokyo	4,000	1984/1	100.0
		A020	KDX Kayabacho Building	Chuo ward, Tokyo	2,780	1987/10	100.0			A071	KDX Iidabashi Building	Shinjuku ward, Tokyo	4,670	1990/3	100.0
		A021	KDX Shinbashi Building	Minato ward, Tokyo	3,728	1992/2	100.0			A072	KDX Higashi-Shinagawa Building	Shinagawa ward, Tokyo	4,590	1993/1	51.0
		A022	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	1990/9	83.3			A073	KDX Hakozaki Building	Chuo ward, Tokyo	2,710	1993/11	100.0
		A026	KDX Kiba Building	Koto ward, Tokyo	1,580	1992/10	76.1			A074	KDX Shin-Nihonbashi Building	Chuo ward, Tokyo	2,300	2002/11	100.0
		A027	KDX Kajicho Building	Chiyoda ward, Tokyo	2,350	1990/3	93.5			A075	KDX Nihonbashi Kabutocho Building	Chuo ward, Tokyo	11,270	1998/11	100.0
		A029	KDX Higashi-Shinjuku Building	Shinjuku ward, Tokyo	2,950	1990/1	87.3			A078	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	1990/2	100.0
		A030	KDX Nishi-Gotanda Building	Shinagawa ward, Tokyo	4,200	1992/11	100.0			A083	KDX Fuchu Building	Fuchu, Tokyo	6,120	1996/3	99.1
		A031	KDX Monzen-Nakacho Building	Koto ward, Tokyo	1,400	1986/9	84.3			A084	KDX Kasuga Building	Bunkyo ward, Tokyo	2,800	1992/6	100.0
		A032	KDX Shiba-Daimon Building	Minato ward, Tokyo	6,090	1986/7	100.0			A085	KDX Nakameguro Building	Meguro ward, Tokyo	1,880	1985/10	100.0
		A033	KDX Okachimachi Building	Taito ward, Tokyo	2,000	1988/6	100.0			A086	KDX Omiya Building	Saitama, Saitama	2,020	1993/4	100.0
		A034	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	1995/5	96.7			A087	Itopia Nihonbashi SA Building	Chuo ward, Tokyo	2,200	1995/7	100.0
		A035	KDX Hachioji Building	Hachioji, Tokyo	1,155	1985/12	72.7			A088	KDX Shinjuku 6-chome Building	Shinjuku ward, Tokyo	1,900	1990/3	90.2
		A037	KDX Ochanomizu Building	Chiyoda ward, Tokyo	6,400	1982/8	96.4			A089	KDX Takanaewadai Building	Minato ward, Tokyo	5,250	1985/10	100.0
		A038	KDX Nishi-Shinjuku Building	Shinjuku ward, Tokyo	1,500	1992/10	100.0			A090	KDX Ikebukuro Building	Toshima ward, Tokyo	3,900	2009/3	100.0
		A039	KDX Toranomom Building	Minato ward, Tokyo	4,400	1988/4	100.0			A091	KDX Mita Building	Minato ward, Tokyo	3,180	1993/3	87.5
		A040	Toranomon Toyo Building	Minato ward, Tokyo	9,850	1962/8	90.5			A092	KDX Akihabara Building	Chiyoda ward, Tokyo	2,600	1973/12	100.0
		A041	KDX Shinjuku 286 Building	Shinjuku ward, Tokyo	2,300	1989/8	100.0			A093	KDX Iidabashi Square	Shinjuku ward, Tokyo	4,350	1994/1	0.0
		A045	KDX Roppongi 228 Building	Minato ward, Tokyo	3,300	1989/4	100.0			A094	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	2013/5	100.0
		A046	Hiei Kudan-Kita Building	Chiyoda ward, Tokyo	7,600	1988/3	100.0			A095	KDX Toyosu Grand Square (Note 4)	Koto ward, Tokyo	8,666	2008/4	80.8
		A047	KDX Shin-Yokohama 381 Building	Yokohama, Kanagawa	5,800	1988/3	96.3			A096	KDX Takadanobaba Building	Toshima ward, Tokyo	3,650	1988/10	100.0
		A048	KDX Kawasaki-Ekimae Hon-cho Bui	Kawasaki, Kanagawa	3,760	1985/2	100.0			A099	KDX Ikebukuro West Building	Toshima ward, Tokyo	1,934	1988/7	100.0
		A050	KDX Ikejiri-Oohashi Building	Meguro ward, Tokyo	2,400	1988/9	100.0			A101	KDX Yokohama Building	Yokohama, Kanagawa	7,210	1994/3	98.2
A051	KDX Hamacho Nakanohashi Buildin	Chuo ward, Tokyo	2,310	1988/9	100.0	A102	KDX Yokohama Nishiguchi Building	Yokohama, Kanagawa	2,750	1988/10	100.0				
A052	KDX Kanda Misaki-cho Building	Chiyoda ward, Tokyo	1,380	1992/10	100.0	A103	KDX Shin-Yokohama 214 Building	Yokohama, Kanagawa	2,200	1989/11	83.0				

Note 1: Acquisition price is the acquisition (investment) price of the trust beneficiary interests etc. (excl. any expenses, taxes, etc.) acquired by KDO only.

Note 2: Year built shows the completion date recorded in the land register. The average value shown in the subtotal section is a weighted average number calculated based on acquisition price with a base date of October 31, 2015. Figures are truncated to the first decimal place.

Note 3: Occupancy rate is calculated by dividing leased area as of October 31, 2015 by leasable area and is rounded to the first decimal place.

Note 4: Acquisition price of KDX Toyosu Grand Square is calculated based on the 25% co-ownership of the property.

# Portfolio overview 2 (as of the end of 21st fiscal period (2015/10))

## Office Buildings (92 properties)

Type	Area	No.	Name	Location	Acquisition price (¥ mn) (Note 1)	Year built (Note 2)	End of 21st fiscal period occupancy rate (%) (Note 3)	
Tokyo Metropolitan Area		A105	BUREX Toranomon	Minato ward, Tokyo	1,750	2011/7	100.0	
		A107	35 Sankyo Building	Chuo ward, Tokyo	3,600	1991/8	100.0	
		A108	Pentel Building	Chuo ward, Tokyo	3,350	1990/11	88.9	
		A109	Hamamatsucho Center Building	Minato ward, Tokyo	3,950	1985/12	100.0	
	Other Regional Areas		A012	Portus Center Building	Sakai, Osaka	5,570	1993/9	95.9
			A042	Karasuma Building	Kyoto, Kyoto	5,400	1982/10	99.2
			A044	KDX Sendai Building	Sendai, Miyagi	2,100	1984/2	100.0
			A053	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	1973/6	88.7
			A054	KDX Kitahama Building	Osaka, Osaka	2,220	1994/7	92.8
			A058	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	2009/4	100.0
			A069	KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	2009/7	100.0
		A070	KDX Sapporo Building	Sapporo, Hokkaido	2,005	1989/10	100.0	
		A079	KDX Nagoya Ekimae Building	Nagoya, Aichi	7,327	1986/4	100.0	
		A082	KDX Higashi Umeda Building	Osaka, Osaka	2,770	2009/7	100.0	
		A097	KDX Utsunomiya Building	Utsunomiya, Tochigi	2,350	1999/2	100.0	
	A098	KDX Hiroshima Building	Hiroshima, Hiroshima	1,300	1990/1	82.3		
	A100	Senri Life Science Center Building	Toyonaka, Osaka	13,000	1992/6	97.3		
	A104	KDX Minami-Honmachi Building	Osaka, Osaka	2,200	2009/12	100.0		
	A106	KDX Sakura-dori Building	Nagoya, Aichi	5,900	1992/8	94.6		
	A110	Shin Osaka Center Building	Osaka, Osaka	4,550	1992/5	96.6		
Office Buildings (92 properties) Subtotal					357,958	Ave. 23.4 yrs	94.7	

## Central Urban Retail Properties (3 properties)

Type	Area	No.	Name	Location	Acquisition price (¥ mn) (Note 1)	Year built (Note 2)	End of 21st fiscal period occupancy rate (%) (Note 3)
Central Urban Retail Properties	Tokyo Metropolitan Area	C001	Frame Jinnan-zaka	Shibuya ward, Tokyo	9,900	2005/3	95.2
		C002	KDX Yoyogi Building	Shibuya ward, Tokyo	2,479	1991/8	100.0
		C004	Ginza 4chome Tower	Chuo ward, Tokyo	9,800	2008/11	100.0
Central Urban Retail Properties (3 properties) Subtotal					22,179	Ave. 10.4 yrs	98.1

## Residential Property (1 property)

Type	Area	No.	Name	Location	Acquisition price (¥ mn) (Note 1)	Year built (Note 2)	End of 21st fiscal period occupancy rate (%) (Note 3)
Residential Properties	Tokyo Metropolitan Area	B019	Residence Charmante Tsukishima	Chuo ward, Tokyo	5,353	2004/1	100.0
Residential Properties (1 property) Subtotal					5,353	Ave. 11.8 yrs	100.0

## Other Property (1 property)

Type	Area	No.	Name	Location	Acquisition price (¥ mn) (Note 1)	Year built (Note 2)	End of 21st fiscal period occupancy rate (%) (Note 3)
Other	Tokyo Metropolitan Area	D002	Shinjuku 6chome Building (Land)	Shinjuku ward, Tokyo	2,880	-	100.0
Other property (1 property) subtotal					2,880	-	100.0

**(97 properties, excluding investment securities) Total**      **388,371**    **Ave. 22.5 yrs**      **94.9**

• The total number of end tenants for 92 office buildings is 1,146.  
(1,090 if tenants are aggregated based on their names)

## Investment Security (1 property)

Type	Name	Location	Acquisition price (¥ mn)	Year built
Investment Security	Silent partnership equity interest of G.K. KRF 43	Shinjuku ward, Tokyo	1,107	1979/12
Investment Security (1) Total			1,107	

## Historical rent-based NOI yield (by asset type, annualized-based) (Note 4) (Note 5)

(Unit: %)	17th fiscal period (2013/10)	18th fiscal period (2014/4)	19th fiscal period (2014/10)	20th fiscal period (2015/4)	21st fiscal period (2015/10)
Office building	4.2	4.4	4.4	4.5	4.5
Central urban retail	4.3	4.2	3.6	4.1	3.9
Residential	4.5	4.5	4.6	4.6	4.0
Others	—	4.4	4.3	4.3	4.3
Total	4.2	4.4	4.4	4.5	4.5

Note 1: Acquisition price is the acquisition (investment) price of the trust beneficiary interests etc. (excl. any expenses, taxes, etc.) acquired by KDO only.

Note 2: Year built shows the completion date recorded in the land register. The average value shown in the subtotal section is a weighted average number calculated based on acquisition price with a base date of October 31, 2015. Figures are truncated to the first decimal place.

Note 3: Occupancy rate is calculated by dividing leased area as of October 31, 2015 by leasable area and is rounded to the first decimal place.

Note 4: For NOI yield calculation, property and city planning taxes are assumed as if imposed for the properties acquired this calendar year although the taxes are not imposed on such properties. Acquisition price for newly acquired properties and sold properties is calculated by multiplying the ratio of actual operating days to this fiscal period's operating days.

Note 5: Each ratio is rounded to the first decimal place.

# Properties acquired/sold during the 21st fiscal period (2015/10)

## Properties acquired



Name of property	Hamamatsucho Center Building	Shin Osaka Center Building
Location	Minato ward, Tokyo	Osaka, Osaka
Gross floor area	3,981.69m <sup>2</sup>	7,987.35m <sup>2</sup>
Completion date	1985/12	1992/5
Occupancy rate <sup>(Note 1)</sup>	100.0%	96.6%
Number of tenants <sup>(Note 1)</sup>	8	16
Acquisition price (A)	3,950 mn yen	4,550 mn yen
Appraisal value (at the time of acquisition) (B)	4,010 mn yen	4,660 mn yen
Difference between B and A ((A-B) / B)	-1.5%	-2.4%
Seller	Third parties	Third parties
Acquisition source	Asset Manager's proprietary network	Asset Manager's proprietary network
Acquisition date	2015/9	2015/9
Estimated NOI <sup>(Note 2)</sup>	157 mn yen	204 mn yen
NOI yield (Estimated NOI / Acquisition price)	4.0%	4.5%
Appraisal NOI <sup>(Note 3)</sup>	182 mn yen	229 mn yen
Appraisal NOI yield (Appraisal NOI / Acquisition price)	4.6%	5.1%

## Properties sold



Name of property	Nagoya Nikko Shoken Building	KDX Nogizaka Building
Location	Nagoya, Aichi	Minato ward, Tokyo
Asset type	Office building	Office building
Gross floor area	14,308.76m <sup>2</sup>	1,695.07m <sup>2</sup>
Completion date	1974/8 (41 years old)	1991/5 (24 years old)
Book value (A) <sup>(Note 4)</sup> / Disposition price (B)	4,214 mn yen/4,800 mn yen	1,094 mn yen/960 mn yen
Difference between B and A ((B-A) / A)	+13.9%	-12.3%
Appraisal value	4,150 mn yen	715 mn yen
Buyer	Domestic corporate	Domestic corporate
Acquisition date	2011/12	2006/7
Disposition date	2015/8	2015/10

Note 1: Occupancy rate and number of tenants are as of the end of 21st fiscal period (2015/10). Occupancy rate is rounded to the first decimal place.

Note 2: Estimated NOI is an estimate for one year and is exclusive of extraordinary factors expected in the year of acquisition. Revenues are based on an expected occupancy rate which is based on the occupancy rate at the time of acquisition and any expected changes in occupancy. Expenses include property management fees, taxes and dues, repairs and maintenance expenses and insurance costs. Estimated NOI yield is rounded to the first decimal place.

Note 3: Appraisal NOI is the net operating income (annualized) calculated based on the direct capitalization method described in the relevant appraisal report at the time of acquisition. Appraisal NOI yield is rounded to the first decimal place.

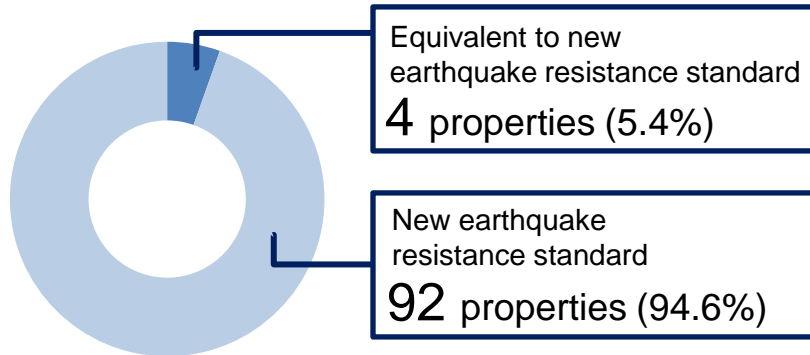
Note 4: Book value is as of the date of disposition and is truncated to the nearest million yen.



# Seismic performance of KDO's properties

- All 96 properties (excl. land) comply with the new earthquake resistance standard (Note 1) or its equivalent

Percentage share of our properties that comply with new earthquake resistance standard (Note 2)



Portfolio PML (Note 3) (Note 4)

**2.41%**

Properties that comply with equivalent standard of new earthquake resistance standard

- Implemented earthquake-resistance reinforcement
- Evaluated as properties complying with equivalent standard of the new earthquake resistance standard (Seismic review by Nihon Sekkei, Inc.)



Toranomon Toyo Building



KDX Hakata-Minami Building



KDX Akihabara Building



KDX Nihonbashi 313 Building

Note 1: "New Earthquake Resistance Standard" was formulated based on the revision of enforcement order of Building Standard Law in 1981. The anti-seismic performance of buildings has been greatly improved since the enforcement of the law due to the newly added provisions including the following: New provision on tie-hoop ratio of Reinforced-Concrete Pillars (above 0.2%); resetting of horizontal seismic coefficient and elastic shear modulus; new requirement for the secondary design in seismic calculation.

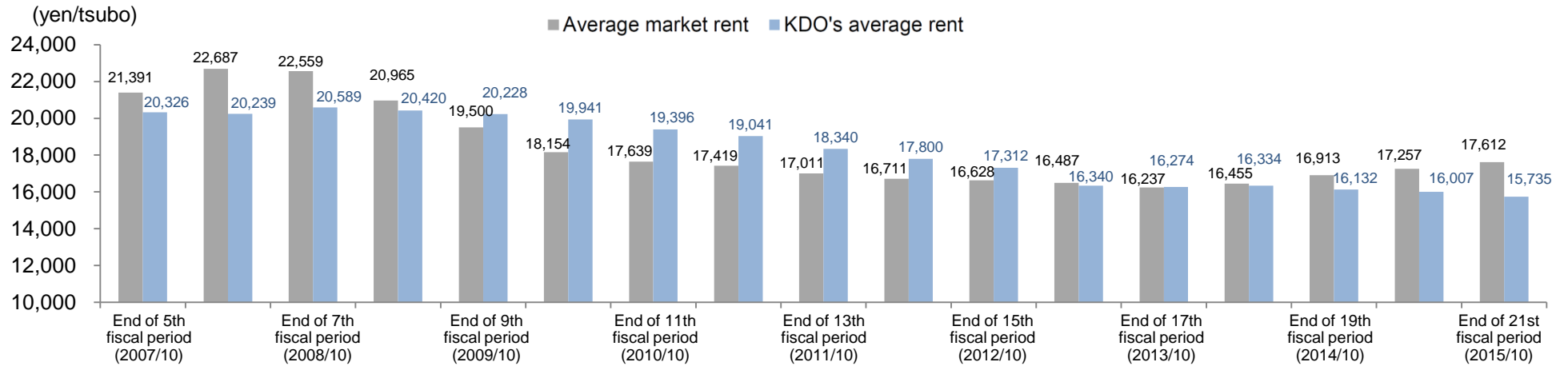
Note 2: Percentage share is calculated based on leasable area as of October 31, 2015. For the properties owned through co-ownership interest, leasable area for such portion is used in calculation.

Note 3: PML value is as of November 2015 and is based on the research implemented by Sompo Japan Nipponkoa Risk Management Inc.

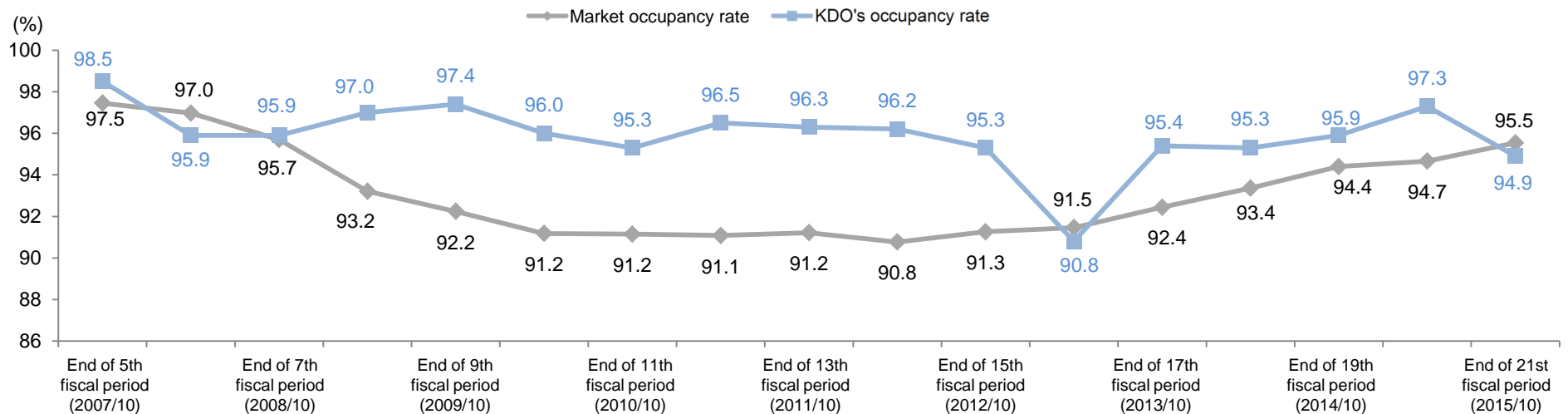
Note 4: PML is probable maximum loss due to earthquake. PML can be divided into PML of an individual property and PML of the entire portfolio. Although there is no single definition of PML, we define PML here as the ratio of the loss occurred in case of the severest earthquake (e.g. severe earthquake that happens only once in 475 years = severe earthquake of which the probability of happening in 50 years is 10%) that could happen during the lifespan of the property (50 years), to the replacement cost of the estimated restoration expenses.

# Average rent/occupancy rate: KDO office buildings vs market average

Average rent of KDO office buildings: Comparison with market average (Tokyo central 5 wards)



Occupancy rate of KDO office buildings: Comparison with market average (Tokyo central 5 wards)



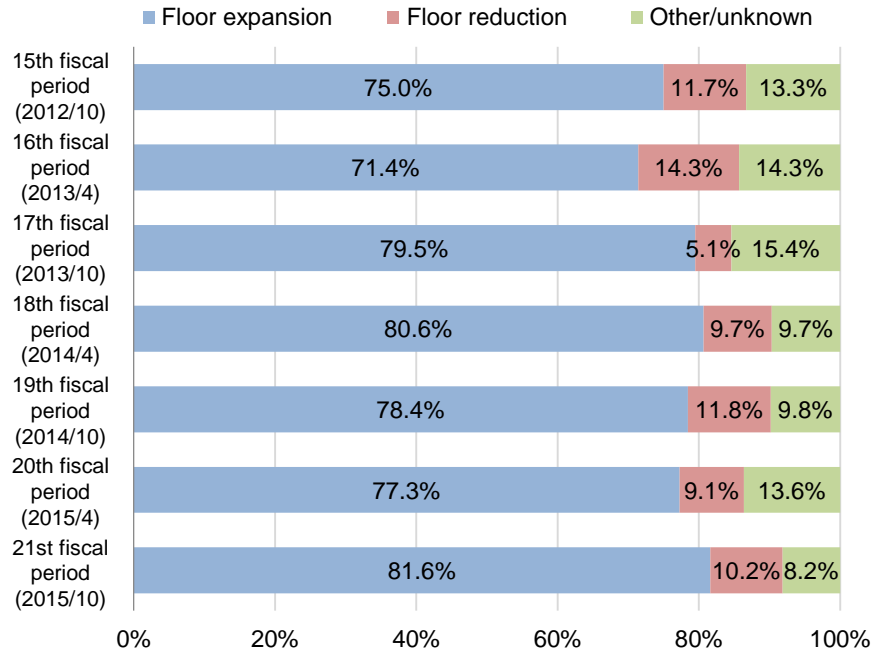
Note 1: Average market rent and market occupancy rate refer to the average values of Tokyo central 5 wards published by Miki Shoji.

Note 2: KDO's average rent and occupancy rate refer to average rent of standard floor and occupancy rate of KDO's office buildings in Tokyo Central 5 wards which we own as of the end of each fiscal period.

# Reasons for moving in/out

- Floor expansion accounts for approx. 80% of reasons of moving in. Floor reduction accounts for more than half of reasons for moving-out

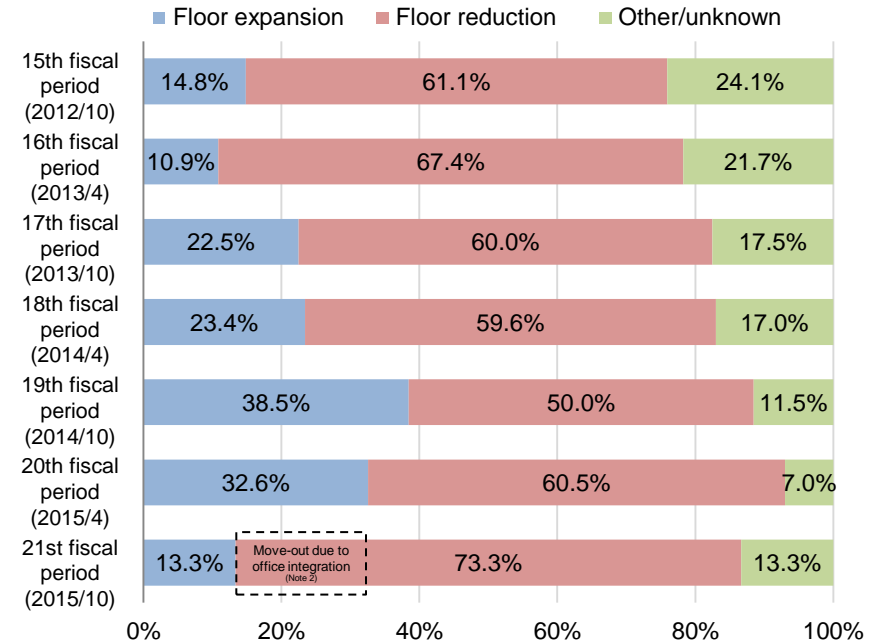
Reasons for moving into our properties (Note 1)



Average contracted floor area of incoming tenants (tsubo)

	17th fiscal period (2013/10)	18th fiscal period (2014/4)	19th fiscal period (2014/10)	20th fiscal period (2015/4)	21st fiscal period (2015/10)
Floor expansion	94.7	73.6	96.2	87.0	86.6
Floor reduction	85.6	86.6	53.2	53.2	37.4

Reasons for moving out of our properties (Note 1)



Average cancelled floor area of exiting tenants (tsubo)

	17th fiscal period (2013/10)	18th fiscal period (2014/4)	19th fiscal period (2014/10)	20th fiscal period (2015/4)	21st fiscal period (2015/10)
Floor expansion	95.8	117.2	105.4	72.1	128.1
Floor reduction	82.4	82.0	98.8	113.2	127.4

Note 1: The above data is based on the survey compiled by the Asset Management Company with regard to reasons for office relocation of relevant tenants. We classify responses of the survey into three categories; "Floor expansion", "Floor reduction" and "Other/unknown". For move-in, the figures are based on the number of tenants on all floors except for residential floors. For move-out, figures are based on the number of tenants on office floors on the 2nd floor or above.

Note 2: Among 73.3% of tenants who answered "Floor reduction" as the reason for moving out, about 20.0% of them moved out to integrate/consolidate their offices targeting optimization of office functions.

# Overview of the 6th CS survey results (Aug 2015)

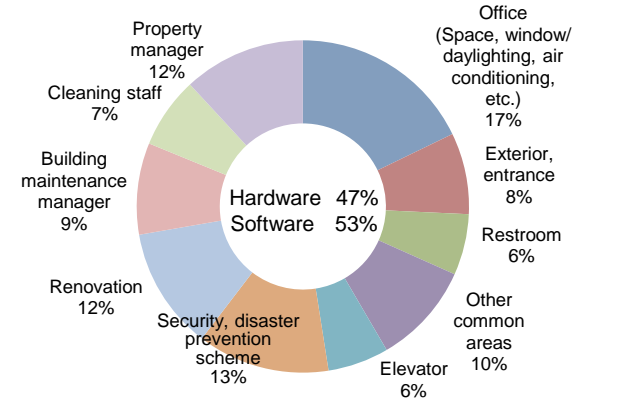
- High motivation for continuous occupancy even at aged office buildings. Competitiveness dependent on equipment upgrade and renovation at right timing

## CS survey overview

- Together with J.D. Power Asia Pacific, we implement CS survey on hardware (e.g. facility and equipment) and software (e.g. Response to tenants) for existing tenants in office buildings (the person in charge of general affairs and employees) on a regular basis

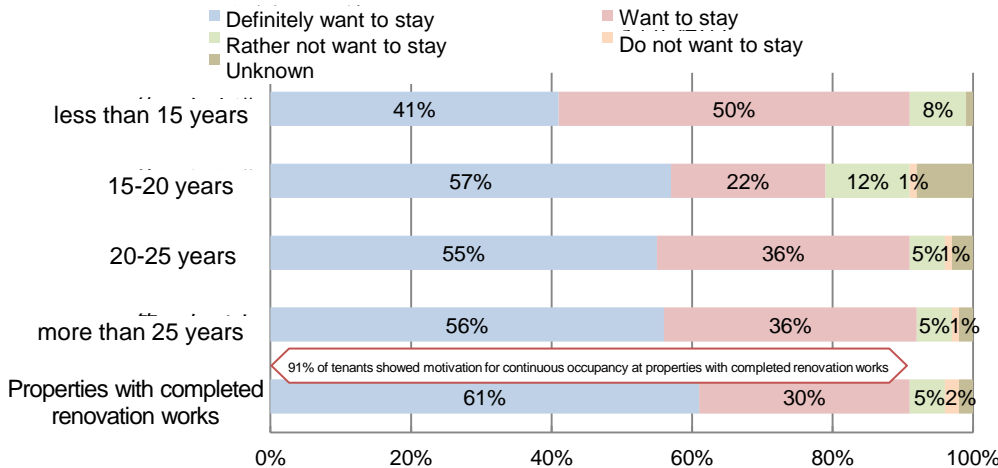
Timing	5th survey August, 2013 (17th fiscal period)	6th survey August, 2015 (21st fiscal period)
# of properties <small>(Note)</small>	77 properties	85 properties
# of distributions	Person in charge: 746 Employee: 3,743	Person in charge: 884 Employee: 4,736
Collection rate	Person in charge: 89% Employee: 85%	Person in charge: 82% Employee: 78%

## 6th CS survey results: reasons of satisfaction (Interviewing the person in charge of general affairs)



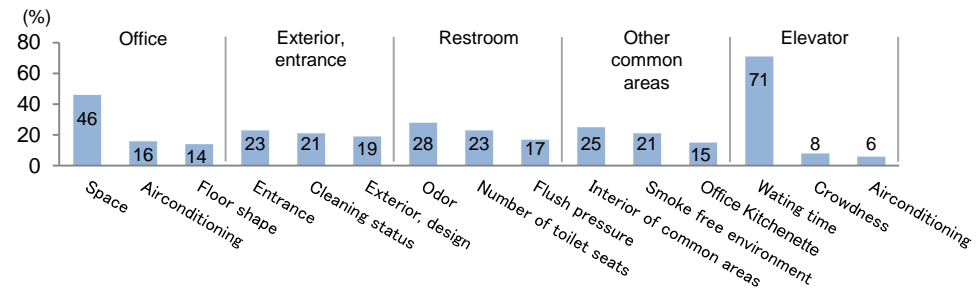
## Motivation for continuous occupancy by building age (Interviewing the person in charge of general affairs)

- Confirmed high motivation for continuous occupancy regardless of building age



## The highest priority factors on hardware and changes in CS by renovation work<sup>(Note 1)</sup>

- The highest priority factors among hardware



- Changes in CS scores after renovation works<sup>(Note 2)</sup>

Category	Office	Exterior, entrance	Restroom	Other common areas	Elevator
Change in CS scores	1.04x	0.97x	1.09x	1.03x	1.03x

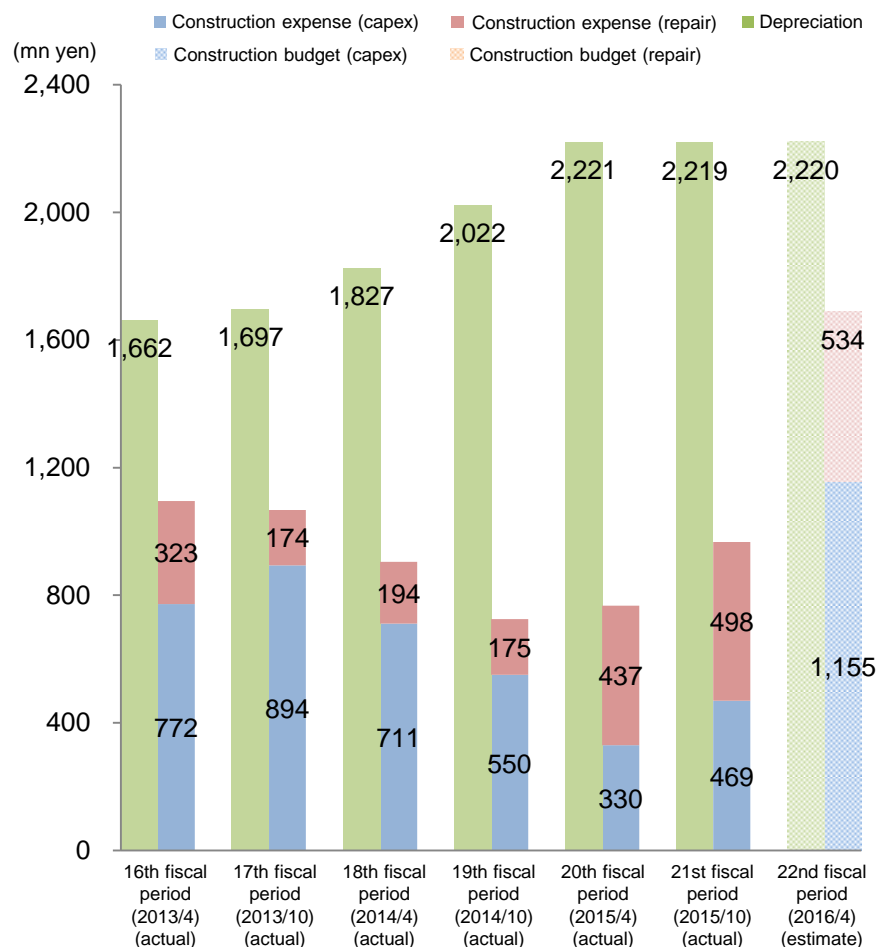
Note 1: Result of survey that interviewed the person in charge of general affairs. For each of the 6 categories ( Office, Exterior/entrance, Restroom, Other common areas and Elevator), the 3 factors with the highest scores in CS survey are shown in the table.

Note 2: Multiples in the table calculated by dividing the CS scores after renovation works by those before renovation works.

# Construction expense (actual/estimate)

- Ensure property competitiveness by flexibly implementing appropriate measures for improving property value
- Plan for improvement works in common areas and equipment upgrade in the 22nd fiscal period (2016/4), mainly at properties recently acquired

Change in depreciation and construction expense (actual/estimate)



Major repair/renovation works for 22nd fiscal period (2016/4) <sup>(Note)</sup>

Items	Estimated amount (mn yen)	Percentage of total expense (%)	
Value-upgrading works (including common areas)	755	44.7	
Improvement works	Air-conditioning facilities	171	10.1
	Other major facilities	334	19.8
Environment measures (i.e. Installation of LED lightings)	62	3.6	
Outer wall repair	79	4.7	
Maintenance/repair works	289	17.1	

Note: Figures are approximate estimates as of the date in which repair plan is prepared. Minor repair works are not included in the table above.

22nd fiscal period (2016/4) total	Percentage of depreciation expense (%)
1,689	76.1

- Value-upgrading works(including common areas)  
KDX Iidabashi Square, KDX Shin-Yokohama 214 Building, Shin Osaka Center Building, KDX Ikebukuro West Building, KDX Nishi-Gotanda Building, KDX Hiroshima Building, KDX Nagoya Ekimae Building, KDX Yokohama Nishiguchi Building
- Improvement works of air-conditioning facilities  
KDX Iidabashi Square, Pentel Building, KDX Yokohama Building
- Outer wall repair  
KDX Shin-Yokohama 214 Building

# Environment-related certifications

## Designation from GRESB (Note 1)

- Acquired "Green Star" rating, the highest rating, for 4 consecutive years as a result of our efforts for improving sustainability performance
- Efforts evaluated in 2015 survey
  - Sufficient risk assessment on sustainability
  - Property examination and equipment upgrading with the aim of achieving energy-saving targets
  - Construction of a system to cooperate with other stakeholders in improving sustainability performance, including introducing "green lease"
- Participated from 2011 as the first J-REIT participant



Note 1: GRESB (Global Real Estate Sustainability Benchmark) is a benchmark to evaluate sustainability performance of private and listed real estate portfolio from environmental and social perspectives.

## BELS certification (Note 2)

- KDX Musashi-Kosugi Building was awarded BELS's 3-star certification
- The first property owned by J-REIT to receive BELS certification

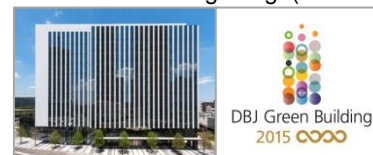
Note 2: BELS (Building Energy-efficiency Labeling System) is a system to evaluate and indicate energy conservation performance and other related matters of non-residential buildings based on MLIT evaluation guidelines for "the Building Energy-efficiency Labelling System for non-residential buildings (2013)". Its evaluation method complies with the revised energy conservation standards (fully enforced on April 1, 2014).



## DBJ Green Building certification (Note 3)

- 8 properties was awarded DBJ Green Building certifications as real estate with environmental and social considerations

KDX Musashi-Kosugi Bldg. (Four Stars)



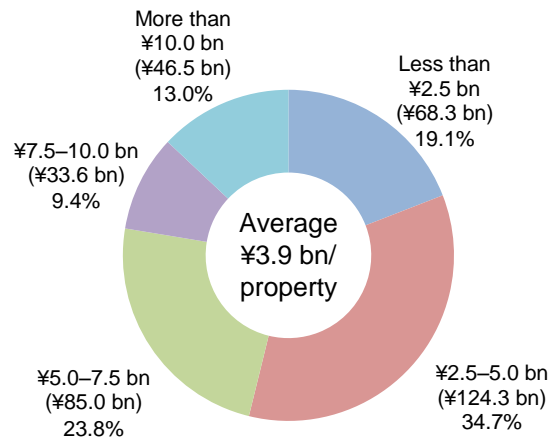
### Properties with DBJ Green Building certification

Property name	Certification rank
KDX Harumi Bldg.	three stars
KDX Nagoya Sakae Bldg.	three stars
KDX Kobayashi-Doshomachi Bldg.	three stars
KDX Higashi Umeda Bldg.	two stars
KDX Nihonbashi Kabutocho Bldg.	two stars
Karasuma Bldg.	one star
KDX Shinjuku Bldg.	one star

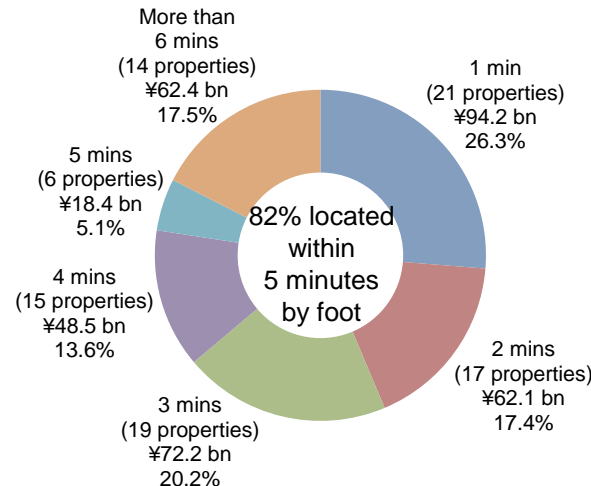
Note 3: The DBJ Green Building Certification System is a system certifying real estate with environmental and social considerations (Green Building) using a scoring model originally developed by Development Bank of Japan Inc. (DBJ) in order to select buildings that meet the demands of the times. Certification has the following 5 ranks: "five stars", "four stars", "three stars", "two stars" and "one star".

# Characteristics of KDO office buildings (as of the end of the 21st fiscal period (2015/10))

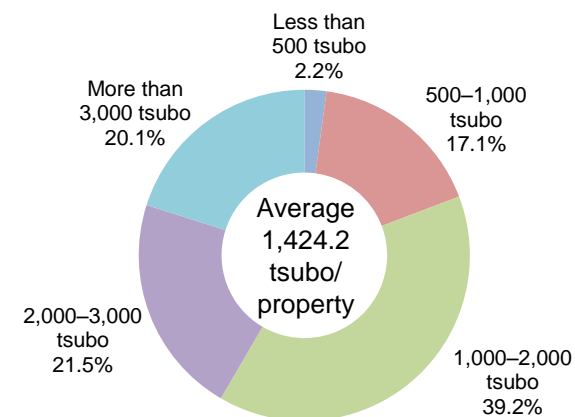
**1** By acquisition price  
(based on acquisition price)



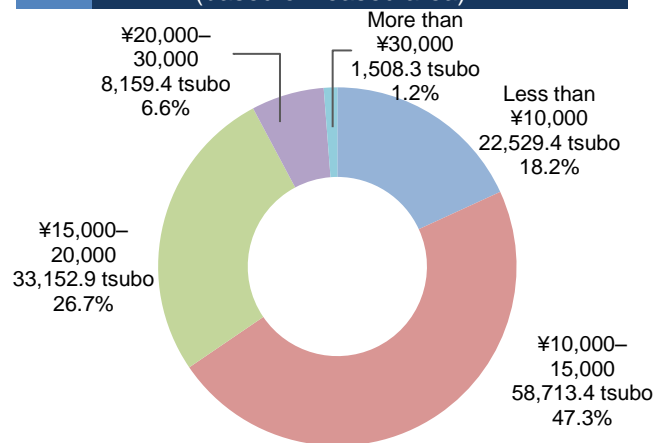
**2** By distance from the nearest station  
(based on acquisition price)



**3** By size (based on leasable area)

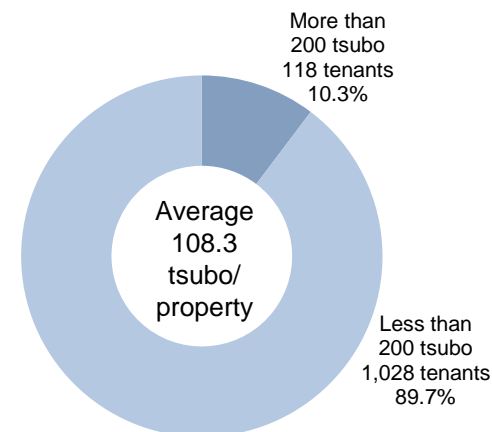


**4** By contracted rent  
(based on leased area) (Note 1)



Note 1: Based on the total leased area (tsubo) (aggregated by tenant name).

**5** By leased area  
(based on # of tenants) (Note 2)

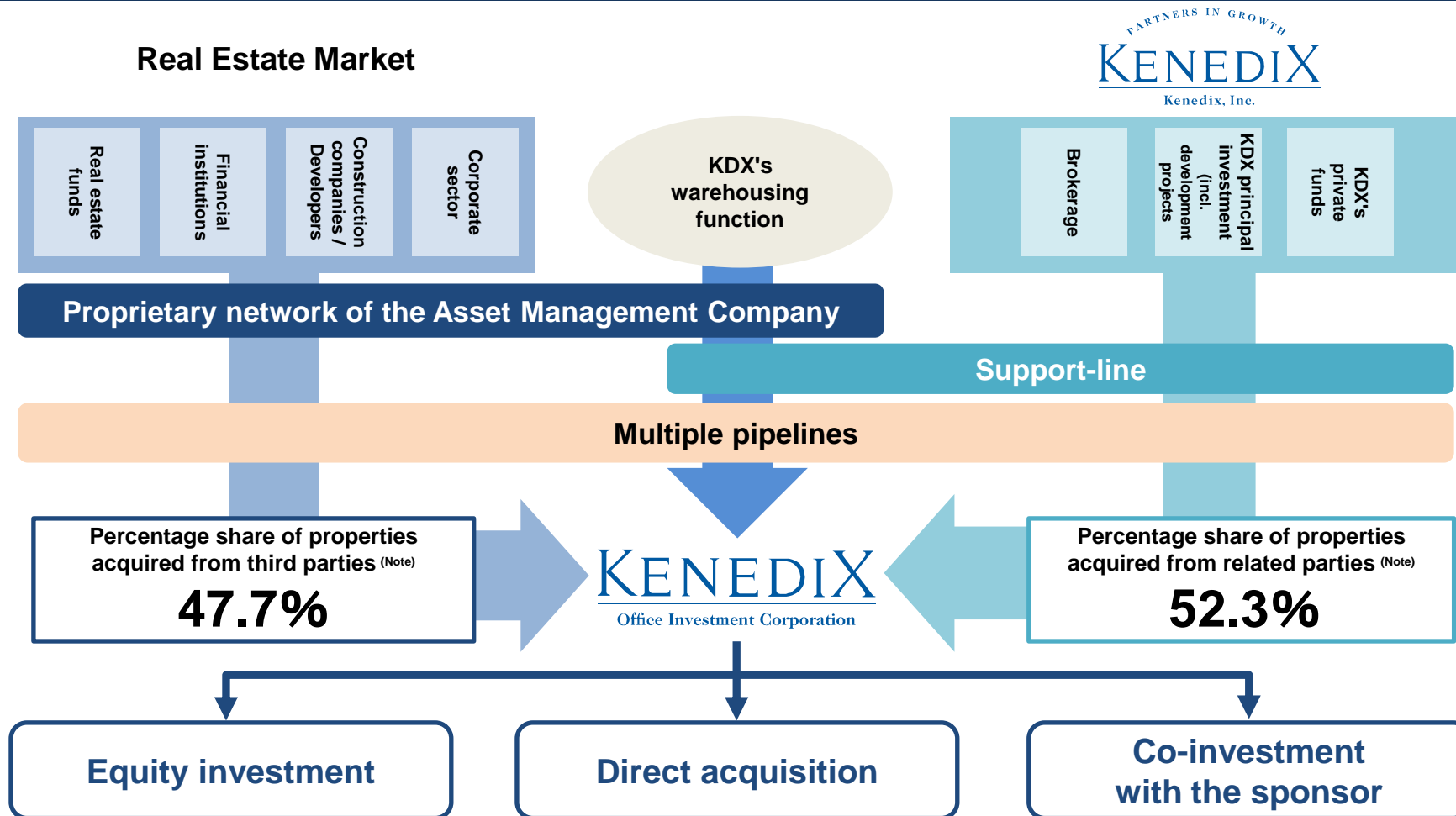


Note 2: Based on the number of tenants in each office building. Tenants leasing more than one property are counted as 1 tenant for each building.

# Property sourcing and acquisition methods

- Our acquisition track record supported by our property sourcing network using multiple pipelines
- Surely capture a wide variety of acquisition opportunities through our diversified acquisition methods

Property acquisition track record supported by our multiple pipelines and diversification of acquisition methods



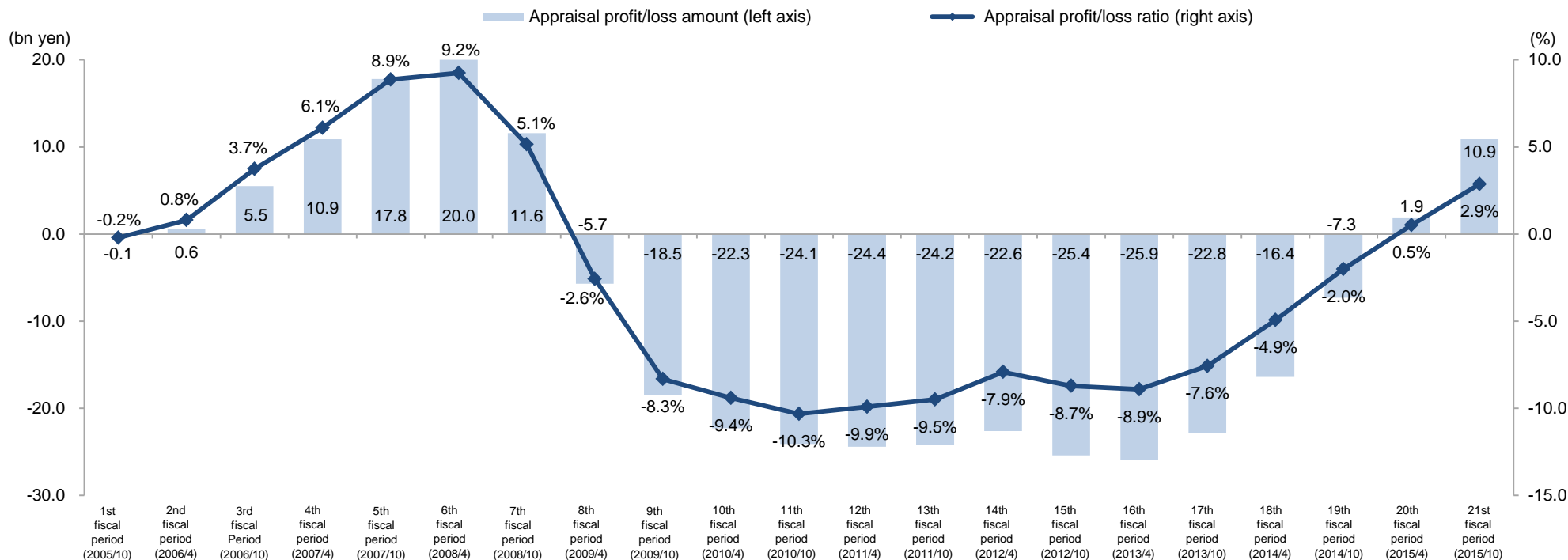
Note: Percentage share of properties is calculated by the sum of acquisition prices for each acquisition source divided by total acquisition price for the properties which we own as of the end of 21st fiscal period (2015/10). Figures are rounded to the first decimal place.



# Historical appraisal profit/loss of portfolio

- Appraisal value as of the end of the 21st fiscal period (2015/10) increased by JPY 9.0bn compared to the end of the 20th fiscal period (2015/4)

Portfolio appraisal profit/loss amount and ratio (Note 1)



Average appraisal cap rate (Note 2) in appraisal report at the end of each fiscal period

1st fiscal period (2005/10)	2nd fiscal period (2006/4)	3rd fiscal period (2006/10)	4th fiscal period (2007/4)	5th fiscal period (2007/10)	6th fiscal period (2008/4)	7th fiscal period (2008/10)	8th fiscal period (2009/4)	9th fiscal period (2009/10)	10th fiscal period (2010/4)	11th fiscal period (2010/10)	12th fiscal period (2011/4)	13th fiscal period (2011/10)	14th fiscal period (2012/4)	15th fiscal period (2012/10)	16th fiscal period (2013/4)	17th fiscal period (2013/10)	18th fiscal period (2014/4)	19th fiscal period (2014/10)	20th fiscal period (2015/4)	21st fiscal period (2015/10)
5.2%	5.2%	5.1%	5.0%	4.9%	4.8%	4.9%	5.1%	5.3%	5.3%	5.3%	5.3%	5.2%	5.1%	5.1%	5.1%	5.0%	4.9%	4.8%	4.7%	4.6%

Note 1: Portfolio appraisal profit/loss amount is the sum of differences between appraisal value and book value for the properties owned as of the end of relevant fiscal period. Appraisal profit/loss ratio is calculated by dividing appraisal profit/loss by book value as of the end of relevant fiscal period. Figures are rounded to the first decimal place.

Note 2: Average appraisal cap rate is a weighted average based on appraisal value for the properties owned as of the end of relevant fiscal period. Figures are rounded to the first decimal place.

# Appraisal values and cap rates as of the end of 21st fiscal period (2015/10) (1)

No	Property name	Appraiser	Acquisition price (mn yen) (A)	End of 21st fiscal period (As of Oct 31, 2015)				End of 20th fiscal period (As of Apr 30, 2015)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen) (B)	Appraisal value (mn yen) (C)	Capitalization method cap (D)	Appraisal value vs book value (C)÷(B)-1	Appraisal value (mn yen) (E)	Capitalization method cap rate (F)	Changes (C)-(E)	% changes (C)÷(E)-1	Changes (D)-(F)
A001	KDX Nihonbashi 313 Building	Daiwa	5,940	5,925	6,700	4.2%	13.1%	6,650	4.3%	50	0.8%	-0.1%
A003	Higashi-Kayabacho Yuraku Building	JREI	4,450	4,177	4,920	4.5%	17.8%	4,920	4.5%	-	-	-
A004	KDX Hatchobori Building	Daiwa	3,680	3,348	3,150	4.5%	-5.9%	3,080	4.6%	70	2.3%	-0.1%
A005	KDX Nakano-Sakaue Building	Daiwa	2,533	2,376	2,300	4.7%	-3.2%	2,270	4.8%	30	1.3%	-0.1%
A006	Harajuku F.F. Building	JREI	2,450	2,395	3,080	4.9%	28.6%	3,100	4.9%	-20	-0.6%	-
A007	KDX Minami Aoyama Building	JREI	2,270	2,214	2,460	4.2%	11.1%	2,400	4.3%	60	2.5%	-0.1%
A008	Kanda Kihara Building	Daiwa	1,950	1,812	1,580	4.5%	-12.8%	1,620	4.6%	-40	-2.5%	-0.1%
A012	Portus Center Building	Daiwa	5,570	4,243	5,040	5.9%	18.8%	4,950	6.0%	90	1.8%	-0.1%
A013	KDX Kojimachi Building	JREI	5,950	5,601	4,610	4.0%	-17.7%	4,520	4.1%	90	2.0%	-0.1%
A014	KDX Funabashi Building	JREI	2,252	2,275	2,050	5.7%	-9.9%	2,010	5.9%	40	2.0%	-0.2%
A016	Toshin 24 Building	JREI	5,300	4,913	4,750	5.0%	-3.3%	4,370	5.3%	380	8.7%	-0.3%
A017	KDX Ebisu Building	JREI	4,640	4,464	4,560	4.3%	2.1%	4,600	4.4%	-40	-0.9%	-0.1%
A019	KDX Hamamatsucho Building	Daiwa	3,460	3,100	3,280	4.1%	5.8%	3,240	4.2%	40	1.2%	-0.1%
A020	KDX Kayabacho Building	JREI	2,780	2,768	2,520	4.6%	-9.0%	2,530	4.8%	-10	-0.4%	-0.2%
A021	KDX Shinbashi Building	JREI	3,728	3,781	4,470	4.0%	18.2%	4,280	4.1%	190	4.4%	-0.1%
A022	KDX Shin-Yokohama Building	JREI	2,520	2,313	2,230	5.4%	-3.6%	2,120	5.7%	110	5.2%	-0.3%
A026	KDX Kiba Building	JREI	1,580	1,486	1,350	5.2%	-9.2%	1,380	5.2%	-30	-2.2%	-
A027	KDX Kajicho Building	Daiwa	2,350	2,306	2,280	4.5%	-1.1%	2,230	4.6%	50	2.2%	-0.1%
A029	KDX Higashi-Shinjuku Building	Daiwa	2,950	3,081	3,550	4.6%	15.2%	3,460	4.7%	90	2.6%	-0.1%
A030	KDX Nishi-Gotanda Building	JREI	4,200	3,936	3,860	4.6%	-2.0%	3,970	4.8%	-110	-2.8%	-0.2%
A031	KDX Monzen-Nakacho Building	Daiwa	1,400	1,343	1,080	5.1%	-19.6%	1,110	5.2%	-30	-2.7%	-0.1%
A032	KDX Shiba-Daimon Building	JREI	6,090	6,076	4,820	4.5%	-20.7%	4,760	4.6%	60	1.3%	-0.1%
A033	KDX Okachimachi Building	Daiwa	2,000	2,068	1,980	4.5%	-4.3%	1,940	4.6%	40	2.1%	-0.1%
A034	KDX Hon-Atsugi Building	Daiwa	1,305	1,189	1,130	5.8%	-5.0%	1,110	5.9%	20	1.8%	-0.1%
A035	KDX Hachioji Building	Daiwa	1,155	1,233	1,010	5.5%	-18.2%	993	5.6%	17	1.7%	-0.1%
A037	KDX Ochanomizu Building	JREI	6,400	6,466	6,800	4.3%	5.2%	6,680	4.4%	120	1.8%	-0.1%
A038	KDX Nishi-Shinjuku Building	JREI	1,500	1,544	1,200	4.7%	-22.3%	1,180	4.8%	20	1.7%	-0.1%
A039	KDX Toranomon Building	JREI	4,400	4,703	3,680	4.0%	-21.8%	3,610	4.1%	70	1.9%	-0.1%
A040	Toranomon Toyo Building	JREI	9,850	9,913	10,900	4.2%	10.0%	10,700	4.3%	200	1.9%	-0.1%
A041	KDX Shinjuku 286 Building	JREI	2,300	2,337	2,430	4.3%	4.0%	2,430	4.4%	-	-	-0.1%
A042	Karasuma Building	Daiwa	5,400	5,225	5,170	5.1%	-1.1%	5,100	5.2%	70	1.4%	-0.1%
A044	KDX Sendai Building	Daiwa	2,100	2,047	1,630	5.7%	-20.4%	1,600	5.8%	30	1.9%	-0.1%
A045	KDX Roppongi 228 Building	JREI	3,300	3,408	2,120	4.3%	-37.8%	2,130	4.4%	-10	-0.5%	-0.1%

\*Notes are shown on P.43.

# Appraisal values and cap rates as of the end of 21st fiscal period (2015/10) (2)

No	Property name	Appraiser	Acquisition price (mn yen) (A)	End of 21st fiscal period (As of Oct 31, 2015)				End of 20th fiscal period (As of Apr 30, 2015)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen) (B)	Appraisal value (mn yen) (C)	Capitalization method cap (D)	Appraisal value vs book value (C)÷(B)-1	Appraisal value (mn yen) (E)	Capitalization method cap rate (F)	Changes (C)-(E)	% changes (C)÷(E)-1	Changes (D)-(F)
A046	Hiei Kudan-Kita Building	Daiwa	7,600	7,529	7,900	4.1%	4.9%	7,680	4.2%	220	2.9%	-0.1%
A047	KDX Shin-Yokohama 381 Building	JREI	5,800	5,581	4,340	5.4%	-22.2%	4,140	5.6%	200	4.8%	-0.2%
A048	KDX Kawasaki-Ekimae Hon-cho Building	JREI	3,760	3,607	3,060	5.5%	-15.2%	3,020	5.7%	40	1.3%	-0.2%
A050	KDX Ikejiri-Ohashi Building	JREI	2,400	2,391	1,590	5.1%	-33.5%	1,550	5.2%	40	2.6%	-0.1%
A051	KDX Hamacho Nakanohashi Building	JREI	2,310	2,270	1,900	4.7%	-16.3%	1,860	4.8%	40	2.2%	-0.1%
A052	KDX Kanda Misaki-cho Building	JREI	1,380	1,352	961	4.6%	-28.9%	959	4.7%	2	0.2%	-0.1%
A053	KDX Hakata-Minami Building	JREI	4,900	4,622	3,590	6.2%	-22.3%	3,560	6.4%	30	0.8%	-0.2%
A054	KDX Kitahama Building	JREI	2,220	2,110	1,600	5.6%	-24.2%	1,540	5.8%	60	3.9%	-0.2%
A055	Shin-toshin Maruzen Building	JREI	2,110	2,107	1,610	4.7%	-23.6%	1,610	4.8%	-	-	-0.1%
A056	KDX Jimbocho Building	JREI	2,760	2,895	2,070	4.6%	-28.5%	2,020	4.7%	50	2.5%	-0.1%
A057	KDX Gobancho Building	JREI	1,951	1,917	1,420	4.3%	-25.9%	1,420	4.4%	-	-	-0.1%
A058	KDX Nagoya Sakae Building	Daiwa	7,550	7,004	5,100	4.7%	-27.2%	4,990	4.8%	110	2.2%	-0.1%
A059	KDX Iwamoto-cho Building	JREI	1,864	1,714	1,490	4.8%	-13.1%	1,430	4.9%	60	4.2%	-0.1%
A060	KDX Harumi Building	JREI	10,250	9,186	8,470	4.4%	-7.8%	8,470	4.5%	-	-	-0.1%
A061	KDX Hamamatsucho Dai-2 Building	Daiwa	2,200	2,255	2,020	4.1%	-10.4%	1,950	4.2%	70	3.6%	-0.1%
A062	Koishikawa TG Building	JREI	3,080	3,049	3,340	4.5%	9.5%	3,270	4.6%	70	2.1%	-0.1%
A063	Gotanda TG Building	JREI	2,620	2,734	2,910	4.6%	6.4%	2,830	4.7%	80	2.8%	-0.1%
A064	KDX Nihonbashi 216 Building	JREI	2,010	1,895	1,900	4.2%	0.2%	1,880	4.2%	20	1.1%	-
A066	KDX Shinjuku Building	JREI	6,800	6,902	7,640	4.0%	10.7%	7,000	4.2%	640	9.1%	-0.2%
A067	KDX Ginza 1chome Building	Daiwa	4,300	4,232	5,330	3.9%	25.9%	5,260	4.0%	70	1.3%	-0.1%
A068	KDX Nihonbashi Honcho Building	Daiwa	4,000	3,961	4,430	4.3%	11.8%	4,500	4.4%	-70	-1.6%	-0.1%
A069	KDX Kobayashi-Doshomachi Building	JREI	2,870	2,385	2,580	6.5%	8.1%	2,650	6.5%	-70	-2.6%	-
A070	KDX Sapporo Building	Daiwa	2,005	1,991	2,040	5.3%	2.4%	2,020	5.4%	20	1.0%	-0.1%
A071	KDX Iidabashi Building	Daiwa	4,670	4,592	5,410	4.3%	17.8%	5,320	4.4%	90	1.7%	-0.1%
A072	KDX Higashi-Shinagawa Building	Daiwa	4,590	4,806	4,340	4.5%	-9.7%	4,450	4.6%	-110	-2.5%	-0.1%
A073	KDX Hakozaki Building	Daiwa	2,710	2,781	2,950	4.7%	6.1%	2,940	4.8%	10	0.3%	-0.1%
A074	KDX Shin-Nihonbashi Building	Daiwa	2,300	2,157	2,730	4.1%	26.6%	2,630	4.2%	100	3.8%	-0.1%
A075	KDX Nihonbashi Kabutocho Building	JREI	11,270	11,222	12,100	4.3%	7.8%	11,800	4.4%	300	2.5%	-0.1%
A078	KDX Tachikawa Ekimae Building	JREI	1,267	1,308	1,480	5.4%	13.1%	1,460	5.5%	20	1.4%	-0.1%
A079	KDX Nagoya Ekimae Building	JREI	7,327	7,988	7,890	4.6%	-1.2%	7,890	4.8%	-	-	-0.2%
A082	KDX Higashi Umeda Building	Daiwa	2,770	2,642	3,630	4.6%	37.3%	3,540	4.7%	90	2.5%	-0.1%
A083	KDX Fuchu Building	Daiwa	6,120	6,001	6,990	5.1%	16.5%	6,850	5.2%	140	2.0%	-0.1%
A084	KDX Kasuga Building	JREI	2,800	2,799	3,570	4.5%	27.5%	3,530	4.6%	40	1.1%	-0.1%

\*Notes are shown on P.43.

# Appraisal values and cap rates as of the end of 21st fiscal period (2015/10) (3)

No	Property name	Appraiser	Acquisition price (mn yen) (A)	End of 21st fiscal period (As of Oct 31, 2015)				End of 20th fiscal period (As of Apr 30, 2015)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen) (B)	Appraisal value (mn yen) (C)	Capitalization method cap (D)	Appraisal value vs book value (C)÷(B)-1	Appraisal value (mn yen) (E)	Capitalization method cap rate (F)	Changes (C)-(E)	% changes (C)÷(E)-1	Changes (D)-(F)
A085	KDX Nakameguro Building	Daiwa	1,880	1,882	2,380	4.7%	26.4%	2,340	4.8%	40	1.7%	-0.1%
A086	KDX Omiya Building	Daiwa	2,020	2,210	2,670	5.3%	20.8%	2,610	5.4%	60	2.3%	-0.1%
A087	Itopia Nihonbashi SA Building	Daiwa	2,200	2,246	2,410	4.6%	7.3%	2,360	4.7%	50	2.1%	-0.1%
A088	KDX Shinjuku 6-chome Building	Daiwa	1,900	1,897	2,470	4.5%	30.2%	2,400	4.6%	70	2.9%	-0.1%
A089	KDX Takanawadai Building	JREI	5,250	5,291	5,970	4.5%	12.8%	5,830	4.6%	140	2.4%	-0.1%
A090	KDX Ikebukuro Building	Daiwa	3,900	3,813	4,470	4.2%	17.2%	4,340	4.3%	130	3.0%	-0.1%
A091	KDX Mita Building	JREI	3,180	3,175	3,400	4.4%	7.1%	3,500	4.5%	-100	-2.9%	-0.1%
A092	KDX Akihabara Building	JREI	2,600	2,583	2,970	4.3%	15.0%	2,900	4.4%	70	2.4%	-0.1%
A093	KDX Iidabashi Square	Daiwa	4,350	4,529	4,720	4.3%	4.2%	4,720	4.4%	-	-	-0.1%
A094	KDX Musashi-Kosugi Building	JREI	12,000	11,739	13,900	4.6%	18.4%	13,400	4.8%	500	3.7%	-0.2%
A095	KDX Toyosu Grand Square	Daiwa	8,666	8,488	9,030	4.8%	6.4%	8,930	4.9%	100	1.1%	-0.1%
A096	KDX Takadanobaba Building	Daiwa	3,650	3,657	4,130	4.6%	12.9%	3,980	4.7%	150	3.8%	-0.1%
A097	KDX Utsunomiya Building	Daiwa	2,350	2,391	2,550	5.9%	6.6%	2,540	6.0%	10	0.4%	-0.1%
A098	KDX Hiroshima Building	JREI	1,300	1,390	1,460	6.0%	5.0%	1,410	6.2%	50	3.5%	-0.2%
A099	KDX Ikebukuro West Building	Daiwa	1,934	1,972	1,990	4.5%	0.9%	1,980	4.6%	10	0.5%	-0.1%
A100	Senri Life Science Center Building	Daiwa	13,000	12,925	13,300	4.9%	2.9%	13,300	5.0%	-	-	-0.1%
A101	KDX Yokohama Building	Daiwa	7,210	7,225	7,900	4.7%	9.3%	7,640	4.8%	260	3.4%	-0.1%
A102	KDX Yokohama Nishiguchi Building	Daiwa	2,750	2,755	2,970	4.7%	7.8%	2,910	4.8%	60	2.1%	-0.1%
A103	KDX Shin-Yokohama 214 Building	JREI	2,200	2,202	2,280	5.3%	3.5%	2,220	5.4%	60	2.7%	-0.1%
A104	KDX Minami-Honmachi Building	JREI	2,200	2,175	2,690	4.8%	23.7%	2,560	5.0%	130	5.1%	-0.2%
A105	BUREX Toranomon	JREI	1,750	1,763	2,140	3.9%	21.4%	2,090	4.0%	50	2.4%	-0.1%
A106	KDX Sakura-dori Building	Daiwa	5,900	6,025	7,260	4.9%	20.5%	7,250	5.0%	10	0.1%	-0.1%
A107	35 Sankyo Building	JREI	3,600	3,621	3,640	4.4%	0.5%	3,630	4.5%	10	0.3%	-0.1%
A108	Pentel Building	Daiwa	3,350	3,503	3,501	4.2%	-0.1%	3,434	4.3%	67	2.0%	-0.1%
A109	Hamamatsucho Center Building	Daiwa	3,950	4,001	4,020	4.1%	0.5%	4,010	4.1%	10	0.2%	-
A110	Shin Osaka Center Building	Daiwa	4,550	4,615	4,700	4.4%	1.8%	4,660	4.4%	40	0.9%	-
<b>Subtotal: Office buildings</b>			<b>357,958</b>	<b>352,170</b>	<b>359,992</b>	<b>4.6%</b>	<b>2.2%</b>	<b>354,006</b>	<b>4.7%</b>	<b>5,986</b>	<b>1.7%</b>	<b>-0.1%</b>
B019	Residence Charmante Tsukushima	JREI	5,353	4,669	4,920	4.6%	5.4%	4,900	4.7%	20	0.4%	-0.1%
<b>Subtotal: Residential</b>			<b>5,353</b>	<b>4,669</b>	<b>4,920</b>	<b>4.6%</b>	<b>5.4%</b>	<b>4,900</b>	<b>4.7%</b>	<b>20</b>	<b>0.4%</b>	<b>-0.1%</b>
C001	Frame Jinnan-zaka	JREI	9,900	9,451	10,400	3.9%	10.0%	10,100	4.0%	300	3.0%	-0.1%
C002	KDX Yoyogi Building	JREI	2,479	2,483	2,100	4.9%	-15.4%	2,060	5.0%	40	1.9%	-0.1%
C004	Ginza 4chome Tower	JREI	9,800	9,718	11,900	3.5%	22.4%	11,600	3.6%	300	2.6%	-0.1%
<b>Subtotal: Central urban retail</b>			<b>22,179</b>	<b>21,652</b>	<b>24,400</b>	<b>3.8%</b>	<b>12.7%</b>	<b>23,760</b>	<b>3.9%</b>	<b>640</b>	<b>2.7%</b>	<b>-0.1%</b>
D002	Shinjuku 6chome Building (land)	Daiwa	2,880	2,973	3,110	4.0%	4.6%	3,030	4.1%	80	2.6%	-0.1%
<b>Subtotal: Others</b>			<b>2,880</b>	<b>2,973</b>	<b>3,110</b>	<b>4.0%</b>	<b>4.6%</b>	<b>3,030</b>	<b>4.1%</b>	<b>80</b>	<b>2.6%</b>	<b>-0.1%</b>
<b>Total</b>			<b>388,371</b>	<b>381,466</b>	<b>392,422</b>	<b>4.6%</b>	<b>2.9%</b>	<b>385,696</b>	<b>4.7%</b>	<b>6,726</b>	<b>1.7%</b>	<b>-0.1%</b>

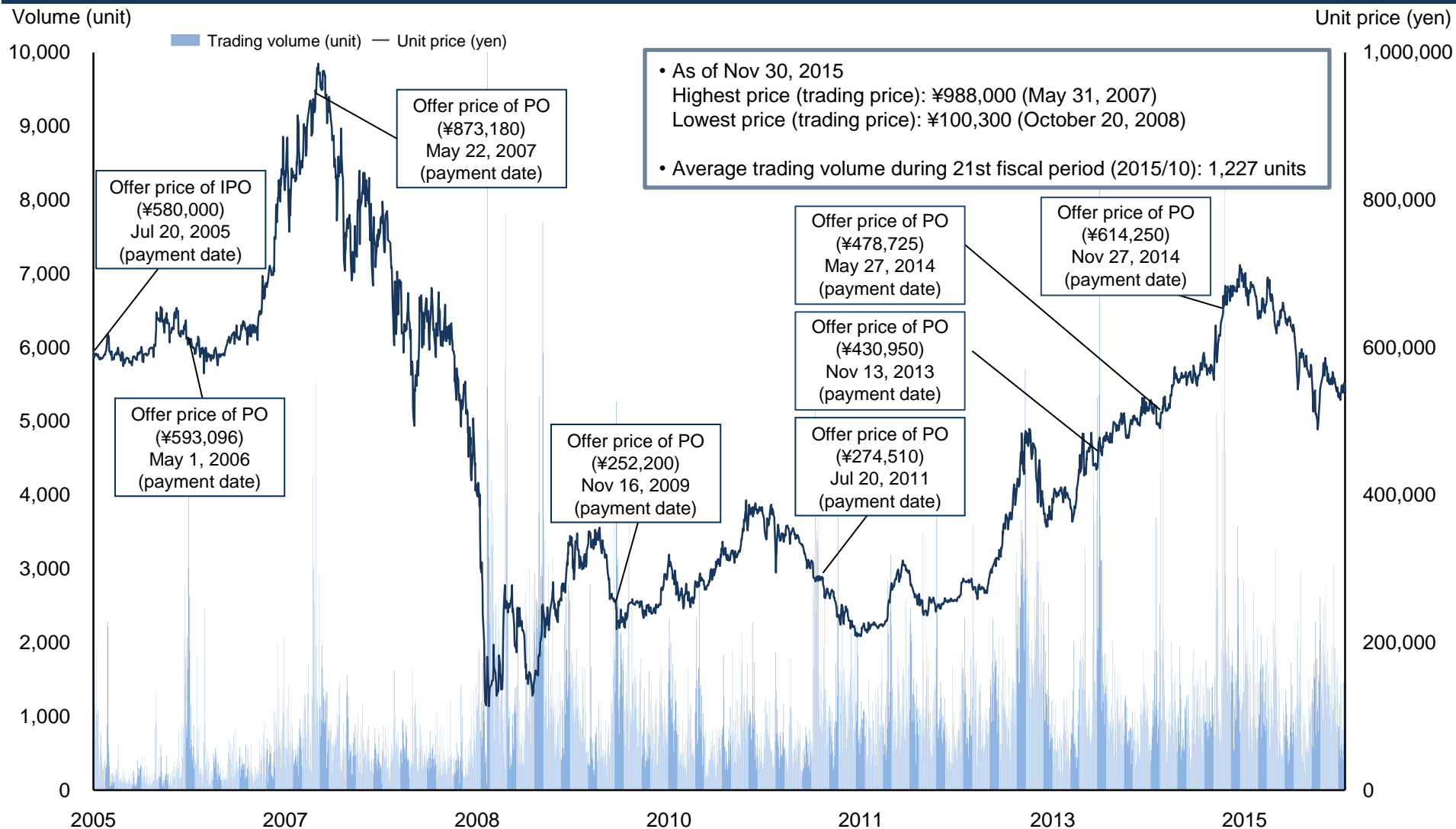
Note 1: Ratios for acquisition price, appraisal value and book value are rounded to the first decimal place.

Note 2: Cap rate for each property type is a weighted average value based on appraisal value.

Note 3: For the properties newly acquired in the 21st fiscal period (2015/10), the appraisal values included in the relevant appraisal report obtained at the time of acquisition are considered as the appraisal values as of the end of the previous fiscal period in calculating the change in appraisal value (period-over-period).

# Unit price and trading volume since IPO

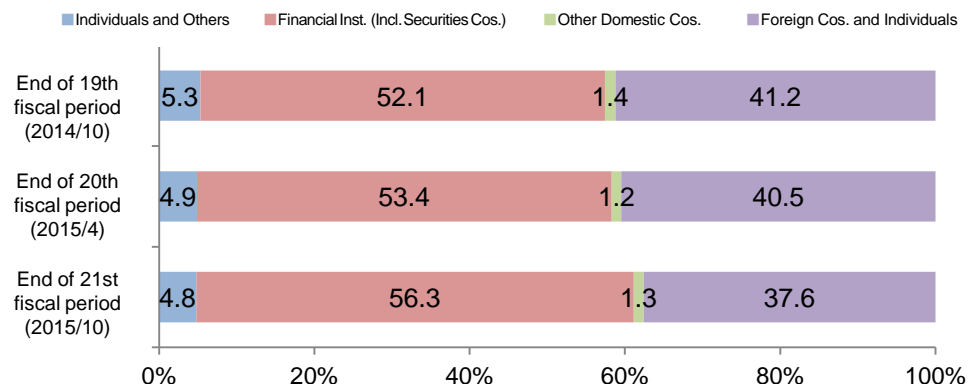
KDO unit price and trading volume performance (from the listing date to November 30, 2015)<sup>(Note)</sup>



Note: Trading volume that exceeds 10,000 units (2008/10/20:19,728 units) is not shown.

# KDO Unitholders (as of the end of 21st fiscal period (2015/10))

## Change in % share of investment units by unitholders



## Number of unitholders

(unit: person)	End of 19th fiscal period (2014/10)	End of 20th fiscal period (2015/4)	End of 21st fiscal period (2015/10)
Individual and Others	6,638	6,804	6,550
Financial Inst. (Incl. Securities Cos.)			
City/Trust Bank	9	11	10
Local Bank	15	18	15
Credit Union and Others	24	34	33
Life/Nonlife, Securities	23	22	26
Total	71	85	84
Other Domestic Cos.	123	132	124
Foreign Cos. and Individuals	226	256	256
Total	7,058	7,277	7,014

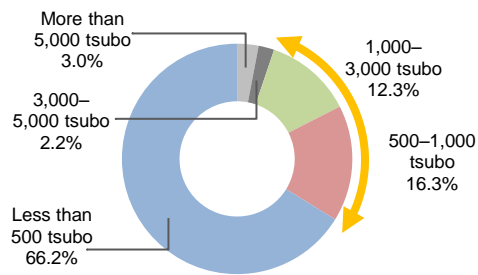
## Top 10 unitholders

Name	# of units held (unit)	Percentage share (%)
Japan Trustee Services Bank, Ltd. (Trust Acct.)	68,677	16.96%
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	59,796	14.76%
The Master Trust Bank of Japan, Ltd. (Trust Acct.)	40,889	10.09%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Acct.)	19,954	4.92%
Nomura Bank (Luxemburg) S.A.	16,712	4.12%
The Bank of New York Mellon SA/NV 10	12,162	3.00%
State Street Bank and Trust Company 505223	8,669	2.14%
Goldman Sachs International	7,010	1.73%
JP Morgan Chase & Co. 385174	6,664	1.64%
State Street Bank and Trust Company	5,642	1.39%
Total	246,175	60.80%

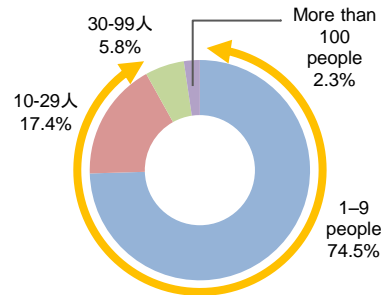
# Office building market (1)

- Small and medium-sized office buildings have a large number of properties and solid tenant base
- About 80% of small and medium-sized office buildings are 20 years or older and require proper facility maintenance and management

Office market by GFA  
(based on total area) (Note 1)



Office market by the number of employees (Tokyo)

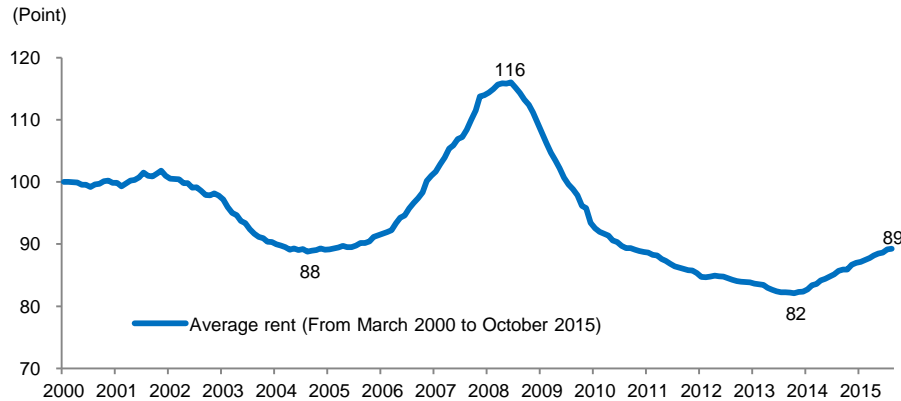


Note 1: The above data covers rental office buildings located in Tokyo Central 5 wards that were surveyed by CBRE K.K.. The above data may not include the data of all properties in the Tokyo Central 5 wards (as of Mar 2011).

Source: Survey conducted by CBRE K.K. based on KFM's request "Market survey of Medium-sized buildings"(May 2011)

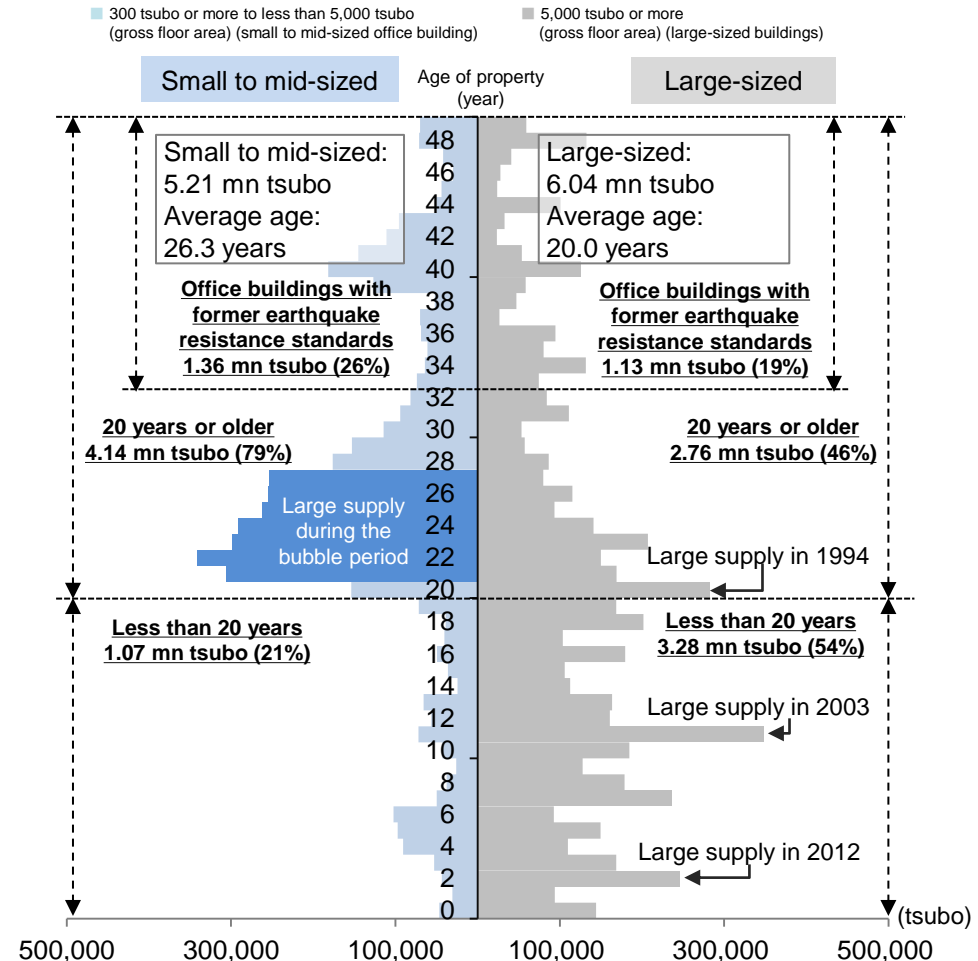
Source: Created by KFM based on "2014 Economic Census for Business Frame Tokyo (Preliminary results) (as of August 3, 2015)

Rent levels for rental office buildings in Tokyo Central 5 wards  
(Mar 2000 = 100) (Note 2)



Note 2: Showing the rent level from Mar. 2000 through Oct. 2015, with the average asking rent as of Mar. 2000 adjusted to 100  
Source: Compiled by KFM using "Office Data by area, Tokyo Central 5 wards" prepared by Miki Shoji

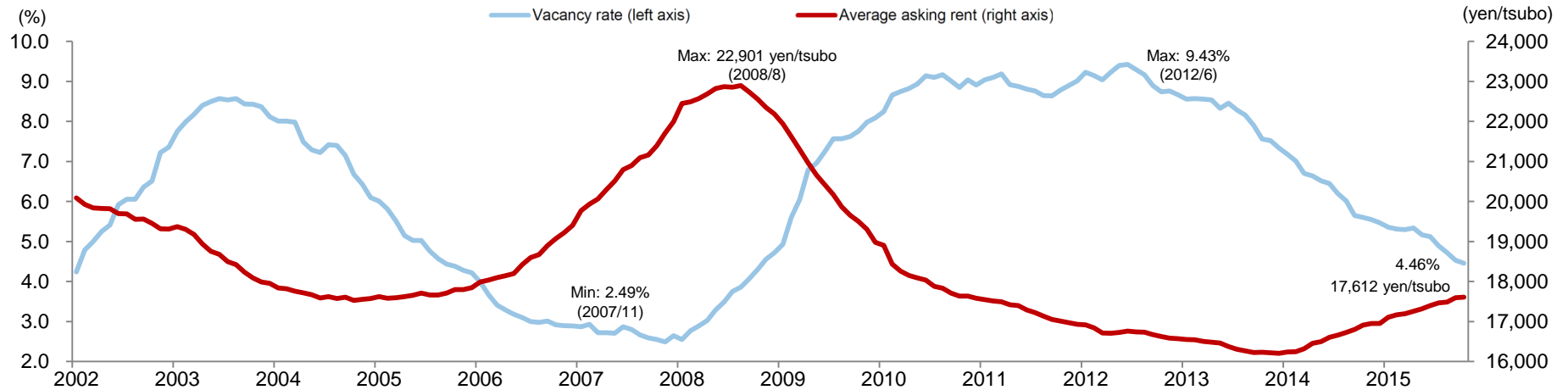
Tokyo 23 wards office stock pyramid by size and age  
(based on net rentable area)



Source: Compiled by KFM using "News & Release—Office Pyramid 2014" released by XYMAX Corporation on April 17, 2014

# Office building market (2)

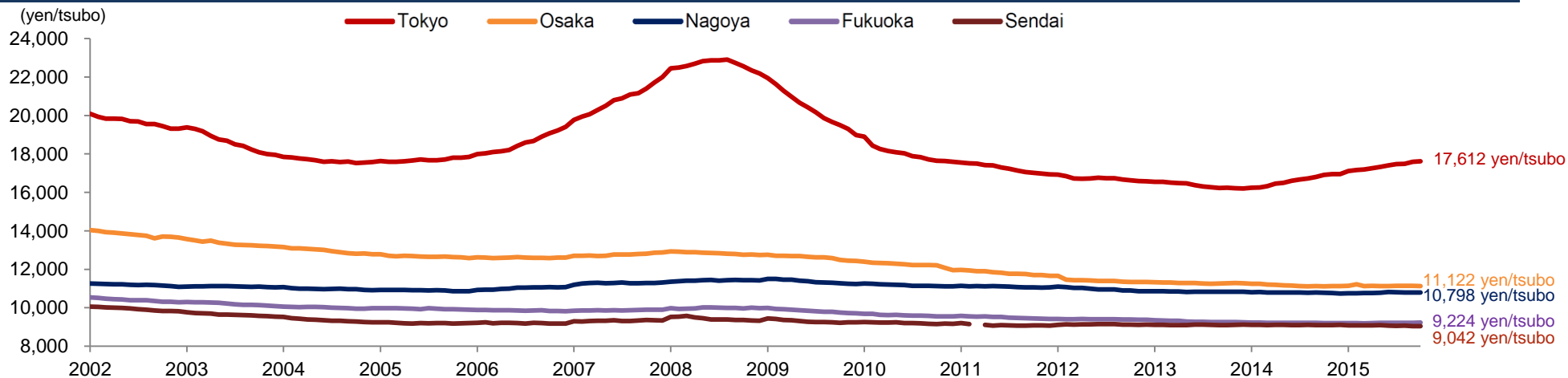
Changes in asking rent and vacancy rate in Tokyo Central 5 wards (from Jan 2002 to Oct 2015)<sup>(Note 1)</sup>



Note 1: Covers office buildings with standard floor area over 100 tsubo in Tokyo business districts (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards).

Source: Miki Shoji "Latest Office Building Markets in Tokyo (Central 5 wards)" (from January 2002 to October 2015)

Changes in rent levels by region (from Jan 2002 to Oct 2015)<sup>(Note 2)</sup>

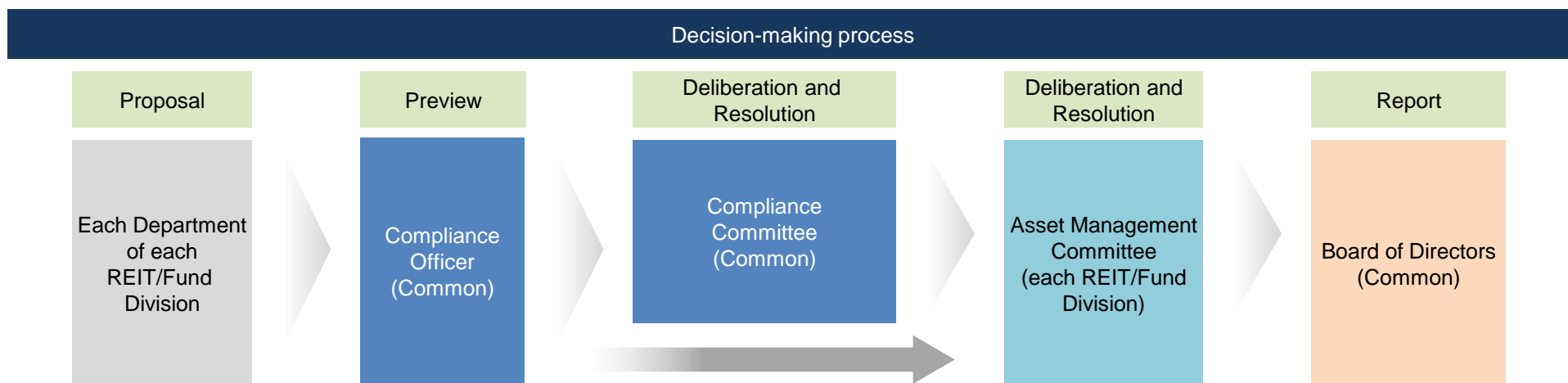


Note 2: Rent data of business districts and its sub areas. Tokyo covers office buildings with standard floor area over 100 tsubo in Tokyo Central 5 wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards).

Source: Compiled by KFM using the data prepared by Miki Shoji (from January 2002 to October 2015).



# Management structure of KFM



## Constituent members of Decision Making Body

	Compliance Committee	AM committee (Office REIT Division)
CEO and President	●	
Compliance Officer	●	●
Director (full-time)	●	
General Manager of Office REIT Div.		●
General Manger of Investment Management Dept., Office REIT Div.		●
General Manager of Planning Dept., Office REIT Div.		●
General Manager of Finance & Accounting Dept.		●
External member (lawyer)	●	
External member (real estate appraiser) <sup>(Note)</sup>		●

## Rules on transactions with interested parties

Asset acquisition	Must not acquire properties for more than appraisal value (except for the case of warehousing)
Asset disposal	Must not sell properties for less than appraisal value

## Asset management fee structure

Management fee I	0.15% of total assets
Management fee II	3.0% of distributable amount each fiscal period
Acquisition fee	0.5% of acquisition price (0.25% for interested parties)
Disposition fee	Capped at 0.5% of sale price

Note: Certain proposals such as borrowings do not require attendance of external members.

# Our sponsor

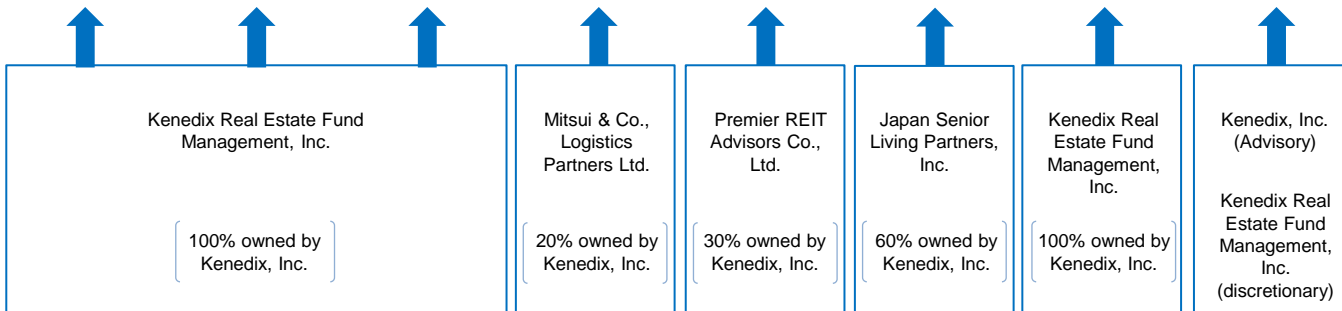
- Total AUM of 1,638.9 bn yen, with more than 10 years in J-REIT management experience
- One of major independent real estate investment companies in Japan, managing multiple J-REITs

## Fund management by Kenedix Group

J-REIT **1,140.0 bn yen** (as of October 31, 2015)

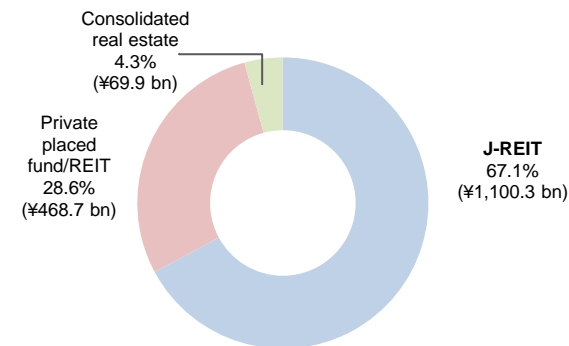
Private REIT

Private fund



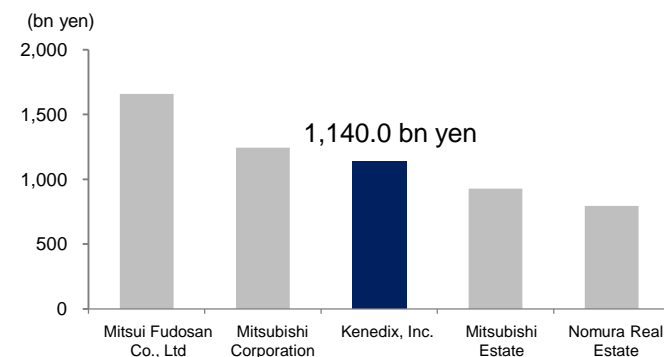
## Kenedix Group AUM

**Kenedix Group's assets under management (AUM)**  
Total **1,638.9 bn yen** (as of September 30, 2015)



Source: Kenedix, Inc.

## AUM<sup>(Note 2)</sup> by each of major J-REIT sponsors<sup>(Note 3)</sup>



Source: Compiled by KFM based on each J-REIT's disclosure material as of October 31, 2015.

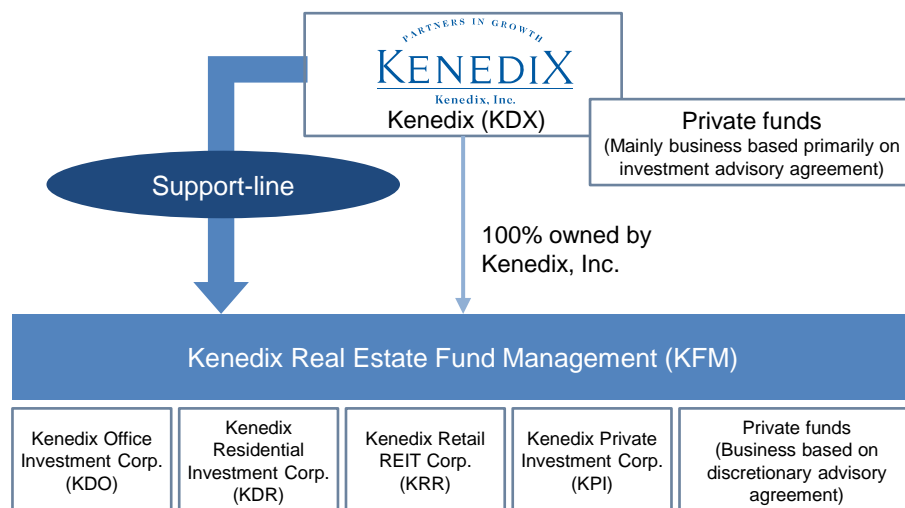
Note 1: Includes consolidate real estate of 69.9 bn yen.

Note 2: "Major J-REIT sponsors" refer to the shareholders of J-REIT's asset manager, excluding trust banks, other financial institutions and the shareholders whose ownership ratio is less than 20%.

Note 3: AUM by each of major J-REIT sponsors is based on the asset size of each J-REIT (based on acquisition price) as of October 31, 2015.

# Allocation rule for property information in the KDX Group and management guidelines

## Kenedix Group's fund management structure



## KDO management guidelines

Targeting portfolio		Target investment ratio
Office building	Rental office building which fulfills following criteria; • Tokyo 23 wards: Total floor area less than 13,000m <sup>2</sup> • Outside Tokyo 23 wards: Total floor area less than 20,000m <sup>2</sup>	80%–100%
	Rental office buildings other than above	
Central urban retail	Central urban retail properties located in highly flourishing districts	
Residential	Residential properties for leasing purposes as their principal use	0%–20%
Other	Amusement parks, business hotels, parking, educational, medical and health care-related facilities, leasehold land and others	

## Overview of preferential study rights for property information

- For mid-sized office buildings<sup>(Note 1)</sup>, KDO's main investment targets, KDO will have the first opportunity to consider property acquisition among the funds managed by KFM including other REITs and private funds if the following conditions are satisfied:

	Location	Floor area per building (m <sup>2</sup> )				
	Tokyo 23 wards	More than 2,000, 13,000 or less				
	Outside Tokyo 23 wards	More than 3,000, 20,000 or less				
	Office REIT Div.	Residential REIT Div.	Retail REIT Div.	Private REIT Div.	Private Fund Div.	
	Kenedix Office Investment Corp.	Kenedix Residential Investment Corp.	Kenedix Retail REIT Corp.	Kenedix Private Investment Corp.	Private funds	
Mid-sized office buildings	1st	-	-	2nd	3rd	
Other office buildings	2nd	-	-	1st	3rd	
Residential properties (Note 2)	-	1st	-	2nd	3rd	
Central urban retail properties (Note 3)	3rd	-	1st/2nd	2nd/1st	4th	
Other retail properties (Note 3)	-	-	1st/2nd	2nd/1st	3rd	
Hotel	-	-	-	1st	2nd	

Note 1: Office building refers to a property in which office use is the largest share of total floor area based on floor area use in accordance with the Building Standards Law

Note 2: Specifically for residential properties with GFA below 20,000m<sup>2</sup> for Tokyo 23 wards and below 30,000m<sup>2</sup> for outside of Tokyo 23 wards.

Note 3: Retail property is categorized as "retail property" if retail stores occupy the largest floor area and as "service property" if service stores occupy the largest floor area. KRR and KPI have the first and second preferential rights, respectively, in "Retail property". KPI and KRR have the first and second preferential rights, respectively, in "Service property".

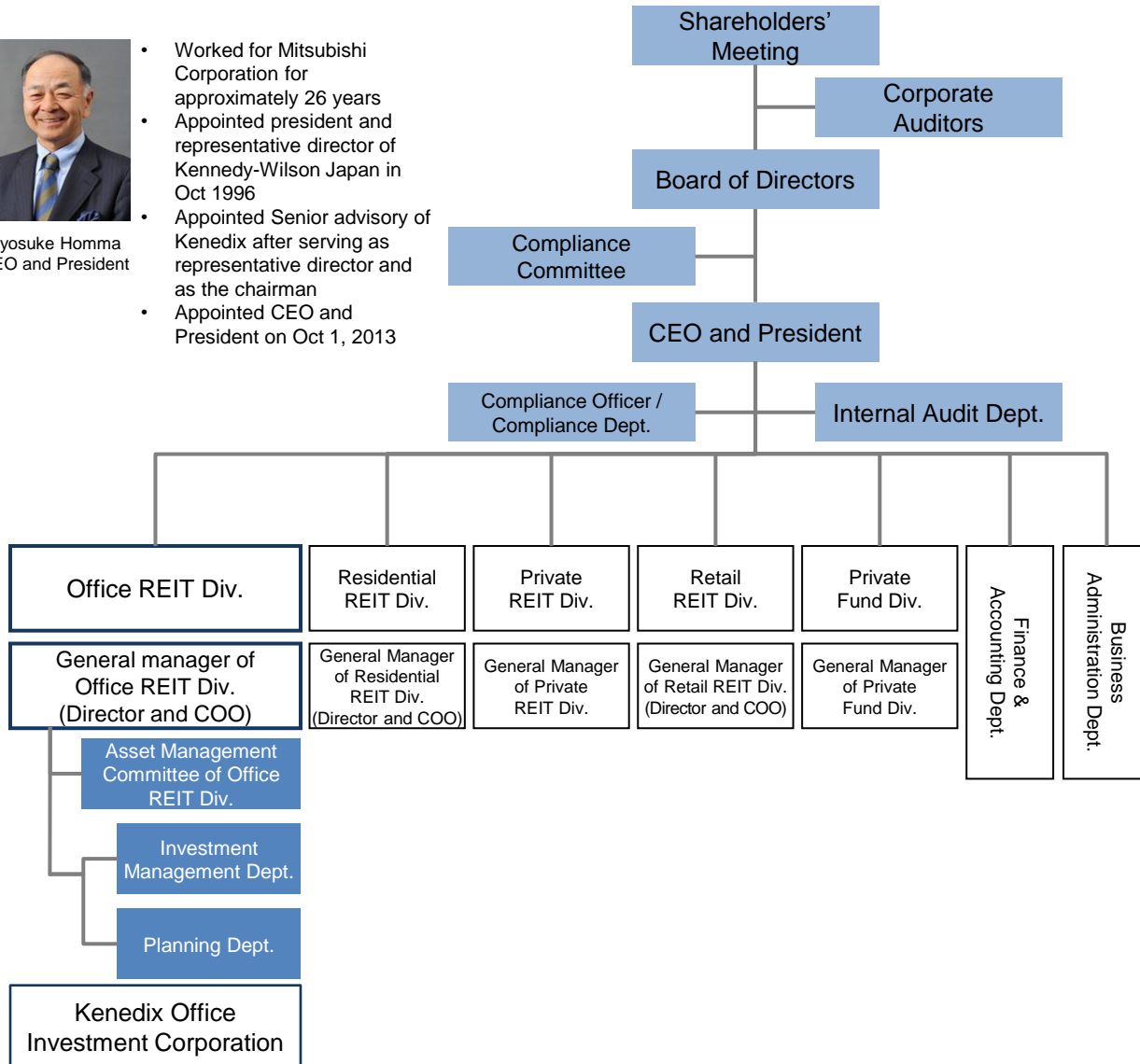
# Organization chart

## Organization chart



Ryosuke Homma  
CEO and President

- Worked for Mitsubishi Corporation for approximately 26 years
- Appointed president and representative director of Kennedy-Wilson Japan in Oct 1996
- Appointed Senior advisory of Kenedix after serving as representative director and as the chairman
- Appointed CEO and President on Oct 1, 2013



## Office REIT Division: Key members



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 CEO and President of Kenedix Office Partners, Inc. on Feb 2, 2012
- Appointed Director and COO, General Manager of Office REIT Div. on Oct 1, 2013



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

- Worked for Tokyu Land Corporation for approximately 9 years (Urban Business Division)
- Joined Kenedix, Inc. after having worked for JPMorgan Securities Japan Co., Ltd., Prudential Real Estate Investors (Japan) K.K. Property appraiser
- Appointed General Manager of Investment Management Division, Kenedix Office Partners, Inc. on Aug 1, 2012
- Appointed General Manager of Investment Management Dept., Office REIT Division on Oct 1, 2013



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. on Aug 1, 2012
- Appointed General Manager of Planning Dept., Office REIT Division on Oct 1, 2013

## Finance & Accounting Dept.



Tetsushi Ichikawa  
General Manager of  
Finance & Accounting Dept.

- Worked for Sumitomo Mitsui Trust Bank for 15 years (Engaged in real estate finance, etc.)
- Joined Kenedix after having engaged in 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 Oct 1, 2013 after serving as General Manager of Finance Group for Kenedix Residential Partners

Memo

Memo

Memo

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Revised editions of our annual reports will be posted on our website (<http://www.kdx-reit.com/>) if there should be major corrections going forward.