

# Kenedix Office Investment Corporation

22nd Period Results (Ended April 2016)

June 14, 2016

**KENEDIX**  
Office Investment Corporation



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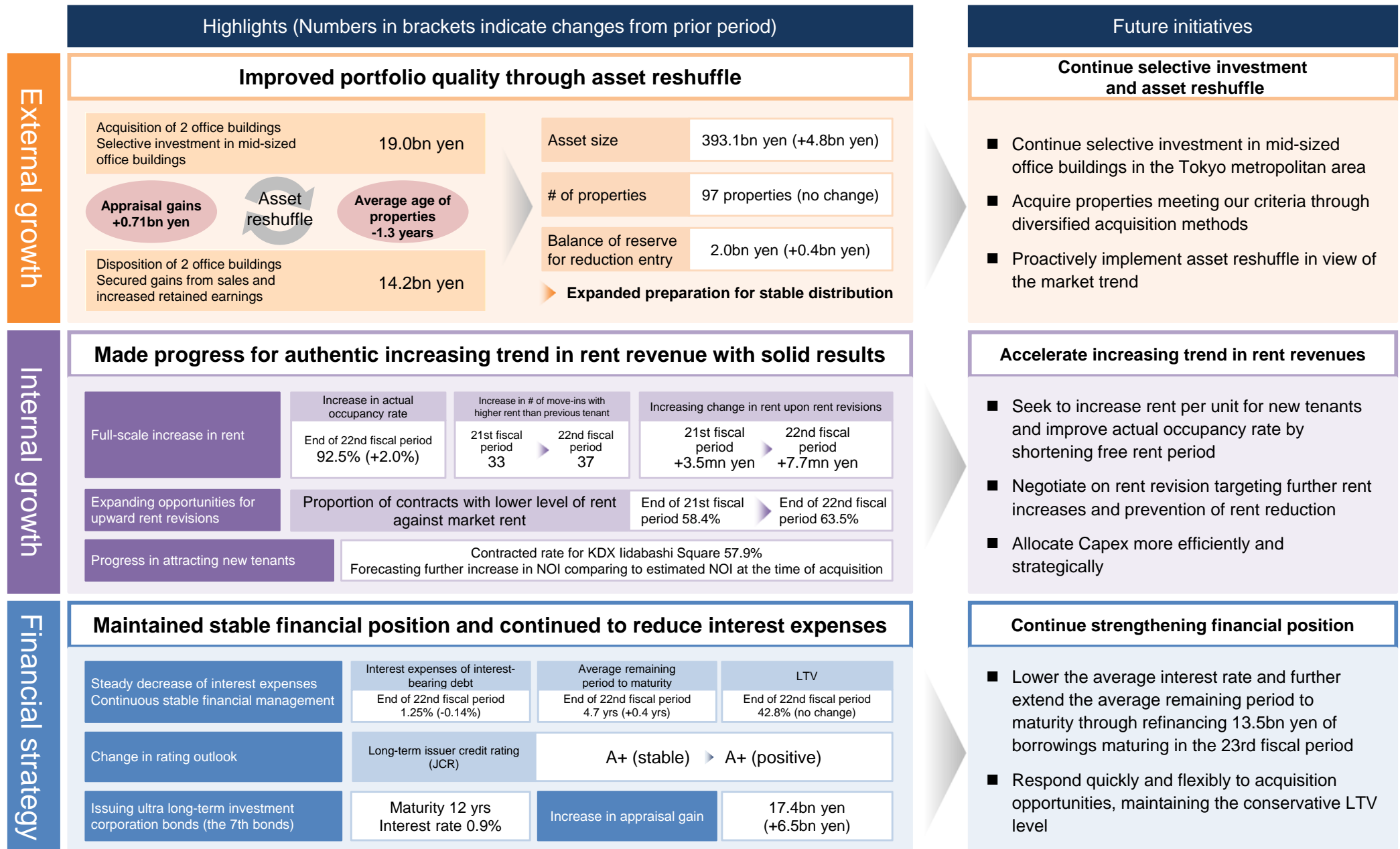
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## Section 1

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### Executive Summary / highlights

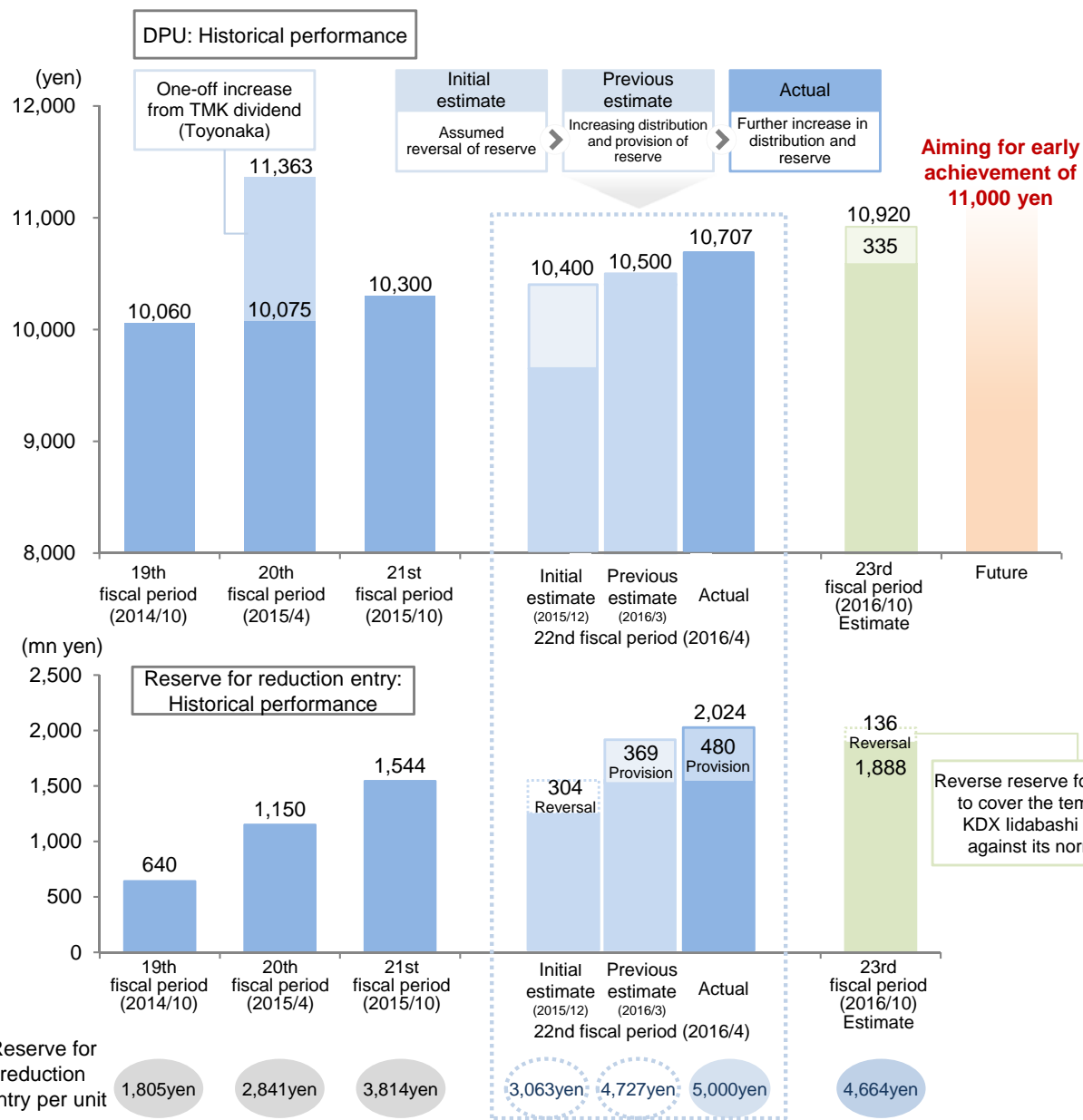
# Highlights of 22nd fiscal period (2016/4) and future initiatives



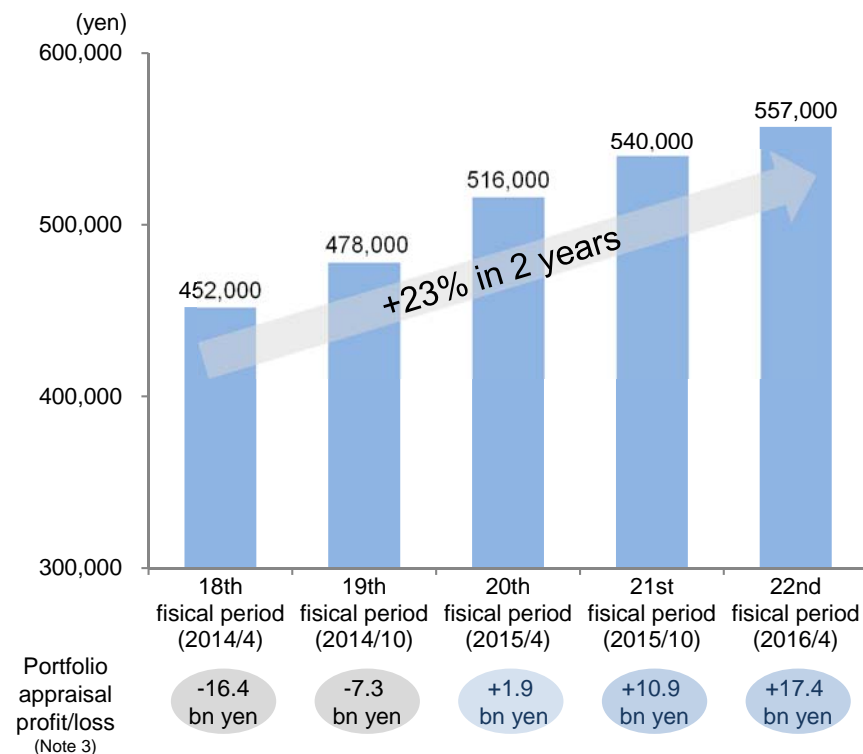


# DPU and NAV per unit levels

## DPU and reserve for reduction entry<sup>(Note 1)</sup>: Historical performance



## NAV per unit: Historical performance<sup>(Note 2)</sup>



- 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.

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## Section 2

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22nd fiscal period results (2016/4)  
and earning forecasts

# 22nd fiscal period (2016/4) financial results: Performance highlight

(Unit: mn yen)

Items	A	B	C		
	21st fiscal period 2015/10 Actual	22nd fiscal Period 2016/4 Forecast (announced on Mar.1)	22nd fiscal period 2016/4 Actual	C-A 22nd (actual) vs 21st (actual) Comparison Change	C-B 22nd (actual) vs 22nd (forecast) Comparison Change
<b>Operating revenue</b>	13,740	14,371	14,362	621	-9
Gain on sale of real estate	461	1,508	1,510	1,048	1
Dividend	53	33	40	-13	7
<b>Operating expense</b>	7,800	8,475	8,260	459	-215
Loss on sale of real estate	165	768	766	600	-2
<b>Operating income</b>	5,940	5,896	6,102	161	205
<b>Non-operating income</b>	1	2	1	-0	-0
<b>Non-operating expense</b>	1,376	1,276	1,287	-88	11
<b>Ordinary income</b>	4,565	4,622	4,816	250	194
<b>Net income</b>	4,564	4,620	4,815	250	194
Provision/reversal (-) of reserve for reduction entry	394	369	480	86	110
<b>Total distributions</b>	4,170	4,251	4,335	164	83
<b>Distributions per unit (yen)</b>	10,300	10,500	10,707	407	207
<b># of total units outstanding</b>	404,885	404,885	404,885	0	0
<b>Rental NOI (Note 1)</b>	8,775*	8,341	8,509	-266	168
<b>FFO (Note 2)</b>	6,487*	6,120	6,301	-185	181
<b>Depreciation</b>	2,218	2,240	2,230	11	-9
<b>Number of properties</b>	97	97	97	0	0
<b>Total interest-bearing debt</b>	174,100	-	175,100	1,000	
<b>LTV</b>	42.8%	-	42.8%	0.0%	
<b>Book value (Period-end)</b>	381,466	-	385,085	3,618	
<b>Appraisal value (Period-end)</b>	392,422	-	402,555	10,133	
<b>Net assets</b>	211,914	-	212,555	640	

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

<b>Operating revenue</b>	<b>+621 mn yen</b>	
• Rent/common area charge	-58 mn yen	(Properties acquired: +58 (22nd), +142 (21st), Existing properties: -59, Properties sold: -61 (22nd), -138 (21st))
• Utilities	-140 mn yen	(21st: Disappearance of cancellation penalty -89, Disappearance of restoration fee -116, etc. for KDX Iidabashi Square)
• Other revenues	-216 mn yen	(21st: Disappearance of gain on the sale of Nagoya Nikko Shoken Bldg. -461 22nd: Toranomon Toyo Bldg. +1,510 (TK Dividend: KRF43 Shinjuku Sanei Bldg.)
• Gain on sale of real estate	+1,048 mn yen	
• Dividend income	-13 mn yen	
<b>Operating expense</b>	<b>+459 mn yen</b>	
• Depreciation	+11 mn yen	(Properties acquired: +24 (22nd), +18 (21st), Properties sold: -4 (22nd), -15 (21st), Other: -12)
• Property management fee	-10 mn yen	(Properties acquired: +6 (22nd), +15 (21st), Existing properties: -8, Properties sold: -4 (22nd), -19 (21st))
• Taxes	+15 mn yen	(Properties acquired after KDX Sakura-dori Bldg.: +24 Properties sold: -27 (21st), Other (related to the properties sold in the 22nd fiscal period): +18)
• Repair/maintenance	-46 mn yen	
• Utilities	-161 mn yen	
• Loss on sale of real estate	+600 mn yen	(21st: Disappearance of loss on the sale of KDX Nogizaka Bldg. -165 22nd: KDX Toranomon Bldg. +766)
• Asset management fee	+7 mn yen	
• Other expenses	+43 mn yen	(Reduction in trust fees for existing properties -19, Leasing related expenses for KDX Iidabashi Square +20, etc.)
<b>Non-operating expense</b>	<b>-88 mn yen</b>	
• Interest expense/financing-related expense	-100 mn yen	
• Non-deductible consumption taxes, etc.	+12 mn yen	

## Major changes in 22nd fiscal period (16/4) against 22nd fiscal period (2016/4) forecast, announced on March 1

<b>Operating revenue</b>	<b>-9 mn yen</b>	
• Rent/common area charge	+19 mn yen	(Avoidance of reduction in rent and others)
• Utilities	-43 mn yen	
• Dividend income	+7 mn yen	(TK Dividend: KRF43 Shinjuku Sanei Bldg.)
• Other revenues	+8 mn yen	
<b>Operating expense</b>	<b>-215 mn yen</b>	
• Utilities	-137 mn yen	
• Repair/maintenance	-90 mn yen	
• Other expenses	+12 mn yen	
<b>Non-operating expense</b>	<b>+11 mn yen</b>	
• Interest expense/financing-related expense	+2 mn yen	
• Non-deductible consumption taxes, etc.	+9 mn yen	

\* Includes 205mn yen of cancellation penalty and restoration fee for KDX Iidabashi Square due to cancellation of tenant.

Note 1: Rental NOI = Operating revenue – Gain on sale of real estate + 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



# 23rd fiscal period (2016/10): Earning forecast

(Unit: mn yen)

Items	A	B	B-A
	22nd fiscal period 2016/4 Actual	23rd fiscal period 2016/10 Forecast	23rd (forecast) vs 22nd (actual) Comparison Change
<b>Operating revenue</b>	14,362	13,280	-1,082
Gain on sale of real estate	1,510	-	-1,510
Dividend	40	48	7
<b>Operating expense</b>	8,260	7,788	-471
Loss on sale of real estate	766	-	-766
<b>Operating income</b>	6,102	5,491	-610
<b>Non-operating income</b>	1	2	0
<b>Non-operating expense</b>	1,287	1,206	-80
<b>Ordinary income</b>	4,816	4,286	-529
<b>Net income</b>	4,815	4,285	-530
Provision/reversal (-) of reserve for reduction entry	480	-136	-616
<b>Total distributions</b>	4,335	4,421	86
<b>Distributions per unit (yen)</b>	10,707	10,920	213
<b># of total units outstanding</b>	404,885	404,885	0
<b>Related Information</b>			
Rental NOI (Note 1)	8,509	8,672	163
FFO (Note 2)	6,301	6,553	252
Depreciation	2,230	2,268	37
Number of properties	97	97	0
(Reference) Estimated property and city planning taxes	-	1,111	

## Major changes in 23rd fiscal period (2016/10) against actual result in 22nd fiscal period (2016/4)

<b>■ Operating revenue</b>	<b>-1,082 mn yen</b>	
• Rent/common area charge	+247 mn yen	(Properties acquired: +387 (22nd), Properties sold: -303 (22nd) Existing properties: +163) Major increase/decrease among existing properties: (KDX Higashi-Shinagawa Bldg. +43, Frame Jinnan-zaka +38, KDX Toyosu Grand Square +32, KDX Iidabashi Square +31, KDX Nagoya Ekimae Bldg. -29, Senri LSC Bldg. -44, etc.)
• Parking space rental revenue	+6 mn yen	
• Utilities	+188 mn yen	
• Other revenues	-20 mn yen	
• Gain on the sale of real estate	-1,510 mn yen	(22nd: Disappearance of gain on the sale of Toranomom Toyo Bldg.) (TK Dividend: KRF43 Shinjuku Sanei Bldg.)
• Dividend income	+7 mn yen	
<b>■ Operating expense</b>	<b>-471 mn yen</b>	
• Depreciation	+37 mn yen	(Properties acquired: +49 (22nd), Properties sold: -24 (22nd), Other: +12)
• Utilities	+208 mn yen	
• Taxes	+0 mn yen	(Properties acquired after KDX Sakura-dori Bldg. +56, Properties sold: -56 (22nd))
• Repair/maintenance	+33 mn yen	
• Property management fee	+17 mn yen	(Properties acquired: +34 (22nd), Properties sold: -20 (22nd), Other: +3)
• Loss on sale of real estate	-766 mn yen	(22nd: Disappearance of loss on the sale of KDX Toranomom Bldg.)
<b>■ Non-operating expense</b>	<b>-80 mn yen</b>	
• Interest expense/financing-related expense	-49 mn yen	
• Non-deductible consumption taxes, etc.	-31 mn yen	

Note 1: Rental NOI = Operating revenue - Gain on sale of real estate + 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

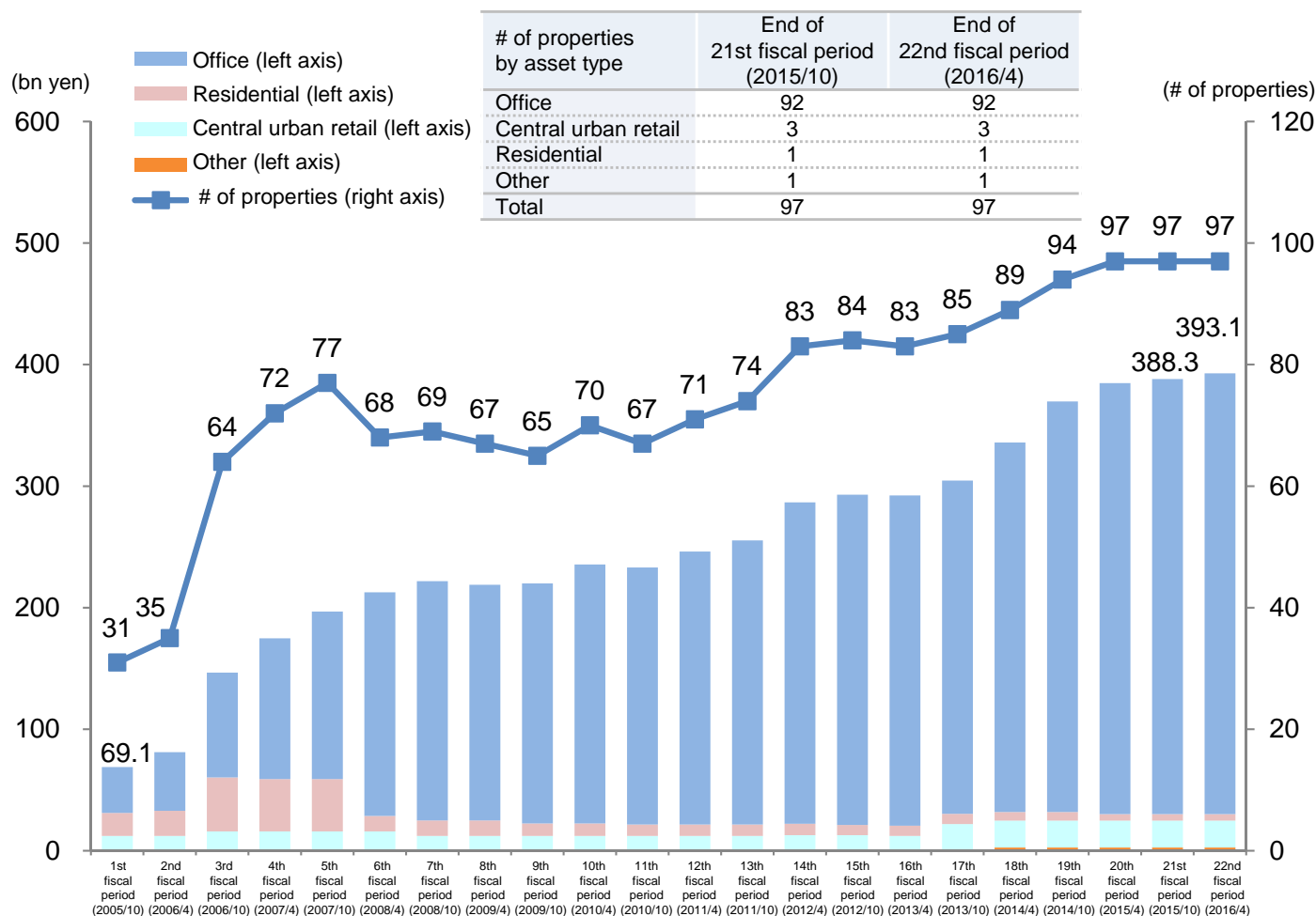
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### External growth

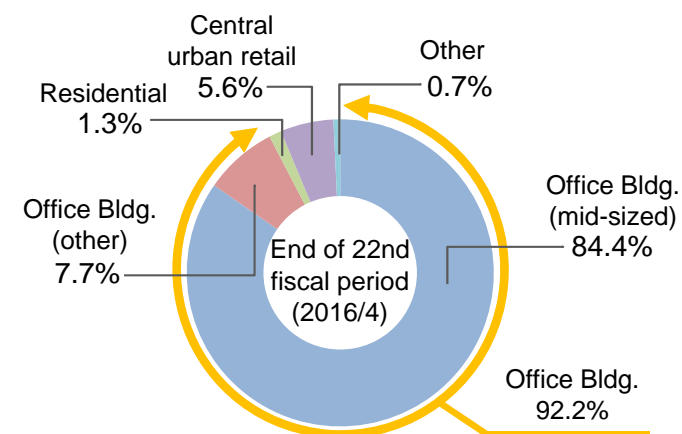
# Portfolio overview

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

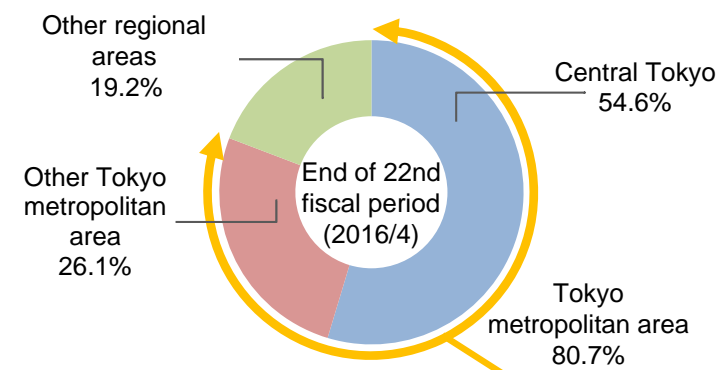
Portfolio growth (based on total acquisition price) (Note 1)



Breakdown by asset type (based on acquisition price) (Note 2)



Breakdown by region (based on acquisition price) (Note 3)



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

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


# Asset reshuffle in 22nd fiscal period (2016/4)

- The portfolio quality improved through mutual transaction in Toranomon, an area with a significant growth potential due to redevelopment


## Overview of asset reshuffle



**Property acquisition**  
Nittochi Toranomon Bldg.



**Asset reshuffle**



**Property disposition**  
KDX Toranomon Bldg. Toranomon Toyo Bldg.

Property acquisition		Property disposition	
Acquisition price	15,550mn yen	Total disposition price	15,420mn yen
Appraisal value at the time of acquisition	16,300mn yen	Total appraisal value at the time of acquisition	14,840mn yen
Acquisition price / Appraisal value	95.4%	Total disposition price / Total appraisal value	103.9%

**Portfolio size expansion** (Note 1)

**Total acquisition price: +1,300mn yen**

**Rejuvenation of average building age** (Note 2)

**Portfolio average building age: -1.7 years**

KDX Toranomon Bldg.: 27 years → Nittochi Toranomon Bldg.: 2 years

**Increase in appraisal profit** (Note 3)

**Appraisal profit: +700mn yen**

**Increase in retained earnings**

**Gains from sales: 740mn yen**  
**Reserve for reduction entry: +480mn yen**

## Transaction background

- The two disposed properties are located in a district planning zone and the floor area ratio will likely be raised in the near future. However, there are issues in view of profitability reflecting an age passage and the reconstruction assumed hereafter and other.
- KDO requested several companies that expressed interest in the properties to submit mutual transaction proposals and chose NIPPON TOCHI-TATEMONO Co., Ltd. which offered to sell Nittochi Toranomon Building, a relatively new and high-specification building



Note 1: Difference between the total acquisition price and the total disposition price

Note 2: Comparison between the weighted average building ages of the entire portfolio based on acquisition price, as of March 30 in 2016, before and after the said asset reshuffle (truncated to the first decimal place)

Note 3: Increase in appraisal profit/loss due to property transactions is calculated by adding the difference between the appraisal value as of the end of 22nd fiscal period (2016/4) and the acquisition price of properties acquired and subtracting/adding the difference (appraisal profit/loss) between the appraisal value and the book value of the properties disposed of as of the end of 21st fiscal period (2015/10) (truncated to the nearest 100 million yen).

# Properties acquired in 22nd fiscal period (2016/4)

- Selectively invested in relatively new properties through negotiated transactions under harsh acquisition environment

## Nittochi Toranomon Building



- Awarded the highest ratings from DBJ Green Building and CASBEE for its management/operation efforts to achieve superior environmental performance and energy conservation



- Located in an area with a significant growth potential where a new Hibiya Line station will be constructed and multiple redevelopment projects are planned
- A 2-year old building with latest specifications and a vibration control structure

Location	Minato-ku, Tokyo	Completion date	October, 2013
Gross floor area	11,212.05m <sup>2</sup>	Occupancy rate at the time of acquisition (as of Mar. 30, 2016)	100%
Acquisition price	15,550mn yen	Appraisal value at the time of acquisition	16,300mn yen
NOI yield (Note 1)	3.8%	Appraisal NOI yield (Note 2)	3.9%
Transportation	About 3-minute walk from Toranomon Station (Tokyo Metro Ginza Line) About 7-minute walk from Kasumigaseki Station (Tokyo Metro Hibiya/Chiyoda/Marunouchi Lines) About 6-minute walk from Uchisaiwaicho Station (Toei Subway Mita Line)		

Note 1: NOI yield is calculated by dividing the estimated NOI (based on the Asset Management Company's estimate at the time of acquisition) by the acquisition price of the property, 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, rounded to the first decimal place.

## Nichigin-mae KD Building



Location	Nagoya, Aichi	Completion date	September, 2006
Gross floor area	5,862.22m <sup>2</sup>	Occupancy rate at the time of acquisition (as of Mar. 30, 2016)	89.5%
Acquisition price	3,500mn yen	Appraisal value at the time of acquisition	3,750 mn yen
NOI yield (Note 1)	4.9%	Appraisal NOI yield (Note 2)	5.2%
Transportation	About 2-minute walk from Marunouchi Station (Municipal Subway Sakura-dori/Tsurumai Lines) About 3-minute walk from Fushimi Station (Municipal Subway Higashiyama/Tsurumai Lines)		

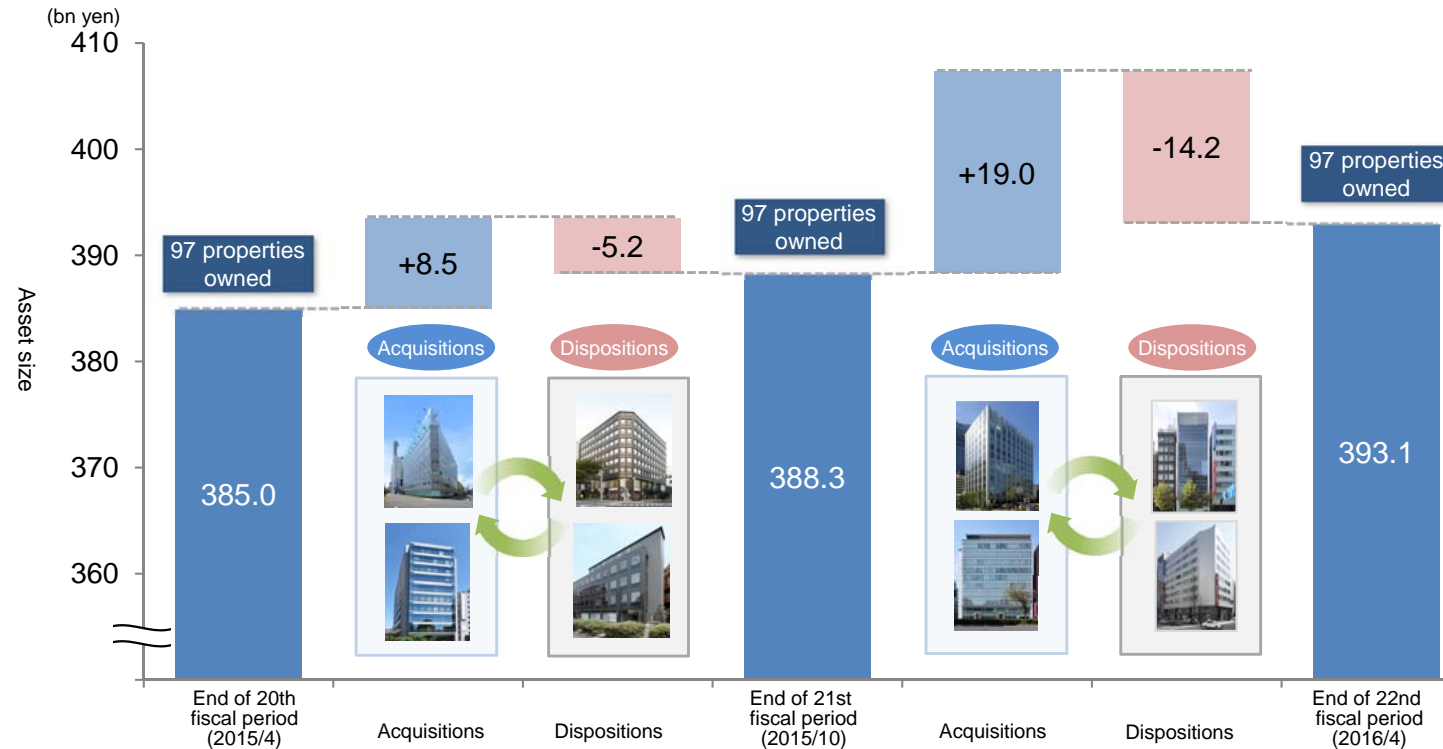
- Located in the Fushimi area, widely recognized as a business district since long ago and accumulated with financial institutions and major corporations. Conveniently located within 2 minutes on foot from Marunouchi Station where Sakura-dori and Fushimi-dori
- The shape of each rental floor is almost rectangular, free from pillars and can be divided into up to 4 spaces to meet diverse tenant needs





# Track record and effect of property acquisitions and dispositions

- Rejuvenate portfolio, strengthen financial base and secure upside potential of earnings through dynamic acquisitions/disposition



	End of 20th fiscal period (2015/4)	Acquisitions	Dispositions	End of 21st fiscal period (2015/10)	Acquisitions	Dispositions	End of 22nd fiscal period (2016/4)
Average building age (Note 1)	22.1 years	26.3 years	37.6 years	22.5 years	3.8 years	45.7 years	21.2 years
NOI yield (Note 2)	4.5%	4.1%	2.7%	4.5%	4.1%	3.8%	4.4%
Office building rent gap (Note 3)	+3.1%	-10.7%	+38.6%	+0.0%	-6.1%	+21.3%	-1.6%
Appraisal profit/loss of portfolio (Note 4)	+1.9bn yen	+0.35bn yen	-0.48bn yen	+10.9bn yen	+0.75bn yen	+0.03bn yen	+17.4bn yen
Reserve for reduction entry	1.15bn yen	+0.39bn yen		1.54bn yen	+0.48bn yen		2.02bn yen

**Achievement in 1 year**

- 0.9 years Lowering of age of properties
- Expecting improvement in profitability with the leasing of KDX Iidabashi Square and increased potential of upward rent revisions
- +15.5bn yen Strengthened financial base
- +0.87bn yen

Note 1: The average building age of the acquired/disposed properties is the weighted average of the acquired/disposed properties, as of the acquisition/disposition dates, based on their acquisition price (truncated to the first decimal place).

Note 2: The NOI yield for the properties acquired in the 21st fiscal period (2015/10) represents the weighted average of the actual NOI for the 22nd fiscal period based on the acquisition price; the NOI yield for the properties acquired in the 22nd fiscal period (2016/4) represents the weighted average of the NOI after adjustment for extraordinary factors for the year of the acquisition estimated by the Asset Management Company, based on the acquisition price; the NOI yield for the disposed properties represents the weighted average of the annualized actual NOI for the fiscal period which includes the date of disposition, based on the acquisition price (rounded to the first decimal place).

Note 3: The rent gap for the acquired properties represents the weighted average of the rent gap at the end of the fiscal period in which the properties were acquired based on the leasable area; the rent gap for the disposed properties represents the weighted average of the rent gap at the end of the latest fiscal period before disposition date based on the leasable area (rounded to the first decimal place), showing to what extent the tenant contract rent exceeds the market rent.

Note 4: The appraisal profit/loss of acquired properties is calculated by subtracting the total book value from the total appraisal value as of the end of 22nd fiscal period (2016/4); the appraisal profit/loss of disposed properties is calculated by subtracting the total book value from the total appraisal value as of the end of previous fiscal period before dispositions.



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## Section 4

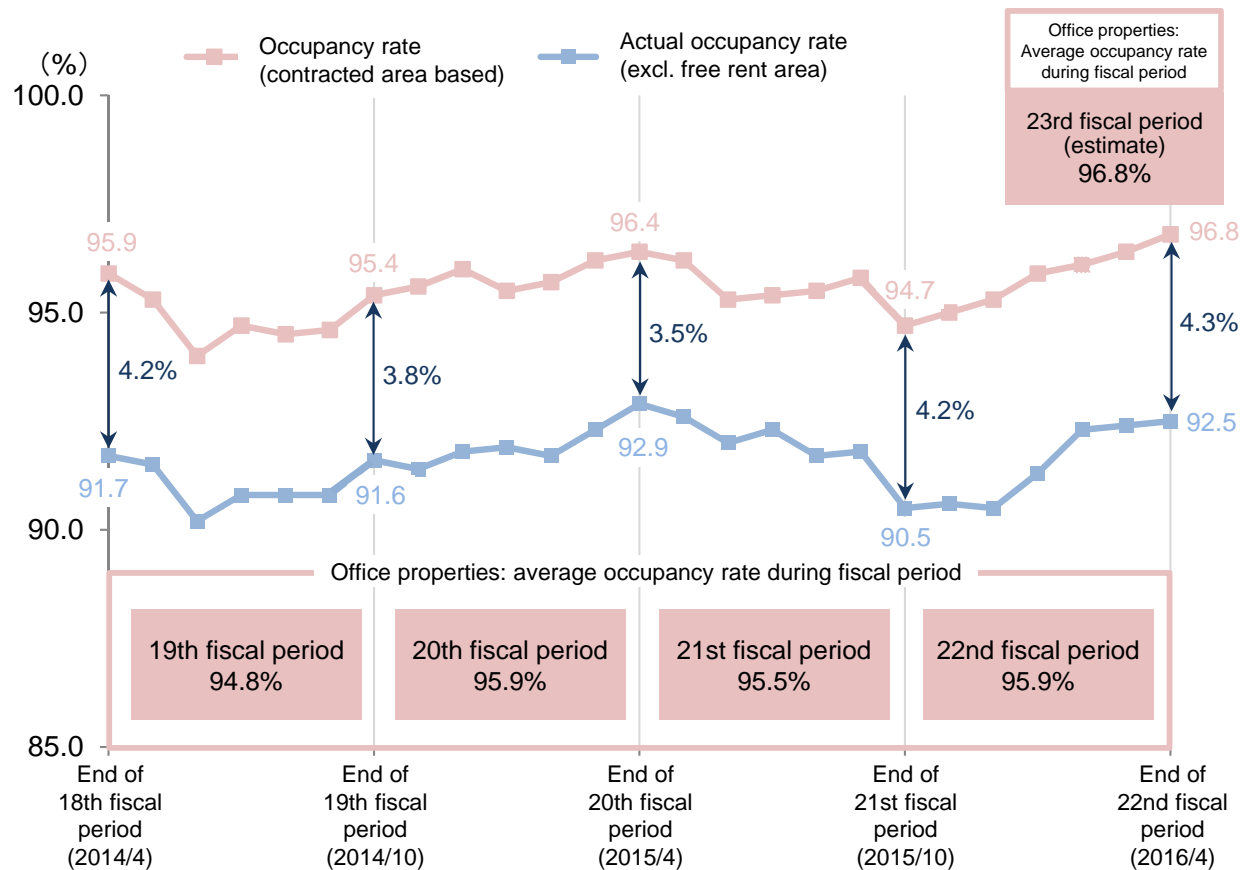
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### Internal growth

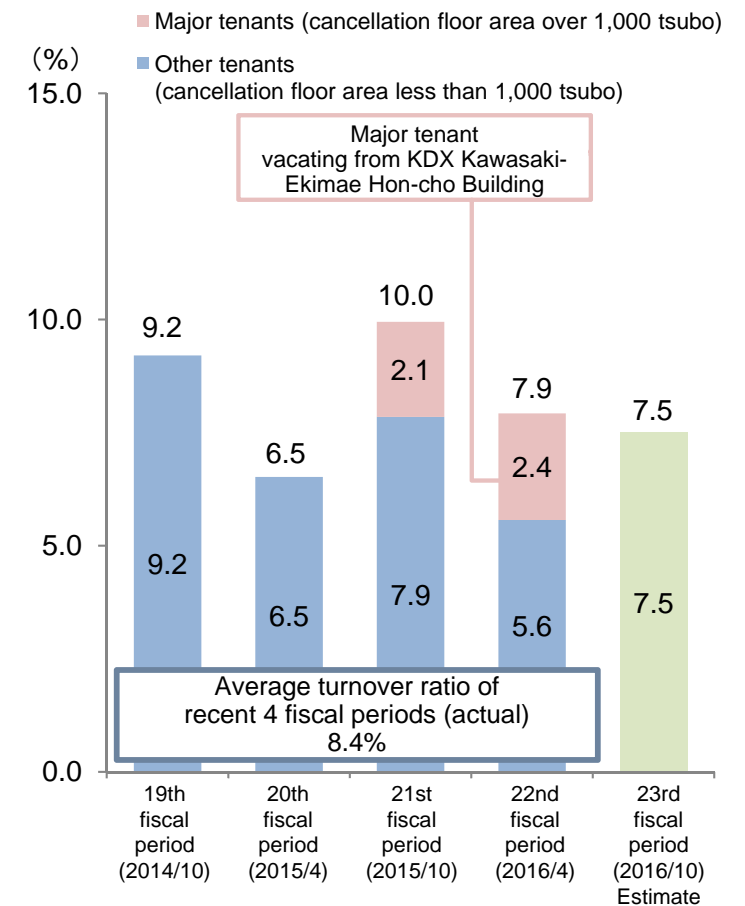
# Occupancy rate and turnover ratio for KDO office buildings KENEDIX Office Investment Corporation

- Occupancy rate at the end of period improved to 96.8%, with steady increases in new leases for low-occupancy properties
- Spread between actual occupancy rate and contracted area based occupancy rate is expected to shrink with sequential expiry of free-rent periods

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 23rd fiscal period (2016/10) is the figure that is used as one of the assumptions 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 agreements during the six-month period from the beginning to the end of each period) / (Average leasable area of all office buildings owned by KDO as of each month-end during the relevant period) x 2. Figures are rounded to the first decimal place.

Note 3: The estimate for 23rd fiscal period (2016/10) is based on the cancellation notice received prior to the end of 22nd fiscal period (2016/4).

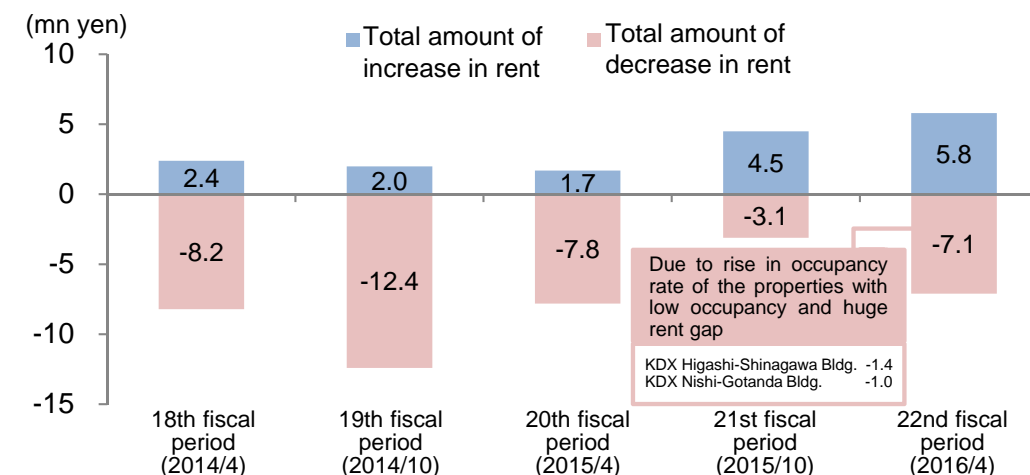
# Tenant turnover for office buildings and change in rent due to tenant turnover

- Move-ins far exceeded move-outs in terms of both the number and floor area
- Total amount of increase in rent expanded, together with the increase in the number of move-ins with higher rent than previous tenant

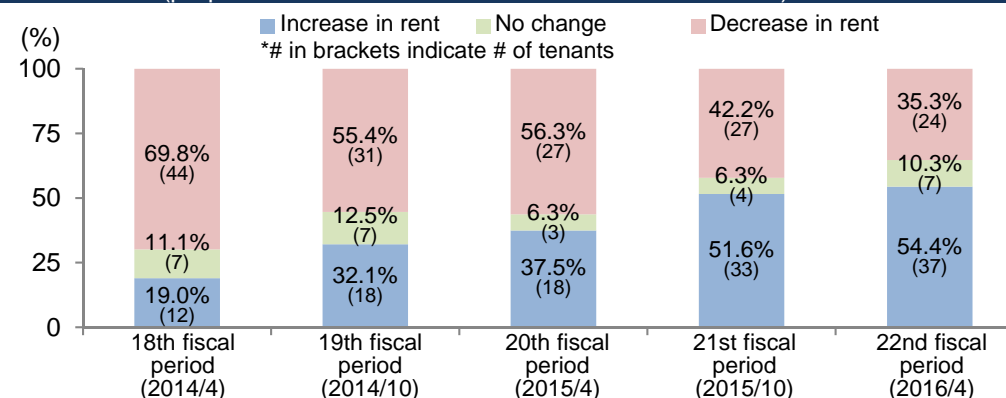
**Turnover by the number of tenants and leased area** (Note 1)



**Historical increase/decrease in rent upon tenant turnover** (Note 2)



**Status of tenant turnover**  
(proportion of the number of increase/decrease in rent) (Note 3)

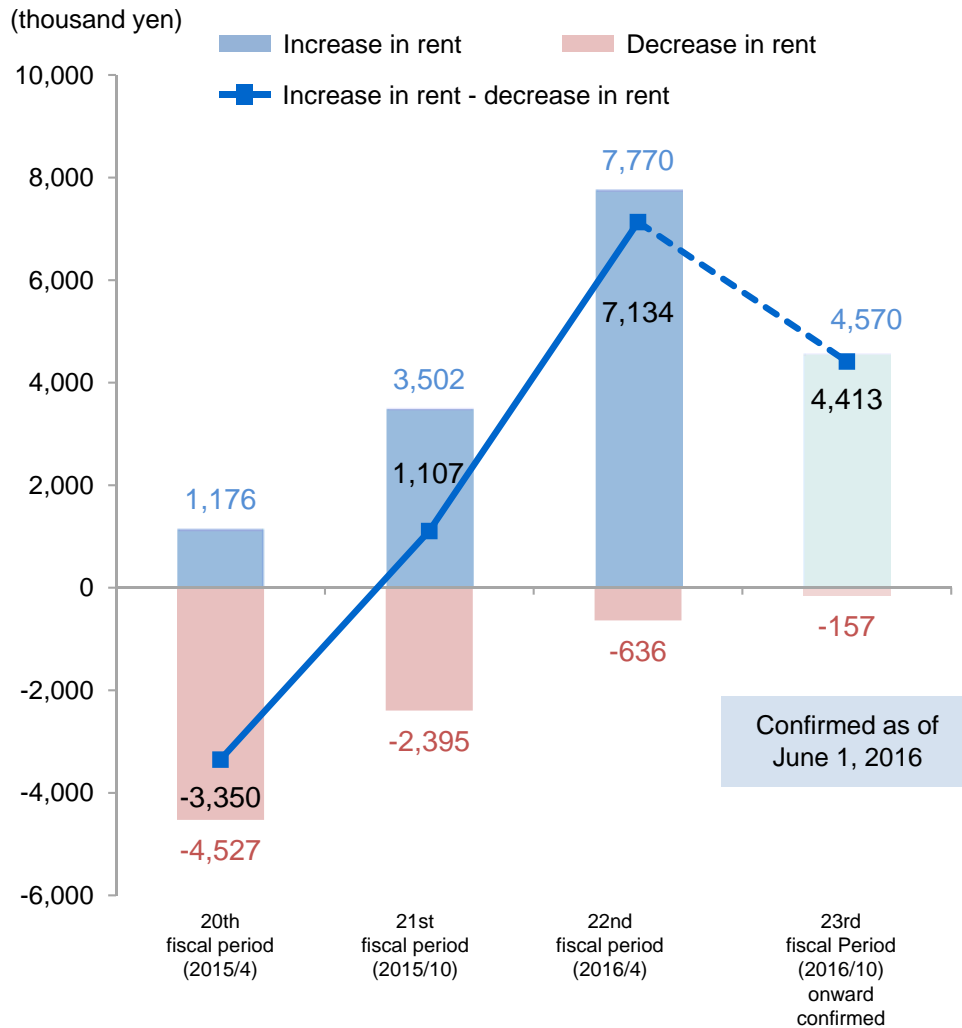


Note 1: The number of tenants and leased area are calculated based on floor. In case that an end-tenant move-out from/move-in to multiple floors, the number is counted by floor.  
 Note 2: Total amount of increase/decrease in rent is calculated by the total of positive/negative gaps between the new rent and the previous rent of the same areas, for the move-in areas for each period in the chart of "Turnover by the number of tenants and leased area", if the new rent and the previous rent are comparable.  
 Note 3: Composition rate based on the number of "increase in rent", "no change" and "decrease in rent" in each period for the data of move-in used in "Historical increase/decrease in rent upon tenant turnover" (rounded to the first decimal place)

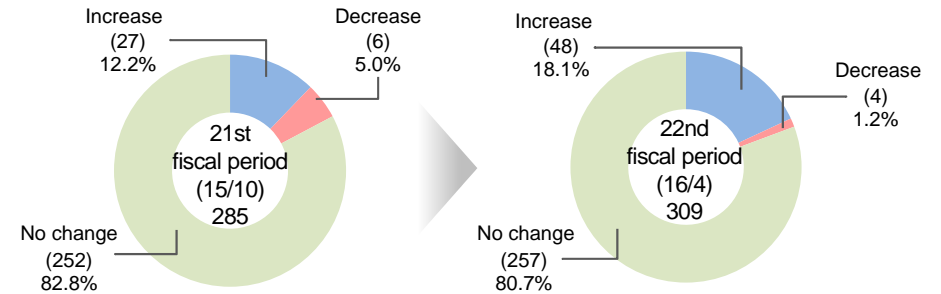
# Status of rent revisions with existing tenants for office buildings

- Giving momentum to rent increase with the progress in upward rent revisions

Change in rent upon rent revisions (based on monthly rent) (Note 1)



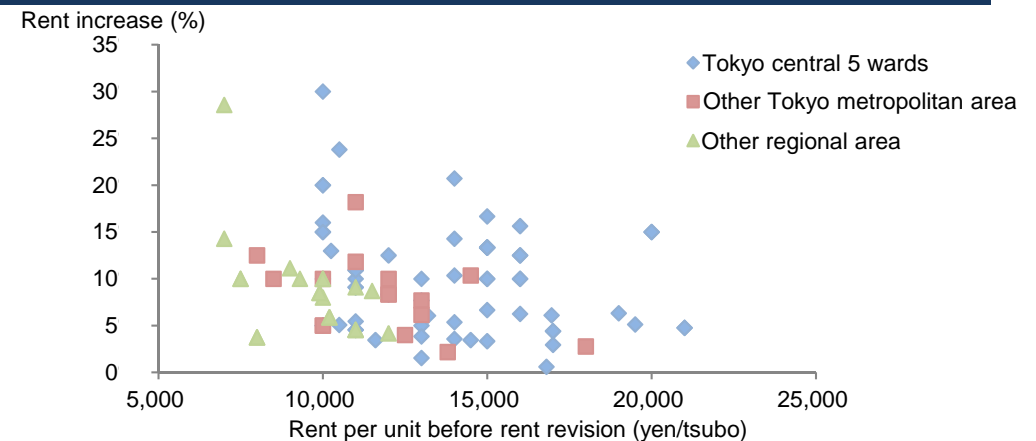
Status of rent revisions (based on leased area)



% and # of rent increase (out of all upward rent revisions) (Note 2)

	Tokyo central 5 wards	Other Tokyo metropolitan area	Other regional areas	Total
21st fiscal period (2015/10)	9.4% (17)	7.1% (6)	5.8% (4)	8.3% (27)
22nd fiscal period (2016/4)	13.5% (28)	8.6% (7)	8.4% (13)	12.3% (48)

Distribution of rent increase (%) based on rent per unit before rent revision (Note 3)



Note 1: Difference in monthly rent before and after rent revision, is calculated by aggregating the change amount per contract in each fiscal period. Figures are rounded to the nearest thousand yen.

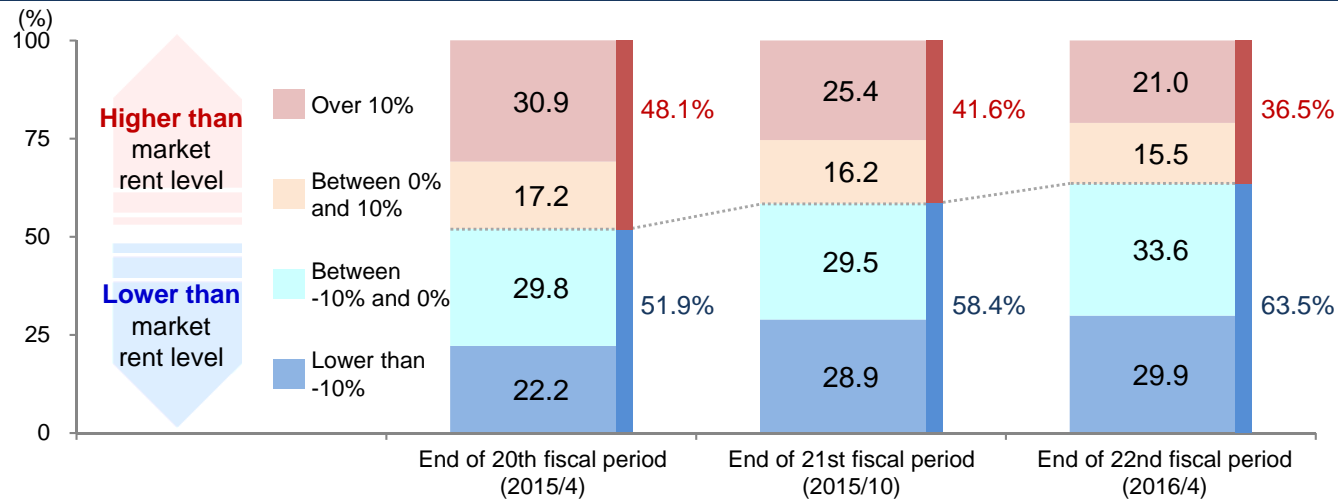
Note 2: Percentages of rent increases are calculated by dividing the total increases in monthly rent by the total monthly rent before rent revisions (rounded to the first decimal place).

Note 3: The scatter plot shows distribution of percentage increases in rent based on rent per unit before rent revisions for the upward rent revisions completed/planned in the 21st fiscal period (2015/10) and later (excluding the pre-agreed upward rent revisions and the upward rent revisions for retail tenants).

# Rent gap of KDO office buildings

- Continuing expansion of potential for upward rent revision in line with rising market rents

Breakdown of rent gap (based on monthly rent) as of the end of each fiscal period<sup>(Note 1)</sup>



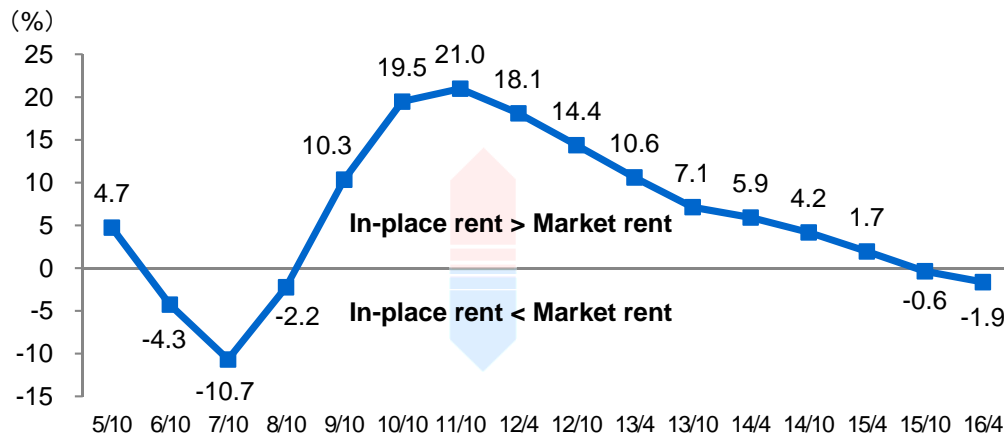
**Aim to maintain current status**

- Continue to deliver tailored services to satisfy tenants
- Continue to monitor tenants with significant rent gap

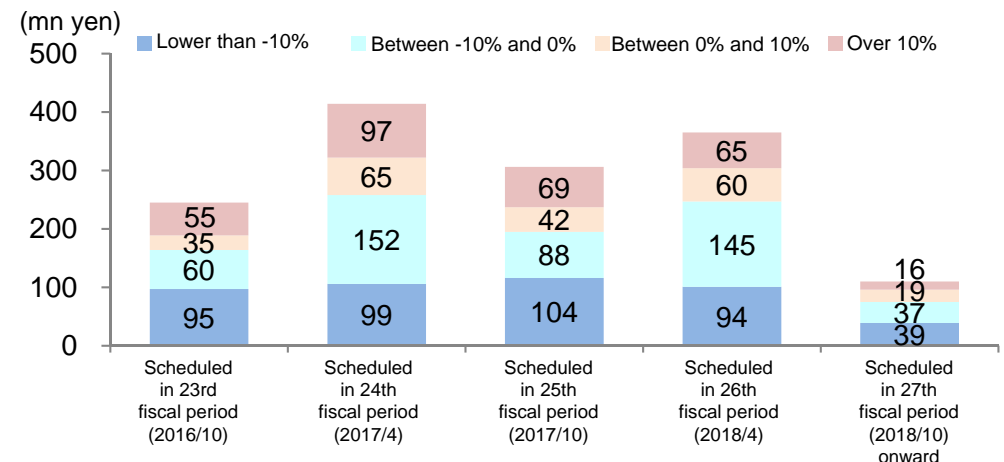
**Aim for upward rent revision**

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

Historical rent gap at end of each fiscal period (total average)<sup>(Note 2)</sup>



Breakdown of rent gaps by rent revision schedule (as of the end of 22nd fiscal period (2016/4), based on monthly rent)<sup>(Note 3)</sup>



Note 1: A new contracted rent (standard floor) for each property estimated by CBRE at each fiscal period end is deemed the market rent; the gap between the contracted rent for each tenant and the market rent is recognized as a rent gap. No gap is classified into "Between 0% and 10%".

Note 2: Calculated as the weighted average based on leasable floor area, of the gap between the average contracted rent of the standard floor for the office buildings held by KDO at the end of each fiscal period (excluding disposed properties) and the market rent for each property estimated by CBRE at the time of appraisal.

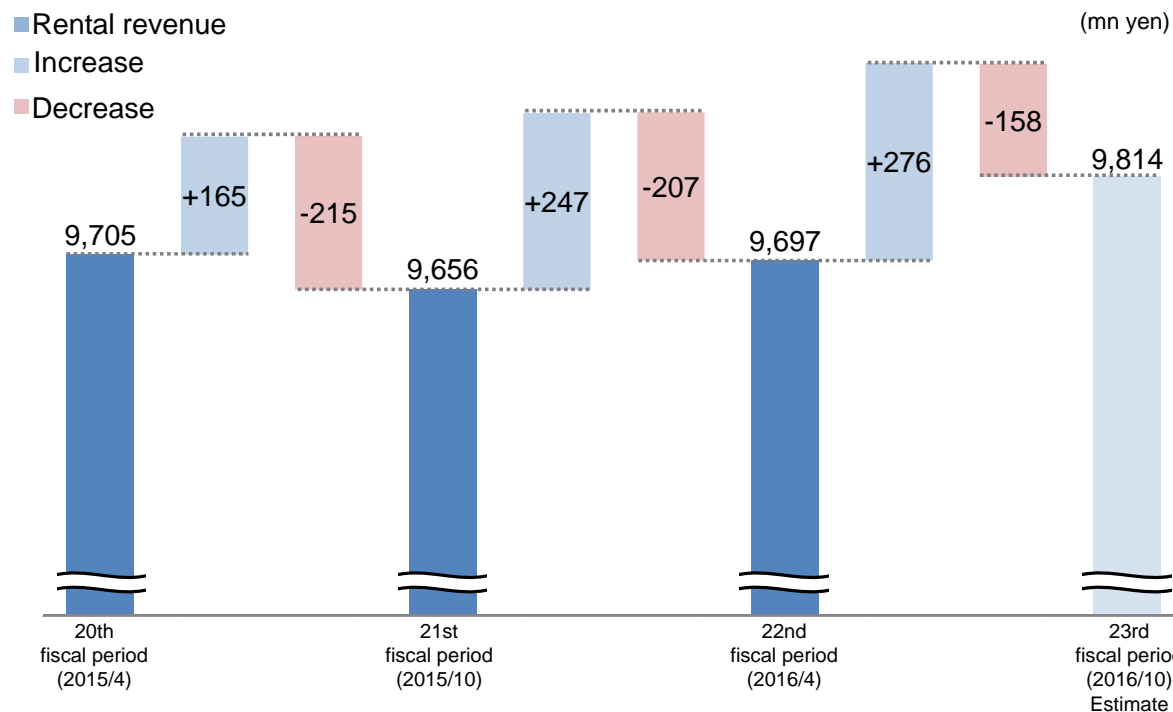
Note 3: Distribution of the rent gaps between the contracted rent for each tenant and the market rent estimated by CBRE at the end of the 22nd fiscal period (2016/4) by the timing of rent revisions for each tenant. The rents equal to the market rents are classified into "Between 0% and 10%".



# Rental revenues of existing 85 properties

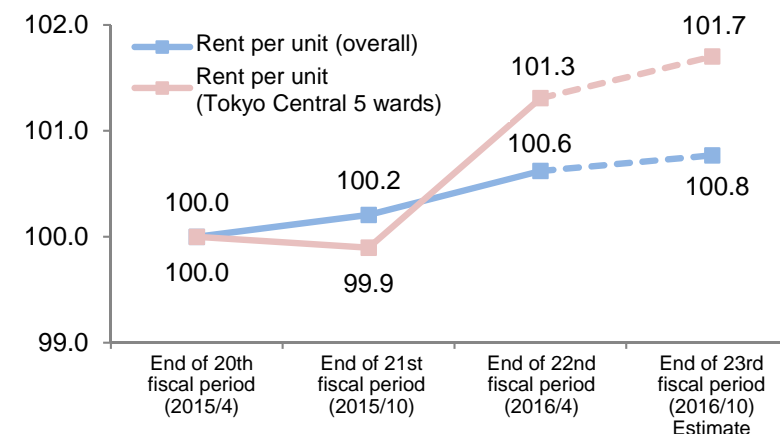
- Further increase in rent revenues expected due to synergies of rises in rent per unit and actual occupancy rate

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

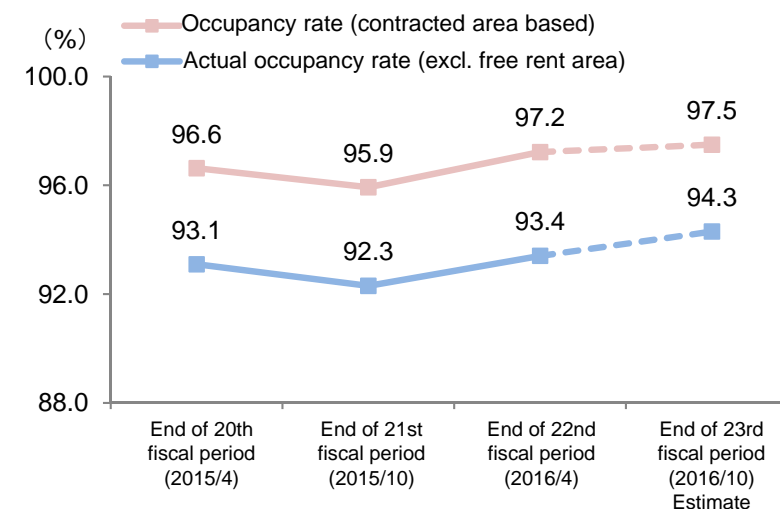


(mn yen)	20th fiscal period 21st fiscal period	21st fiscal period 22nd fiscal period	22nd fiscal period 23rd fiscal period
Main properties with increased revenue	KDX Ikejiri-Oohashi Bldg. (+16) KDX Harumi Bldg. (+11) KDX Shinbashi Bldg. (+9)	KDX Ochanomizu Bldg. (+37) KDX Shinjuku Bldg. (+29) KDX Higashi-Shinjuku Bldg. (+18)	KDX Higashi-Shinagawa Bldg. (+43) Frame Jinnan-zaka (+38) KDX Toyosu Grand Square (+32)
Main properties with decreased revenue	KDX Higashi-Shinagawa Bldg. (-43) KDX Ochanomizu Bldg. (-39) KDX Shinjuku Bldg. (-13)	KDX Nishi-Gotanda Bldg. (-72) KDX Ginza 1chome Bldg. (-33) KDX Toyosu Grand Square (-30)	Senri Life Science Center Bldg. (-44) KDX Nagoya Ekimae Bldg. (-29) KDX Yokohama Bldg. (-13)

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 85 properties (all asset type, excl. KDX Iidabashi Square and properties sold) owned as of the beginning of 20th fiscal period (2015/4). Rental revenues include common area charge.

Note 2: Rent per unit index is an index with the rent per unit as of the end of 20th fiscal period (2015/4) 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 area by leasable area. The figures are rounded to the first decimal place.

# Status of KDX Iidabashi Square

- Advance in leasing at better conditions with steady contribution of renovations

## Change of leasing policies and implementation of renovation works

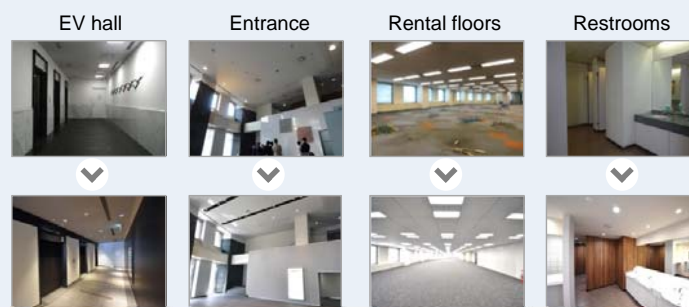
Priority of leasing target changed from a single tenant to multiple tenants

- Prioritized negotiation with a candidate that wished to occupy the whole building at first, but shifted our priority to leasing to multiple tenants in consideration for the circumstances of the said candidate tenant, leasing conditions and the current market environment

Proactive leasing activities

- Prepared a promotion video and held preview tours (participated by 44 companies, 109 people) for candidate tenants

Implementation of overall renovation works



## Progress in leasing

8F	Tenant A (Occupied) 464.94m <sup>2</sup>	Contracted rate as of June 1, 2016  57.9%
7F	Tenant A (Occupied) 464.94m <sup>2</sup>	
6F	Tenant B (Contract signed (starting on July 1, 2016)) 464.94m <sup>2</sup>	
5F	(An application form submitted by a candidate tenant) 464.94m <sup>2</sup>	
4F	(An application form submitted by a candidate tenant) 464.94m <sup>2</sup>	
3F	Tenant C (Occupied) 585.14m <sup>2</sup>	
2F	(An application form submitted by a candidate tenant) 704.23m <sup>2</sup>	
1F	Tenant A (Occupied) 300.20m <sup>2</sup>	(Under negotiation with a candidate tenant) 291.21m <sup>2</sup>
B1F	Tenant D (Occupied) 366.44m <sup>2</sup>	

## Effect of investment in renovation

Increase in NOI from the estimate at the time of acquisition (Note 1) **+42mn yen**

Increase in NOI / Total investment (Note 2) **8.9%**

Estimated NOI yield (Note 3) **5.2%**

## Distribution of move-out risk

The number of tenants 1 **>** 4 (contracted)

Note 1: Difference between the NOI estimated by the Asset Management Company at the time of acquisition and the NOI assuming full occupancy. The said NOI assuming full occupancy is estimated based on the leasing terms and conditions contracted or described in the application forms; as regards the spaces currently under negotiation with candidate tenants, based on the conditions under the negotiation.

Note 2: Calculated by dividing the incremental NOI estimated at the time of acquisition by the total investment (total renovation cost).

Note 3: Calculated by dividing the estimated NOI with the full occupancy, mentioned in Note 1, by the sum of the book value as of the end of the 22nd fiscal period (2016/4) and the estimated capex for construction works for tenant's move-in as of June 1, 2016.

# End-tenants of KDO office buildings

- Proportion which largest tenant occupies among total leased floor area is 1.2% while other than the top 4 tenants each occupying less than 1.0%
- Profit stabilization was enhanced through further diversification of top tenants

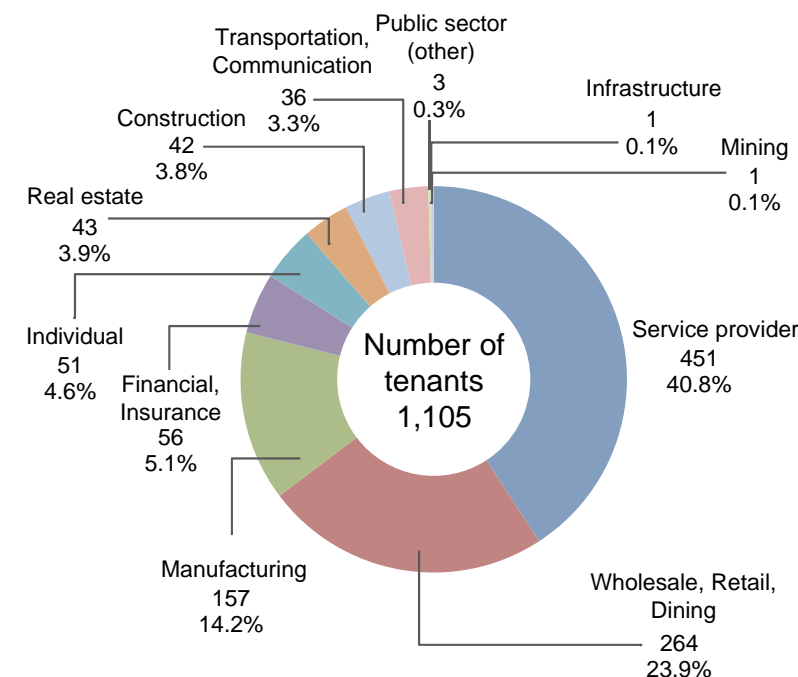
List of top end-tenants for office buildings (as of the end of 22nd fiscal period (2016/4))

	Tenant name	Leased area (tsubo)	% share of leased floor area (Note 1)	Name of property
1	Tenant A (wholesale, retail and dining)	1,550.8	1.2	KDX Kawasaki-Ekimae Hon-cho Bldg.
2	Tenant B (service provider)	1,469.2	1.1	KDX Musashi-Kosugi Bldg. KDX Hiroshima Bldg.
3	ADK Arts Inc.	1,427.8	1.1	Nittochi Toranomon Bldg.
4	JASTECo., Ltd.	1,304.6	1.0	KDX Takanawadai Bldg.
5	Tenant C (service provider)	1,080.1	0.8	KDX Musashi-Kosugi Bldg.
6	Medical Corporation DOYUKAI	1,022.4	0.8	Koishikawa TG Bldg.
7	Customer relation telemarketing, CO,LTD	985.2	0.7	KDX Higashi Umeda Bldg.
8	Tenant D (wholesale, retail and dining)	912.2	0.7	Harajuku F.F. Bldg.
9	Kenedix, Inc.	826.6	0.6	KDX Nihonbashi Kabutocho Bldg.
10	Space Design, Inc.	798.7	0.6	KDX Shinbashi Bldg. BUREX Toranomon
	<b>Total</b>	<b>11,377.6</b>	<b>8.5</b>	

Average rent by area (as of the end of 22nd fiscal period (2016/4)) (Note 2)

	Number of properties	Average rent (yen/tsubo)
Tokyo metropolitan area	75	14,900
Japan	92	14,200

Tenant diversification by type of business (based on # of tenants) (Note 3)



Note 1: Leased area of each end-tenant against total leased floor area of our portfolio as of the end of the 22nd fiscal period (2016/4). Figures are rounded to the first decimal place.

Note 2: Average rent is calculated by dividing the total amount of rent for each area by the total leased floor area, rounded down to the nearest hundred.

Note 3: 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 22nd fiscal period (2016/4).

Memo

## Section 5

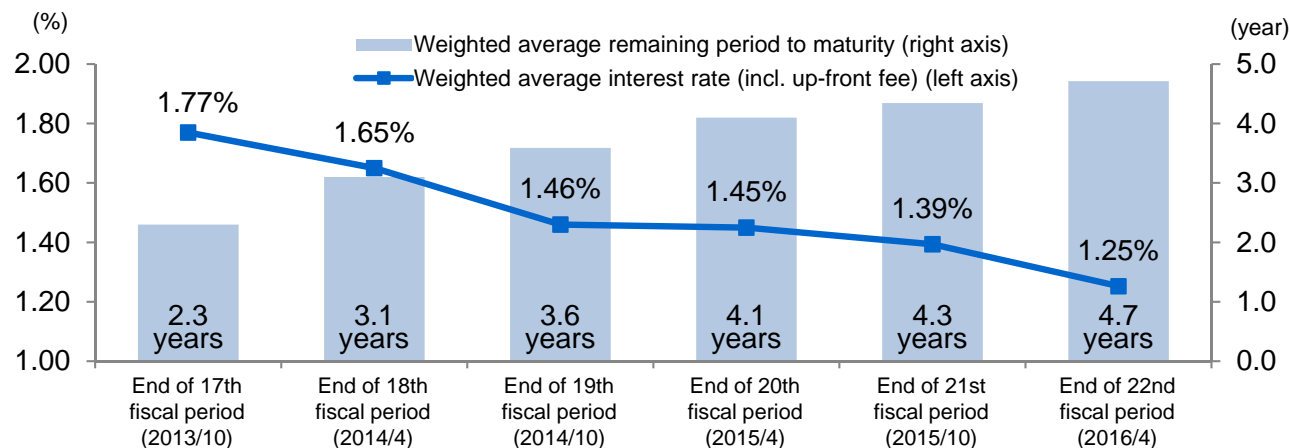
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### Financial strategy

# Status of debt financing

- Reduced financial cost steadily while diversifying debt maturities and lengthening remaining period to maturity
- Issued the first ultra long-term investment corporation bonds as a single A-rated J-REIT since the financial crisis

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



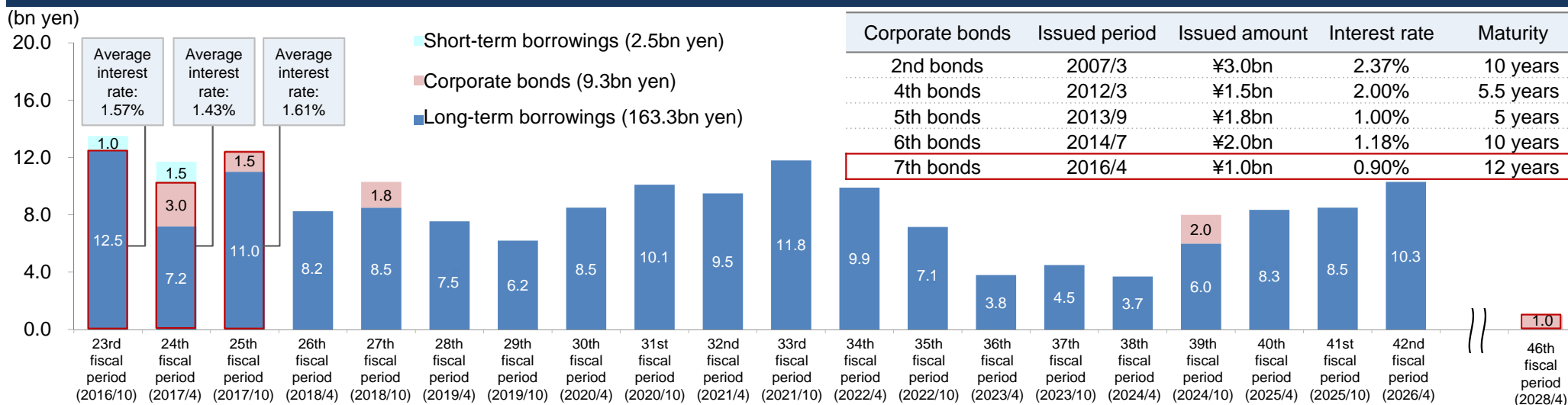
Refinance record for 22nd fiscal period (2016/4)  
(Total of 18.8bn yen) (Note 2)

	Before refinancing	After refinancing
Average interest rate	2.06%	0.88%
Average borrowing period	5.6 years	7.5 years

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 maturity and interest rate are rounded to the first and second decimal places respectively).

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

Diversification of debt maturities (as of the end of 22nd fiscal period (2016/4)) (Note 3)



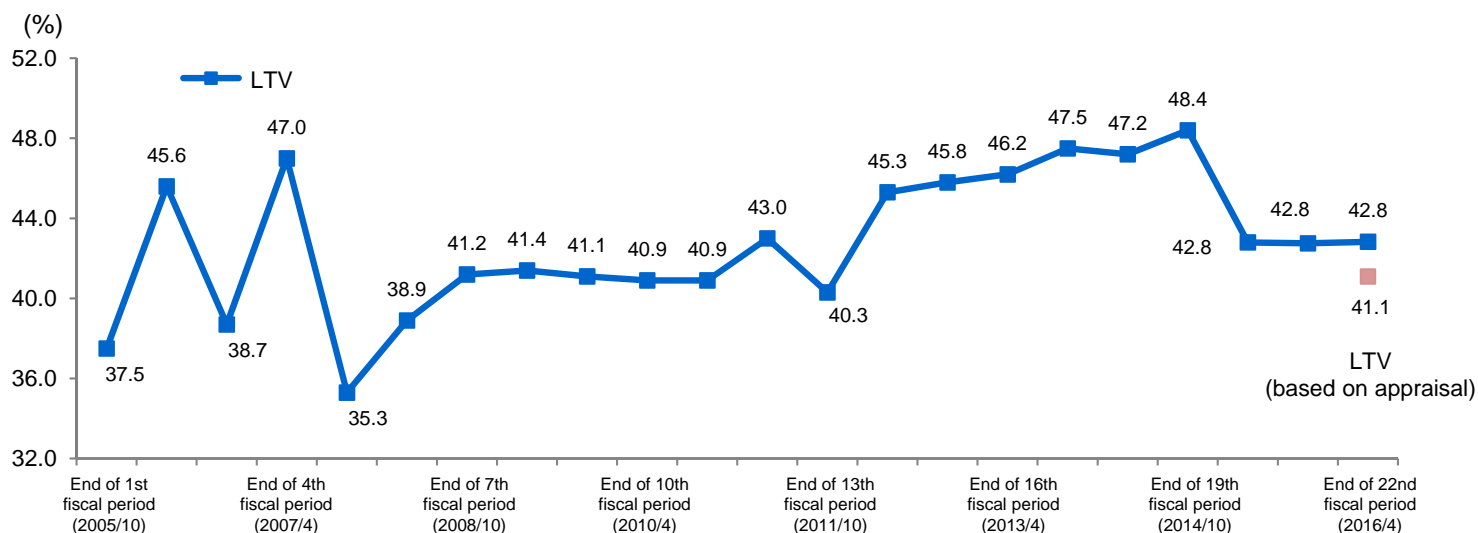
Note 3: Average interest rate includes up-front fee.



# Stable financial management and lending sources

- Maintaining stable financial base by keeping conservative LTV and high fixed interest rate ratio

Historical LTV level (Note 1)



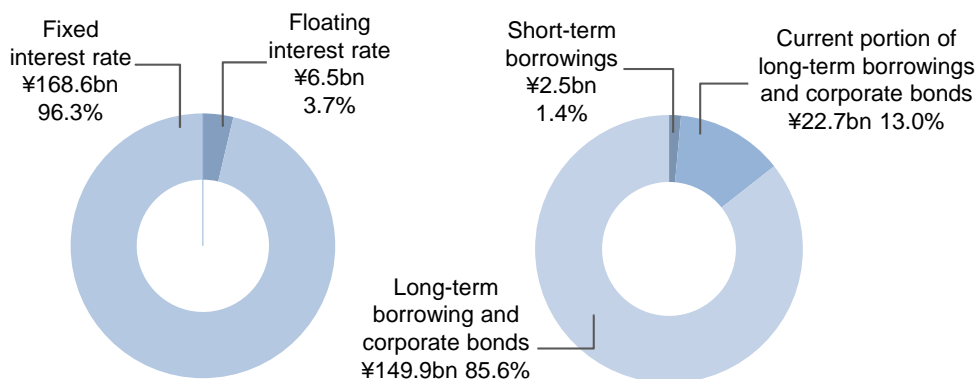
Note 1: LTV = the balance of Interest-bearing debt / Total assets, as of the end of relevant fiscal period (rounded to the first decimal place)

Credit rating  
(as of the end of 22nd fiscal period (2016/4))

■ Rating outlook has changed from "stable" to "positive" on March 16, 2016

Rating agency:	Japan Credit Rating Agency (JCR)
Long-term issuer rating:	A+
Rating outlook:	Positive

Status of fixing interest rate and terms of debt  
(as of the end of the 22nd fiscal period (2016/4)) (Note 2)



Note 2: Fixed rate includes borrowings that are fixed through interest rate swap but excludes those that are hedged by interest rate cap (rounded to the first decimal place).

Outstanding borrowings by financial institutions  
(as of the end of 22nd fiscal period (2016/4))

Financial institutions	Borrowing amount	Ratio	Financial institutions	Borrowing amount	Ratio
Sumitomo Mitsui Banking	44.3bn yen	26.7%	Mizuho Trust & Banking	2.8bn yen	1.7%
Development Bank of Japan	28.0bn yen	16.9%	The Bank of Fukuoka	2.5bn yen	1.5%
The Bank of Tokyo-Mitsubishi UFJ	22.8bn yen	13.8%	The Nishi-Nippon City Bank	1.7bn yen	1.0%
Sumitomo Mitsui Trust Bank	19.1bn yen	11.5%	The Hiroshima Bank	1.0bn yen	0.6%
Aozora Bank	14.6bn yen	8.8%	The 77 Bank	1.0bn yen	0.6%
Resona Bank	10.2bn yen	6.2%	Higashi-Nippon Bank	0.8bn yen	0.5%
Mitsubishi UFJ Trust and Banking	10.2bn yen	6.2%	The Mie Bank	0.5bn yen	0.3%
Mizuho Bank	6.2bn yen	3.7%	Total (15)	165.8bn yen	

Memo

# Appendices

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# Portfolio overview 1 (as of the end of 22nd fiscal period (2016/4))

## Office Buildings (92 properties)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Year built (Note 2)	End of 22nd fiscal period occupancy rate (%) (Note 3)	Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Year built (Note 2)	End of 22nd fiscal period occupancy rate (%) (Note 3)
Office Buildings	Tokyo Metropolitan Area	A001	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	1974/4	100.0	Office Buildings	Tokyo Metropolitan Area	A057	KDX Gobancho Building	Chiyoda-ku, Tokyo	1,951	2000/8	100.0
		A003	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	1987/1	100.0			A059	KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	2008/3	100.0
		A004	KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	1993/6	100.0			A060	KDX Harumi Building	Chuo-ku, Tokyo	10,250	2008/2	93.2
		A005	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	1992/8	91.7			A061	KDX Hamamatsucho Dai-2 Building	Minato-ku, Tokyo	2,200	1992/4	100.0
		A006	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	1985/11	100.0			A062	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	1989/11	100.0
		A007	KDX Minami Aoyama Building	Minato-ku, Tokyo	2,270	1988/11	100.0			A063	Gotanda TG Building	Shinagawa-ku, Tokyo	2,620	1988/4	100.0
		A008	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	1993/5	100.0			A064	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	2006/10	100.0
		A013	KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	1994/5	100.0			A066	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	1993/5	98.3
		A014	KDX Funabashi Building	Funabashi, Chiba	2,252	1989/4	100.0			A067	KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	1991/11	98.2
		A016	Toshin 24 Building	Yokohama, Kanagawa	5,300	1984/9	100.0			A068	KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	1984/1	100.0
		A017	KDX Ebisu Building	Shibuya-ku, Tokyo	4,640	1992/1	83.4			A071	KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	1990/3	100.0
		A019	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	1999/9	100.0			A072	KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	1993/1	88.4
		A020	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	1987/10	100.0			A073	KDX Hakozaki Building	Chuo-ku, Tokyo	2,710	1993/11	100.0
		A021	KDX Shinbashi Building	Minato-ku, Tokyo	3,728	1992/2	100.0			A074	KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	2002/11	100.0
		A022	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	1990/9	78.7			A075	KDX Nihonbashi Kabutocho Building	Chuo-ku, Tokyo	11,270	1998/11	100.0
		A026	KDX Kiba Building	Koto-ku, Tokyo	1,580	1992/10	88.1			A078	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	1990/2	100.0
		A027	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	1990/3	100.0			A083	KDX Fuchu Building	Fuchu, Tokyo	6,120	1996/3	98.6
		A029	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	1990/1	100.0			A084	KDX Kasuga Building	Bunkyo-ku, Tokyo	2,800	1992/6	100.0
		A030	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	1992/11	47.4			A085	KDX Nakameguro Building	Meguro-ku, Tokyo	1,880	1985/10	85.5
		A031	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	1986/9	100.0			A086	KDX Omiya Building	Saitama, Saitama	2,020	1993/4	100.0
		A032	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	1986/7	100.0			A087	Itopia Nihonbashi SA Building	Chuo-ku, Tokyo	2,200	1995/7	100.0
		A033	KDX Okachimachi Building	Taito-ku, Tokyo	2,000	1988/6	100.0			A088	KDX Shinjuku 6-chome Building	Shinjuku-ku, Tokyo	1,900	1990/3	100.0
		A034	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	1995/5	96.7			A089	KDX Takanawadai Building	Minato-ku, Tokyo	5,250	1985/10	94.0
		A035	KDX Hachioji Building	Hachioji, Tokyo	1,155	1985/12	85.5			A090	KDX Ikebukuro Building	Toshima-ku, Tokyo	3,900	2009/3	100.0
		A037	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	1982/8	96.4			A091	KDX Mita Building	Minato-ku, Tokyo	3,180	1993/3	90.6
		A038	KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	1992/10	100.0			A092	KDX Akihabara Building	Chiyoda-ku, Tokyo	2,600	1973/12	100.0
		A041	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	1998/8	100.0			A093	KDX Iidabashi Square	Shinjuku-ku, Tokyo	4,350	1994/1	47.7
		A045	KDX Roppongi 228 Building	Minato-ku, 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-ku, Tokyo	7,600	1988/3	100.0			A095	KDX Toyosu Grand Square (Note 4)	Koto-ku, Tokyo	8,666	2008/4	100.0
		A047	KDX Shin-Yokohama 381 Building	Yokohama, Kanagawa	5,800	1988/3	96.0			A096	KDX Takadanobaba Building	Toshima-ku, Tokyo	3,650	1988/10	93.1
		A048	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	1985/2	100.0			A099	KDX Ikebukuro West Building	Toshima-ku, Tokyo	1,934	1988/7	100.0
		A050	KDX Ikejiri-Ohashi Building	Meguro-ku, Tokyo	2,400	1988/9	100.0			A101	KDX Yokohama Building	Yokohama, Kanagawa	7,210	1994/3	98.5
A051	KDX Hamacho Nakanohashi Building	Chuo-ku, 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-ku, Tokyo	1,380	1992/10	100.0	A103	KDX Shin-Yokohama 214 Building	Yokohama, Kanagawa	2,200	1989/11	95.6				
A055	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	1990/7	100.0	A105	BUREX Toranomon	Minato-ku, Tokyo	1,750	2011/7	100.0				
A056	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	1994/5	100.0	A107	KDX Ginza East Building	Chuo-ku, Tokyo	3,600	1991/8	100.0				

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

Note 2: Year built shows the completion date recorded in the land register. The average value shown in the subtotal or total section is a weighted average number calculated based on acquisition price with a base date of April 30, 2016. Figures are truncated to the first decimal place.

Note 3: Occupancy rate is calculated by dividing leased area as of April 30, 2016 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% quasi co-ownership of the property.

# Portfolio overview 2 (as of the end of 22nd fiscal period (2016/4))

## Office Buildings (92 properties)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Year built (Note 2)	End of 22nd fiscal period occupancy rate (%) (Note 3)
Office Buildings	Tokyo Metropolitan Area	A108	Pentel Building	Chuo-ku, Tokyo	3,350	1990/11	94.9
		A109	KDX Hamamatsucho Center Building	Minato-ku, Tokyo	3,950	1985/12	100.0
		A112	Nittochi Toranomon Building	Minato-ku, Tokyo	15,550	2013/10	100.0
	Other Regional Areas	A012	Portus Center Building	Sakai, Osaka	5,570	1993/9	97.3
		A042	KDX Karasuma Building	Kyoto, Kyoto	5,400	1982/10	99.3
		A044	KDX Sendai Building	Sendai, Miyagi	2,100	1984/2	100.0
		A053	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	1973/6	97.5
		A054	KDX Kitahama Building	Osaka, Osaka	2,220	1994/7	89.3
		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	90.5	
A100		Senri Life Science Center Building	Toyonaka, Osaka	13,000	1992/6	95.7	
A104		KDX Minami-Honmachi Building	Osaka, Osaka	2,200	2009/12	100.0	
A106		KDX Sakura-dori Building	Nagoya, Aichi	5,900	1992/8	98.2	
A110		KDX Shin-Osaka Building	Osaka, Osaka	4,550	1992/5	100.0	
A111		Nichigin-mae KD Building	Nagoya, Aichi	3,500	2006/9	89.5	
Office Buildings (92 properties) Subtotal					362,758	Ave. 22.0 yrs	96.8

## Central Urban Retail Properties (3 properties)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Year built (Note 2)	End of 22nd fiscal period occupancy rate (%) (Note 3)
Central Urban Retail Properties	Tokyo Metropolitan Area	C001	Frame Jinnan-zaka	Shibuya-ku, Tokyo	9,900	2005/3	95.5
		C002	KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	1991/8	100.0
		C004	GINZA 4chome Tower	Chuo-ku, Tokyo	9,800	2008/11	100.0
Central Urban Retail Properties (3 properties) Subtotal					22,179	Ave. 10.9 yrs	98.2

## Residential Property (1 property)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Year built (Note 2)	End of 22nd fiscal period occupancy rate (%) (Note 3)
Residential Property	Tokyo Metropolitan Area	B019	Residence Charmante Tsukishima	Chuo-ku, Tokyo	5,353	2004/1	100.0
Residential Property (1 property) Subtotal					5,353	Ave. 12.2 yrs	100.0

## Other Property (1 property)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Year built (Note 2)	End of 22nd fiscal period occupancy rate (%) (Note 3)
Other	Tokyo Metropolitan Area	D002	Shinjuku 6chome Building (Land)	Shinjuku-ku, Tokyo	2,880	-	100.0
Other (1 property) Subtotal					2,880	-	100.0

**(97 properties, excluding investment securities) Total**      **393,171**    **Ave. 21.2 yrs**      **96.9**

- The total number of end tenants for 92 office buildings is 1,160 (1,105 if tenants are aggregated based on their names).

## Investment Security (1 security)

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

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

(Unit: %)	18th fiscal period (2014/4)	19th fiscal period (2014/10)	20th fiscal period (2015/4)	21st fiscal period (2015/10)	22nd fiscal period (2016/4)
Office building	4.4	4.4	4.5	4.5	4.4
Central urban retail	4.2	3.6	4.1	3.9	3.8
Residential	4.5	4.6	4.6	4.0	4.0
Others	4.4	4.3	4.3	4.3	4.3
Total	4.4	4.4	4.5	4.5	4.4

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

Note 2: Year built shows the completion date recorded in the land register. The average value shown in the subtotal or total section is a weighted average number calculated based on acquisition price with a base date of April 30, 2016. Figures are truncated to the first decimal place.

Note 3: Occupancy rate is calculated by dividing leased area as of April 30, 2016 by leasable area and is rounded to the first decimal place.

Note 4: NOI yield calculation for the properties acquired during this fiscal period without taxation on property and city planning taxes are assumed as if they are imposed. 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 22nd fiscal period (2016/4)

## Properties acquired



Name of property	Nittochi Toranomom Bldg.	Nichigin-mae KD Bldg.
Location	Minato-ku, Tokyo	Nagoya, Aichi
Gross floor area	11,212.05m <sup>2</sup>	5,862.22m <sup>2</sup>
Completion date	2013/10	2006/9
Occupancy rate <sup>(Note 1)</sup>	100.0%	89.5%
Number of tenants <sup>(Note 1)</sup>	4	12
Acquisition price (A)	15,550 mn yen	3,500 mn yen
Appraisal value <sup>(Note 2)</sup> at the time of acquisition (B)	16,300 mn yen	3,750 mn yen
Difference between A and B ((A-B) / B)	-4.6%	-6.7%
Seller	NIPPON TOCHI-TATEMONO Co., Ltd.	Echigo Holding TMK
Acquisition source	Proprietary network of KFM	Proprietary network of KFM
Acquisition date	March 30, 2016	March 15, 2016
Estimated NOI <sup>(Note 2)</sup>	592 mn yen	170 mn yen
NOI yield <sup>(Note 2)</sup> (Estimated NOI / Acquisition price)	3.8%	4.9%
Appraisal NOI <sup>(Note 3)</sup>	604 mn yen	183 mn yen
Appraisal NOI yield <sup>(Note 3)</sup> (Appraisal NOI / Acquisition price)	3.9%	5.2%

## Properties sold



Name of property	KDX Toranomom Bldg.	Toranomom Toyo Bldg.
Location	Minato-ku, Tokyo	Minato-ku, Tokyo
Asset type	Office building	Office building
Gross floor area	2,277.38m <sup>2</sup>	8,346.83m <sup>2</sup>
Completion date	1988/4 (27 years old)	1962/8 (53 years old)
Book value (A) <sup>(Note 4)</sup>	4,692 mn yen	9,899 mn yen
Disposition price (B)	3,950 mn yen	11,470 mn yen
Difference between B and A ((B-A) / A)	-15.8%	+15.9%
Appraisal value at the time of disposition	3,740 mn yen	11,100 mn yen
Buyer	NIPPON TOCHI-TATEMONO Co., Ltd	NIPPON TOCHI-TATEMONO Co., Ltd
Acquisition date	April 17, 2007	June 1, 2007
Disposition date	March 30, 2016	March 30, 2016

Note 1: Occupancy rate and number of tenants are as of the end of 22nd fiscal period (April 30, 2016). Occupancy rate is rounded to the first decimal place.

Note 2: Estimated NOI is the Asset Management Company's estimate for one year and is exclusive of extraordinary factors expected in the year of acquisition. Revenues are based on the occupancy rate at the time of acquisition and premise that occupancy rate will mostly follow the expected rate for each property along with 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. Appraisal NOI yield is rounded to the first decimal place.

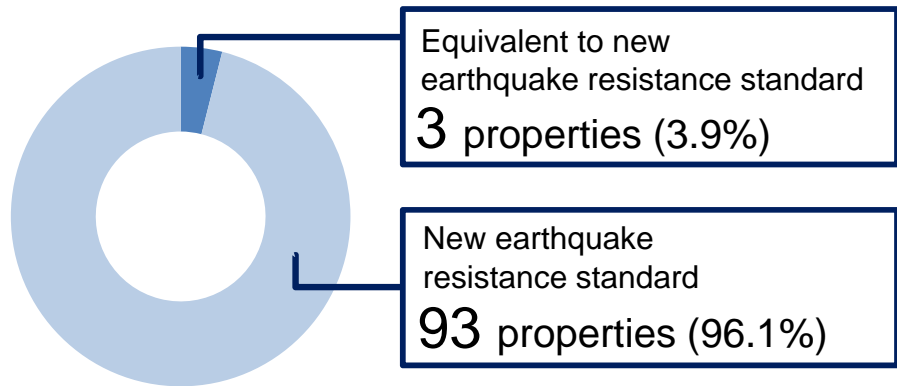
Note 4: Book value is as of the date of disposition and is truncated to the nearest million yen.



# Seismic performance of KDO's properties

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

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



Portfolio PML<sup>(Note 3)</sup> <sup>(Note 4)</sup>

**2.38%**

Properties that comply with equivalent standard of new earthquake resistance standard

Implemented earthquake-resistance reinforcement



KDX Hakata-Minami Building



KDX Akihabara Building

Evaluated as a property complying with equivalent standard of the new earthquake resistance standard



KDX Nihonbashi 313 Building  
(Seismic review by NIHON SEKKEI, INC.)

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 followings: New provision on tie-hoop ratio of Reinforced-Concrete Pillars (above 0.2%); Resetting of horizontal seismic coefficient to elastic shear modulus; New requirement on the secondary design in seismic calculation.

Note 2: Percentage share is calculated based on leasable area as of April 30, 2016. For the properties owned through quasi co-ownership interest, leasable area for such portion is used in calculation.

Note 3: PML value is as of May 2016 and is based on the research implemented by Sompo Risk Management & Health Care Inc.

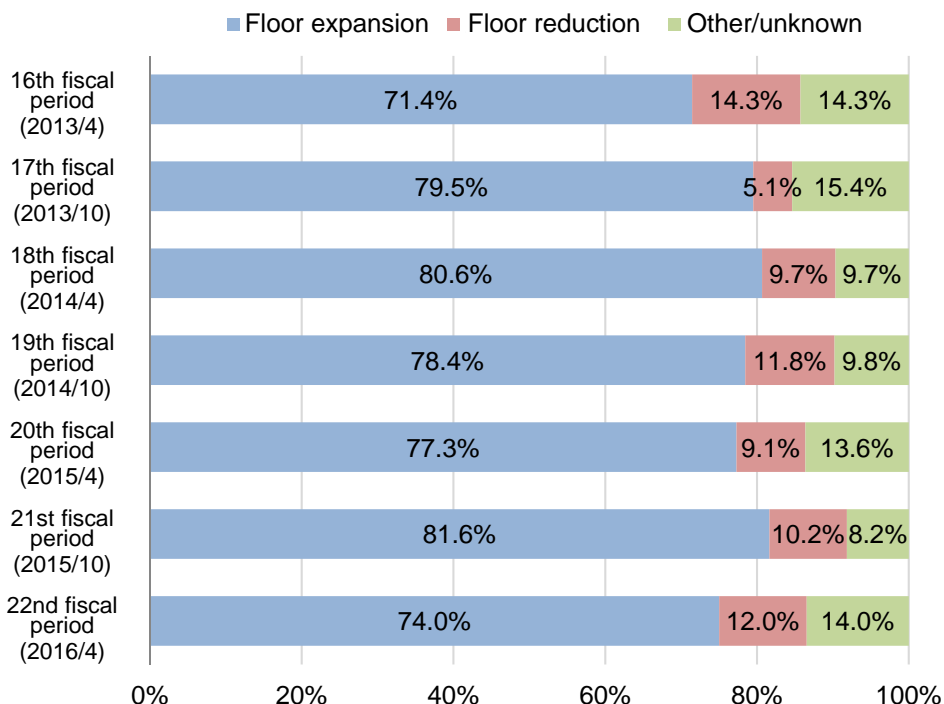
Note 4: PML value is probable maximum loss ratio due to the earthquake. PML value can be divided into ratios of an individual property and the entire portfolio, respectively. Although there is no unified definition of PML value, we define PML value here as the ratio of the loss occurred in case of the 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 = average life of general property), to the replacement cost of the estimated restoration expenses.



# Reasons for moving in/out

- Move-ins for floor expansion purposes maintained high level, while move-outs for floor expansion purposes due to limited vacant space in our properties was on the rise

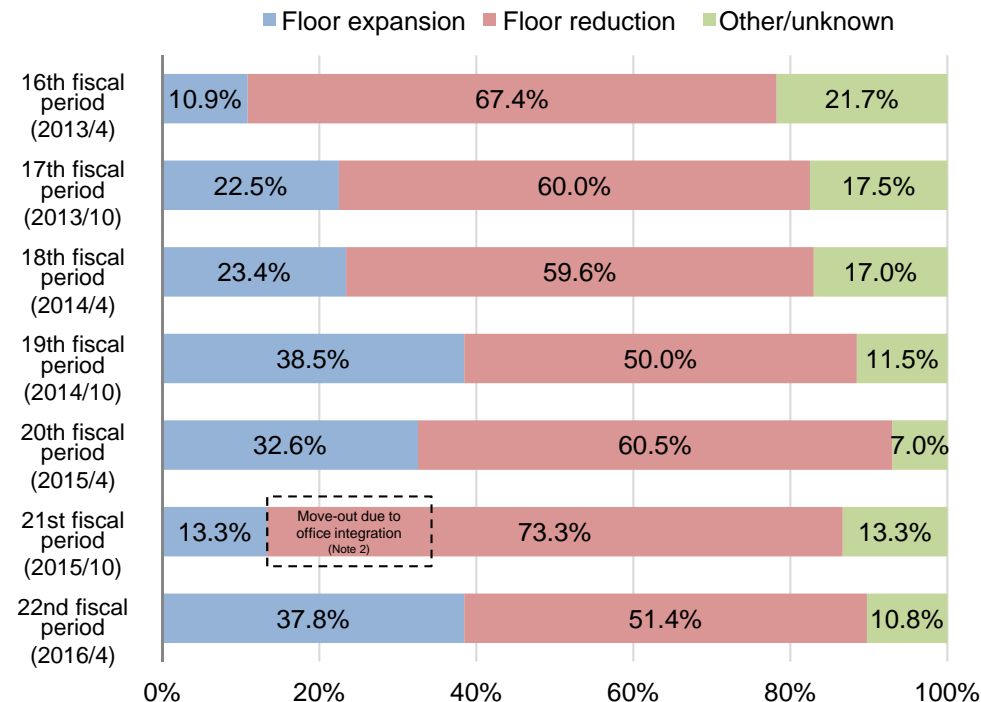
Reasons for moving into our properties (Note 1)



Average contracted floor area of incoming tenants (tsubo)

	18th fiscal period (2014/4)	19th fiscal period (2014/10)	20th fiscal period (2015/4)	21st fiscal period (2015/10)	22nd fiscal period (2016/4)
Floor expansion	73.6	96.2	87.0	86.6	116.6
Floor reduction (Note 3)	86.6	53.2	106.0	37.4	385.0

Reasons for moving out of our properties (Note 1)



Average cancelled floor area of exiting tenants (tsubo)

	18th fiscal period (2014/4)	19th fiscal period (2014/10)	20th fiscal period (2015/4)	21st fiscal period (2015/10)	22nd fiscal period (2016/4)
Floor expansion	117.2	105.4	72.1	128.1	96.6
Floor reduction (Note 3)	82.0	98.8	113.2	127.4	198.5

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 office floors on the 2nd floor or above. For move-out, the figures are based on the number of tenants on all floors except for residential floors.

Note 2: Among 73.3% of tenants who answered "Floor reduction" as the reason for moving out during the 21st fiscal period (ended October 2015), about 20.0% of them moved out to integrate/consolidate their offices targeting optimization of office functions.

Note 3: The average floor area (tsubo) both contracted/cancelled by tenants moving-in/moving-out due to floor reduction purposes during 22nd fiscal period (ended April 2016) includes floor areas contracted/cancelled by a tenant that occupied the whole building of KDX Kawasaki-Ekimae Hon-cho Bldg. The average contracted/cancelled floor areas excluding these areas are 151.8 tsubo and 123.4 tsubo, respectively.

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

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

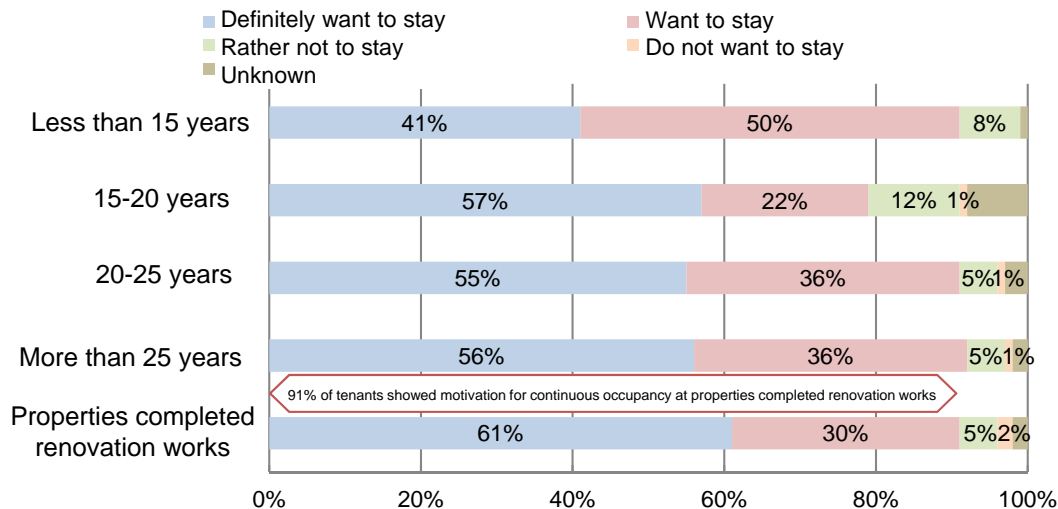
## CS survey overview

- 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 (people in charge of general affairs and employees) on a regular basis

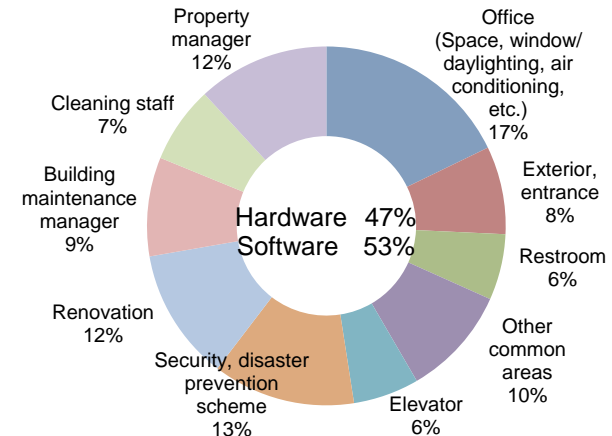
Timing	5th survey August 2013 (17th fiscal period)	6th survey August 2015 (21st fiscal period)
# of properties	77 properties	85 properties
# of distributions	Person in charge: 746 Employee: 3,743	Person in charge: 884 Employee: 4,736
Collection rate	Person in charge: 89% Employee: 85%	Person in charge: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

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

- Confirmed high motivation for continuous occupancy regardless of building age

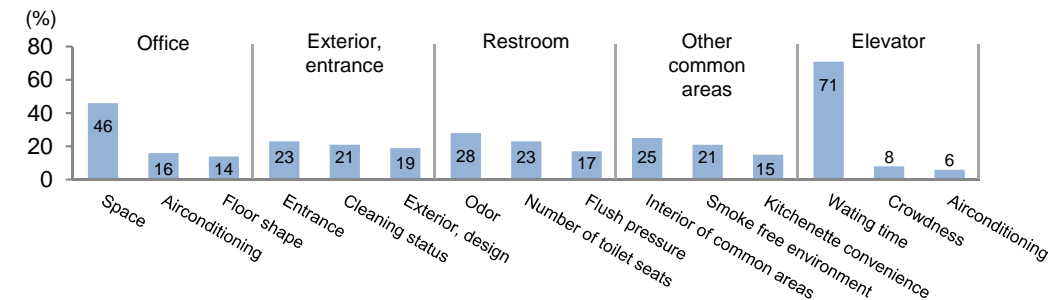


## 6th CS survey results: reasons of satisfaction (Interviewing people in charge of general affairs)



## The most important factors on hardware and changes in CS by renovation work (Note 1)

- The most important factors among hardware



- Changes in CS scores after renovation works (Note 2)

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

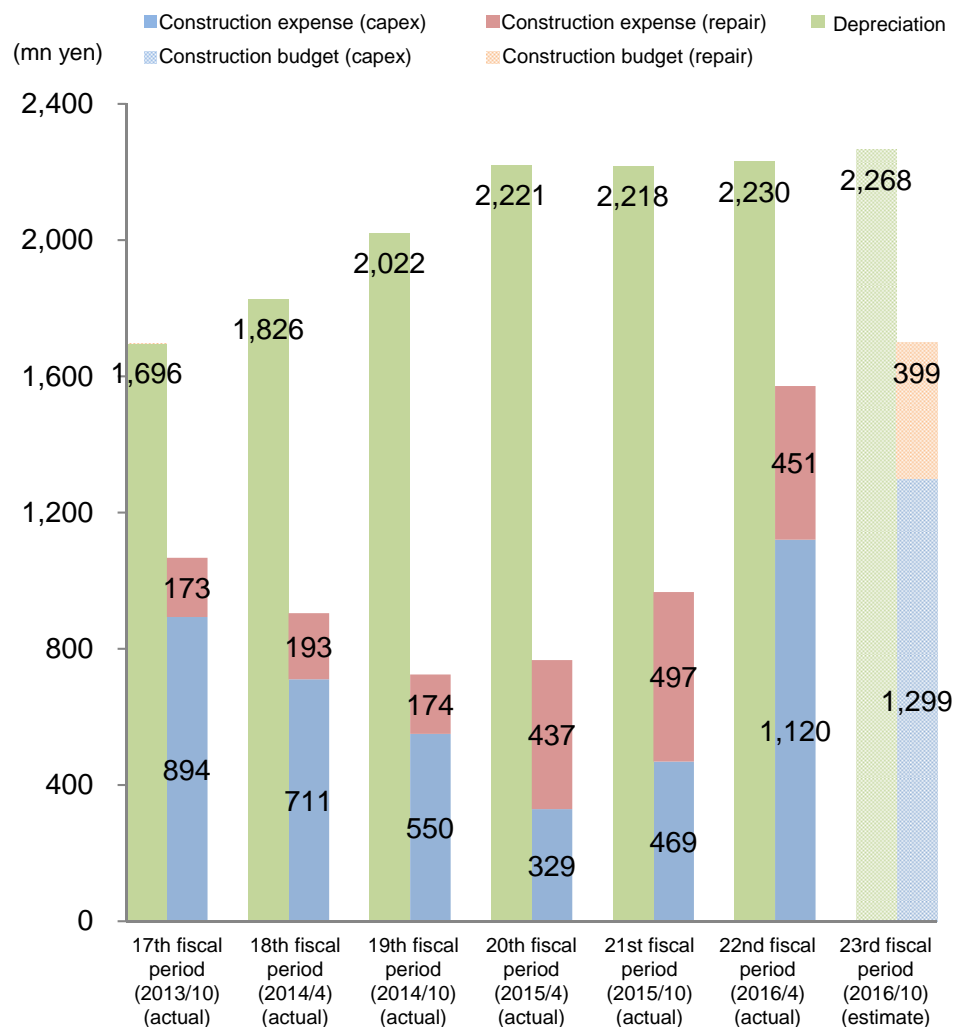
Note 1: Result on survey that interviewed people in charge of general affairs. For each of the categories (Office, Exterior/entrance, Restroom, Other common areas and Elevator), the 3 factors with the highest scores in CS survey are shown in the table.

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

# Construction expense (actual/estimate)

- Reinforce property competitiveness by flexibly implementing appropriate measures for improving property value
- Plan to upgrade major facilities including air-conditioning during the 23rd fiscal period (ending October 2016)

Change in depreciation and construction expense (actual/estimate)



Repair/renovation works budget for 23rd fiscal period (2016/10) (Note)

Items	Estimated amount (mn yen)	Percentage of total expense (%)	
Value-upgrading works (including common areas)	274	16.1	
Improvement/replacement works	Air-conditioning facilities	687	40.5
	Other major facilities	218	12.8
Environment measures (i.e. Installation of LED lightings)	17	1.0	
Outer wall repair	104	6.1	
Maintenance/repair works	398	23.4	

23rd fiscal period (2016/10) total	Percentage of depreciation expense (%)
1,699	75.0

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.

Properties to undergo major repair/renovation for 23rd fiscal period (2016/10)

- Value-upgrading works  
KDX Iidabashi Square, KDX Nakameguro Bldg., KDX Shin-Yokohama 214 Bldg., KDX Ginza East Bldg.
- Improvement/replacement works of air-conditioning facilities  
Harajuku F.F. Bldg., KDX Yokohama Bldg., KDX Sakura-dori Bldg., KDX Hamamatsucho Center Bldg.
- Outer wall repair  
KDX Higashi-Shinagawa Bldg., Senri Life Science Center Bldg.

# Environment-related certifications

## Rating 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
- 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 Iidabashi Square was newly awarded BELS certification in April 2016

Certification rank	Properties with BELS certification
	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>KDX Iidabashi Square</p> </div> <div style="text-align: center;"> <p>KDX Musashi-Kosugi Bldg.</p> <p>The first property owned by J-REIT to receive BELS certification</p> </div> </div>

Note 2: BELS (Building-Housing Energy-efficiency Labeling System) is the third-party certification system to rate houses and buildings in accordance with duty to make effort to label energy saving performance in the Act on Improving Energy Consumption Performance for Architectural Structures.

## DBJ Green Building Certification (Note 3)

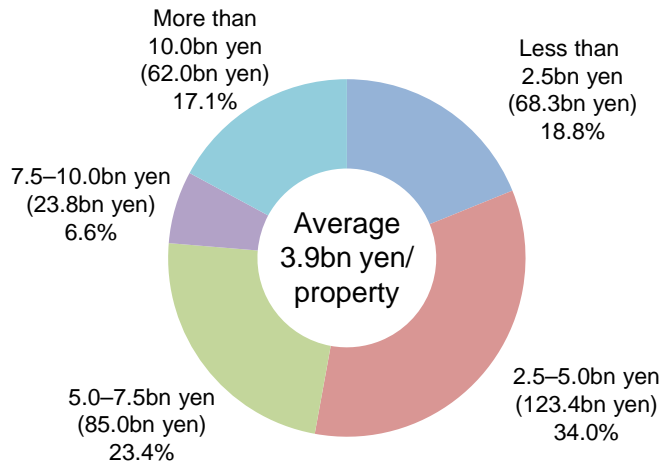
- Nittochi Toranomom Building and KDX Sakura-dori Building were newly awarded DBJ Green Building Certification

Certification rank	Properties with DBJ Green Building certification
	<p>Nittochi Toranomom Bldg. </p> <p>KDX Sakura-dori Bldg. </p> <p><b>Nittochi Toranomom Bldg.</b> <b>(Newly acquired in March 2016)</b></p>
	<p>KDX Musashi-Kosugi Bldg.</p>
	<p>KDX Harumi Bldg. KDX Nagoya Sakae Bldg. KDX Kobayashi-Doshomachi Bldg.</p>
	<p>KDX Higashi Umeda Bldg. KDX Nihonbashi Kabutocho Bldg. <b>KDX Sakura-dori Bldg.</b> <b>(Newly acquired in March 2016)</b></p>
	<p>KDX Karasuma Bldg. KDX Shinjuku Bldg.</p>

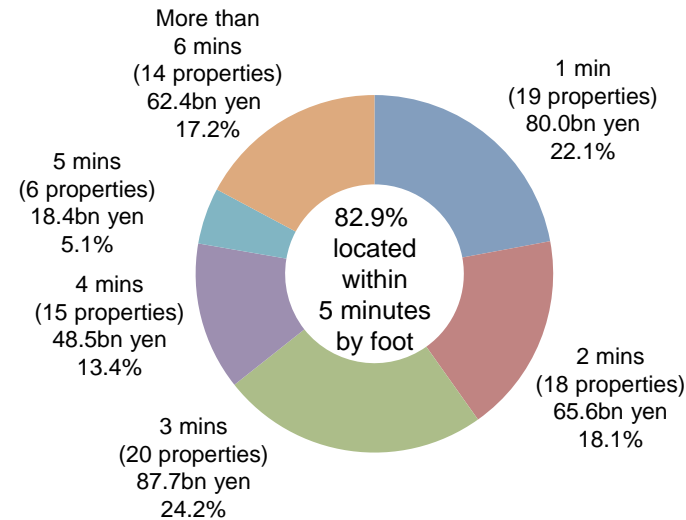
Note 3: The DBJ Green Building Certification System is a system certifying real estate with environmental and social considerations (Green Building) using a scoring model originally developed by Development Bank of Japan Inc. (DBJ) in order to select and certificate buildings that meet the demands of the time. The 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 22nd fiscal period (2016/4))

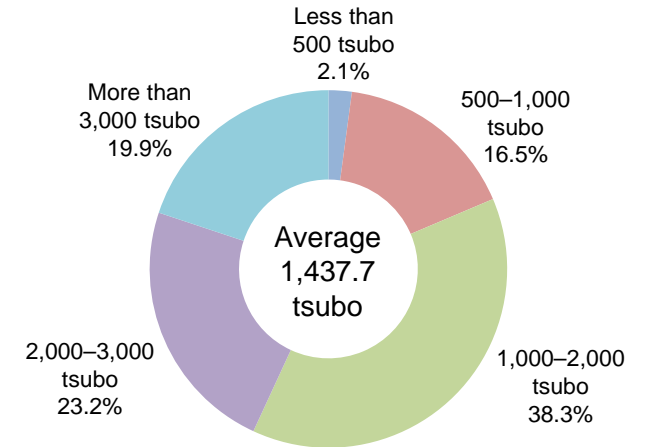
## 1 By acquisition price (based on acquisition price)



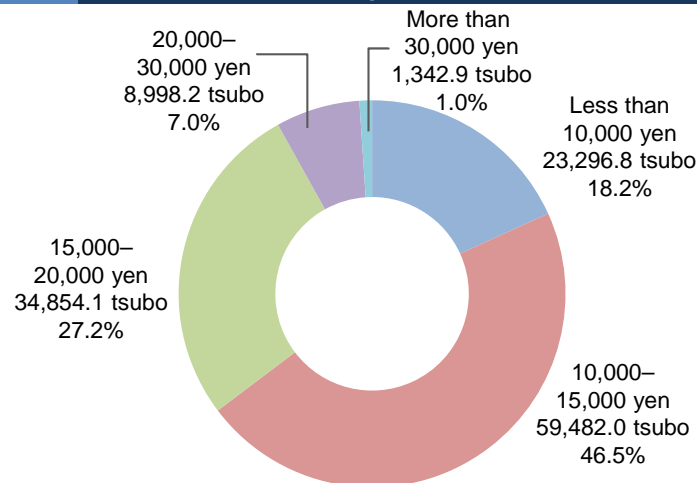
## 2 By distance from the nearest station by foot (based on acquisition price)



## 3 By size (based on leasable area)

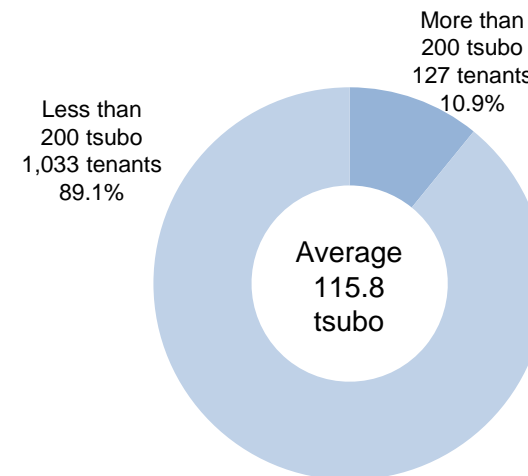


## 4 By contracted rent (based on rent range and leased area) (Note)



Note: Based on the tenants' monthly rent per tsubo. Tenants leasing more than one property are counted as 1 tenant for each building.

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

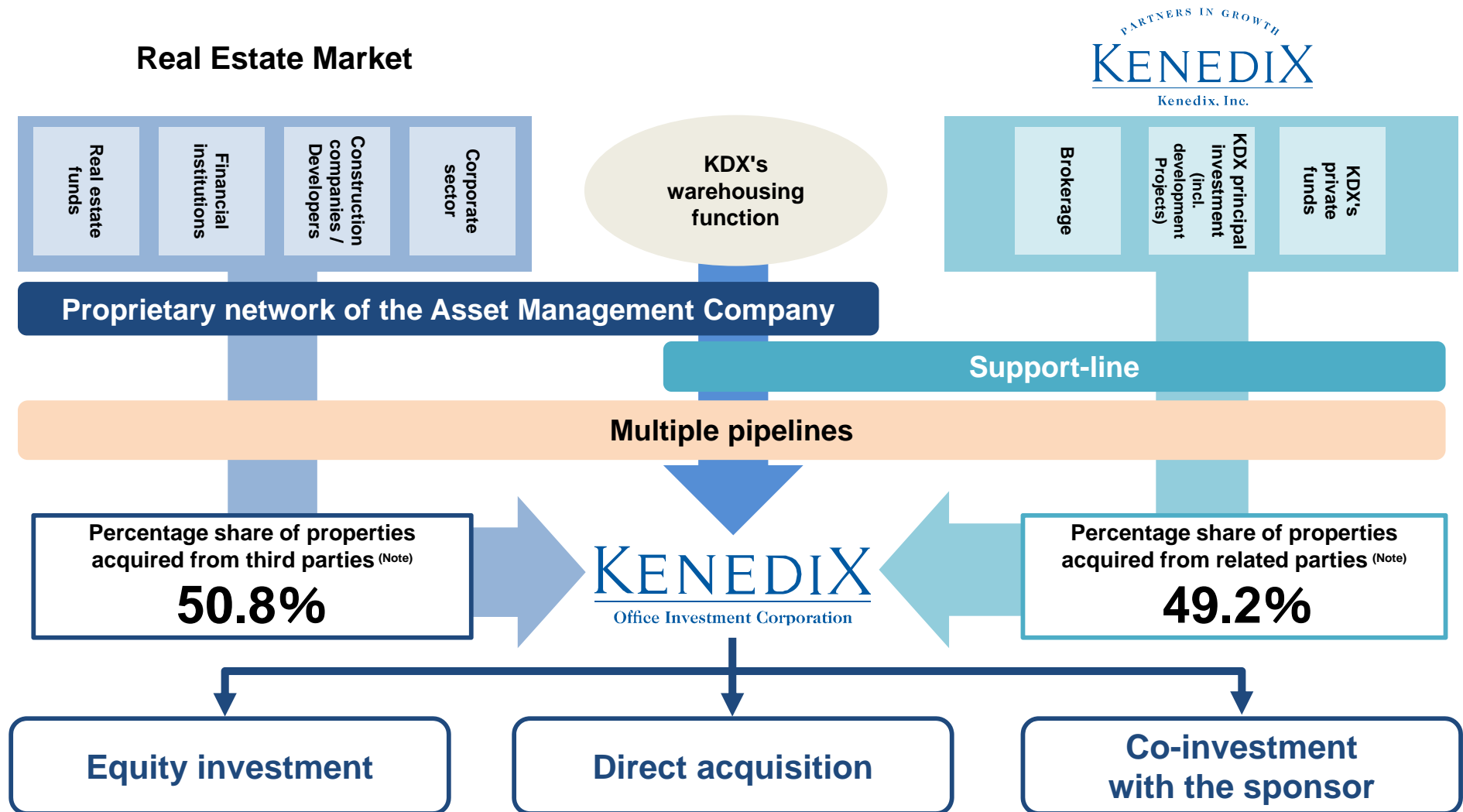


Note: Based on the number of tenants in each office building. Tenants leasing more than one property are counted as 1 tenant for each building.

# 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

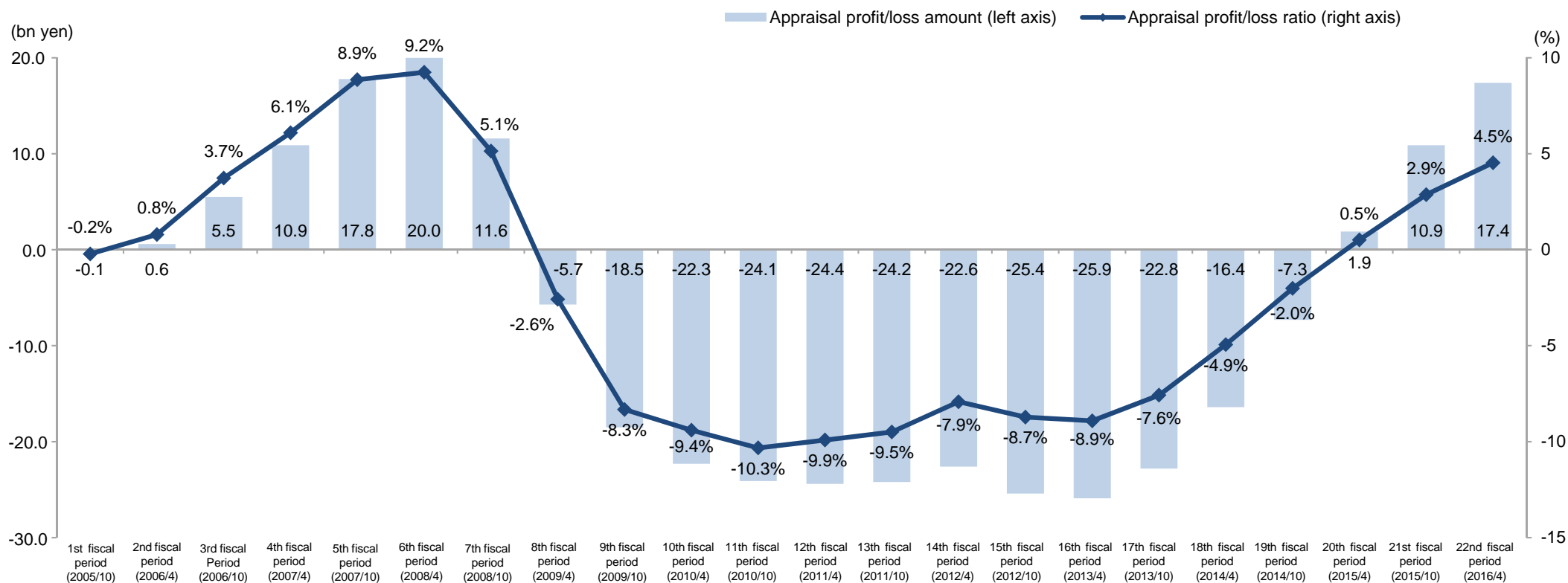


Note: Percentage share of properties is calculated by the sum of acquisition prices for each acquisition source divided by total acquisition price for the properties which KDO owns as of the end of 22nd fiscal period (2016/4). Figures are rounded to the first decimal place.

# Historical appraisal profit/loss of portfolio

- Appraisal value as of the end of the 22nd fiscal period (2016/4) increased by JPY 6.5bn compared to the end of the 21st fiscal period (2015/10)

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)	22nd fiscal period (2016/4)
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%	4.5%

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 22nd fiscal period (2016/4) (1)

No.	Property name	Appraiser	Acquisition price (mn yen) (A)	End of 22nd fiscal period (As of Apr 30, 2016)				End of 21st fiscal period (As of Oct 31, 2015)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen) (B)	Appraisal value (mn yen) (C)	Direct capitalization method cap rate (D)	Appraisal value vs book value (C)÷(B)-1	Appraisal value (mn yen) (E)	Direct capitalization method cap rate (F)	Changes (C)-(E)	% changes (C)÷(E)-1	Changes (D)-(F)
A001	KDX Nihonbashi 313 Building	Daiwa	5,940	5,905	6,710	4.1%	13.6%	6,700	4.2%	10	0.1%	-0.1%
A003	Higashi-Kayabacho Yuraku Building	JREI	4,450	4,152	4,920	4.5%	18.5%	4,920	4.5%	-	-	-
A004	KDX Hatchobori Building	Daiwa	3,680	3,329	3,230	4.4%	-3.0%	3,150	4.5%	80	2.5%	-0.1%
A005	KDX Nakano-Sakaue Building	Daiwa	2,533	2,373	2,340	4.6%	-1.4%	2,300	4.7%	40	1.7%	-0.1%
A006	Harajuku F.F. Building	JREI	2,450	2,388	3,040	4.9%	27.3%	3,080	4.9%	-40	-1.3%	-
A007	KDX Minami Aoyama Building	JREI	2,270	2,211	2,460	4.2%	11.3%	2,460	4.2%	-	-	-
A008	Kanda Kihara Building	Daiwa	1,950	1,804	1,620	4.4%	-10.2%	1,580	4.5%	40	2.5%	-0.1%
A012	Portus Center Building	Daiwa	5,570	4,196	5,140	5.8%	22.5%	5,040	5.9%	100	2.0%	-0.1%
A013	KDX Kojimachi Building	JREI	5,950	5,584	4,610	4.0%	-17.4%	4,610	4.0%	-	-	-
A014	KDX Funabashi Building	JREI	2,252	2,261	2,060	5.7%	-8.9%	2,050	5.7%	10	0.5%	-
A016	Toshin 24 Building	JREI	5,300	4,877	4,760	5.0%	-2.4%	4,750	5.0%	10	0.2%	-
A017	KDX Ebisu Building	JREI	4,640	4,449	4,720	4.3%	6.1%	4,560	4.3%	160	3.5%	-
A019	KDX Hamamatsucho Building	Daiwa	3,460	3,090	3,360	4.0%	8.7%	3,280	4.1%	80	2.4%	-0.1%
A020	KDX Kayabacho Building	JREI	2,780	2,751	2,530	4.6%	-8.0%	2,520	4.6%	10	0.4%	-
A021	KDX Shinbashi Building	JREI	3,728	3,772	4,470	4.0%	18.5%	4,470	4.0%	-	-	-
A022	KDX Shin-Yokohama Building	JREI	2,520	2,294	2,340	5.4%	2.0%	2,230	5.4%	110	4.9%	-
A026	KDX Kiba Building	JREI	1,580	1,475	1,270	5.3%	-13.9%	1,350	5.2%	-80	-5.9%	0.1%
A027	KDX Kajicho Building	Daiwa	2,350	2,294	2,240	4.4%	-2.4%	2,280	4.5%	-40	-1.8%	-0.1%
A029	KDX Higashi-Shinjuku Building	Daiwa	2,950	3,073	3,700	4.5%	20.4%	3,550	4.6%	150	4.2%	-0.1%
A030	KDX Nishi-Gotanda Building	JREI	4,200	3,914	3,690	4.6%	-5.7%	3,860	4.6%	-170	-4.4%	-
A031	KDX Monzen-Nakacho Building	Daiwa	1,400	1,334	1,110	5.0%	-16.8%	1,080	5.1%	30	2.8%	-0.1%
A032	KDX Shiba-Daimon Building	JREI	6,090	6,049	4,970	4.5%	-17.8%	4,820	4.5%	150	3.1%	-
A033	KDX Okachimachi Building	Daiwa	2,000	2,060	1,980	4.5%	-3.9%	1,980	4.5%	-	-	-
A034	KDX Hon-Atsugi Building	Daiwa	1,305	1,176	1,150	5.7%	-2.2%	1,130	5.8%	20	1.8%	-0.1%
A035	KDX Hachioji Building	Daiwa	1,155	1,223	1,050	5.4%	-14.1%	1,010	5.5%	40	4.0%	-0.1%
A037	KDX Ochanomizu Building	JREI	6,400	6,450	6,830	4.3%	5.9%	6,800	4.3%	30	0.4%	-
A038	KDX Nishi-Shinjuku Building	JREI	1,500	1,537	1,200	4.7%	-21.9%	1,200	4.7%	-	-	-
A041	KDX Shinjuku 286 Building	JREI	2,300	2,329	2,430	4.3%	4.3%	2,430	4.3%	-	-	-
A042	KDX Karasuma Building	Daiwa	5,400	5,203	5,270	5.0%	1.3%	5,170	5.1%	100	1.9%	-0.1%
A044	KDX Sendai Building	Daiwa	2,100	2,027	1,660	5.6%	-18.1%	1,630	5.7%	30	1.8%	-0.1%
A045	KDX Roppongi 228 Building	JREI	3,300	3,404	2,120	4.3%	-37.7%	2,120	4.3%	-	-	-
A046	Hiei Kudan-Kita Building	Daiwa	7,600	7,512	7,910	4.1%	5.3%	7,900	4.1%	10	0.1%	-
A047	KDX Shin-Yokohama 381 Building	JREI	5,800	5,540	4,280	5.4%	-22.7%	4,340	5.4%	-60	-1.4%	-

※Notes are shown on P.42.

# Appraisal values and cap rates as of the end of 22nd fiscal period (2016/4) (2)

No.	Property name	Appraiser	Acquisition price (mn yen) (A)	End of 22nd fiscal period (As of Apr 30, 2016)				End of 21st fiscal period (As of Oct 31, 2015)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen) (B)	Appraisal value (mn yen) (C)	Direct capitalization method cap rate (D)	Appraisal value vs book value (C)÷(B)-1	Appraisal value (mn yen) (E)	Direct capitalization method cap rate (F)	Changes (C)-(E)	% changes (C)÷(E)-1	Changes (D)-(F)
A048	KDX Kawasaki-Ekimae Hon-cho Building	JREI	3,760	3,612	3,060	5.4%	-15.3%	3,060	5.5%	-	-	-0.1%
A050	KDX Ikejiri-Oohashi Building	JREI	2,400	2,379	1,710	5.1%	-28.1%	1,590	5.1%	120	7.5%	-
A051	KDX Hamacho Nakanohashi Building	JREI	2,310	2,258	1,900	4.7%	-15.9%	1,900	4.7%	-	-	-
A052	KDX Kanda Misaki-cho Building	JREI	1,380	1,347	961	4.6%	-28.7%	961	4.6%	-	-	-
A053	KDX Hakata-Minami Building	JREI	4,900	4,603	3,730	6.2%	-19.0%	3,590	6.2%	140	3.9%	-
A054	KDX Kitahama Building	JREI	2,220	2,101	1,610	5.6%	-23.4%	1,600	5.6%	10	0.6%	-
A055	Shin-toshin Maruzen Building	JREI	2,110	2,103	1,650	4.7%	-21.5%	1,610	4.7%	40	2.5%	-
A056	KDX Jimbocho Building	JREI	2,760	2,885	2,080	4.6%	-27.9%	2,070	4.6%	10	0.5%	-
A057	KDX Gobancho Building	JREI	1,951	1,907	1,420	4.3%	-25.5%	1,420	4.3%	-	-	-
A058	KDX Nagoya Sakae Building	Daiwa	7,550	6,934	5,250	4.6%	-24.3%	5,100	4.7%	150	2.9%	-0.1%
A059	KDX Iwamoto-cho Building	JREI	1,864	1,700	1,490	4.8%	-12.4%	1,490	4.8%	-	-	-
A060	KDX Harumi Building	JREI	10,250	9,110	8,470	4.4%	-7.0%	8,470	4.4%	-	-	-
A061	KDX Hamamatsucho Dai-2 Building	Daiwa	2,200	2,250	2,080	4.0%	-7.6%	2,020	4.1%	60	3.0%	-0.1%
A062	Koishikawa TG Building	JREI	3,080	3,034	3,360	4.5%	10.7%	3,340	4.5%	20	0.6%	-
A063	Gotanda TG Building	JREI	2,620	2,726	3,020	4.6%	10.8%	2,910	4.6%	110	3.8%	-
A064	KDX Nihonbashi 216 Building	JREI	2,010	1,884	1,980	4.2%	5.1%	1,900	4.2%	80	4.2%	-
A066	KDX Shinjuku Building	JREI	6,800	6,890	8,010	4.0%	16.3%	7,640	4.0%	370	4.8%	-
A067	KDX Ginza 1chome Building	Daiwa	4,300	4,220	5,480	3.8%	29.9%	5,330	3.9%	150	2.8%	-0.1%
A068	KDX Nihonbashi Honcho Building	Daiwa	4,000	3,951	4,530	4.2%	14.7%	4,430	4.3%	100	2.3%	-0.1%
A069	KDX Kobayashi-Doshomachi Building	JREI	2,870	2,332	2,570	6.5%	10.2%	2,580	6.5%	-10	-0.4%	-
A070	KDX Sapporo Building	Daiwa	2,005	1,974	2,080	5.2%	5.4%	2,040	5.3%	40	2.0%	-0.1%
A071	KDX Iidabashi Building	Daiwa	4,670	4,577	5,370	4.2%	17.3%	5,410	4.3%	-40	-0.7%	-0.1%
A072	KDX Higashi-Shinagawa Building	Daiwa	4,590	4,779	4,300	4.4%	-10.0%	4,340	4.5%	-40	-0.9%	-0.1%
A073	KDX Hakozaeki Building	Daiwa	2,710	2,764	3,180	4.6%	15.1%	2,950	4.7%	230	7.8%	-0.1%
A074	KDX Shin-Nihonbashi Building	Daiwa	2,300	2,139	2,710	4.0%	26.7%	2,730	4.1%	-20	-0.7%	-0.1%
A075	KDX Nihonbashi Kabutocho Building	JREI	11,270	11,164	12,100	4.3%	8.4%	12,100	4.3%	-	-	-
A078	KDX Tachikawa Ekimae Building	JREI	1,267	1,304	1,490	5.4%	14.3%	1,480	5.4%	10	0.7%	-
A079	KDX Nagoya Ekimae Building	JREI	7,327	8,002	8,250	4.6%	3.1%	7,890	4.6%	360	4.6%	-
A082	KDX Higashi Umeda Building	Daiwa	2,770	2,607	3,690	4.5%	41.5%	3,630	4.6%	60	1.7%	-0.1%
A083	KDX Fuchu Building	Daiwa	6,120	5,968	7,170	5.0%	20.1%	6,990	5.1%	180	2.6%	-0.1%
A084	KDX Kasuga Building	JREI	2,800	2,781	3,580	4.5%	28.7%	3,570	4.5%	10	0.3%	-
A085	KDX Nakameguro Building	Daiwa	1,880	1,873	2,490	4.6%	32.9%	2,380	4.7%	110	4.6%	-0.1%
A086	KDX Omiya Building	Daiwa	2,020	2,199	2,720	5.2%	23.7%	2,670	5.3%	50	1.9%	-0.1%

※Notes are shown on P.42.

# Appraisal values and cap rates as of the end of 22nd fiscal period (2016/4) (3)

No.	Property name	Appraiser	Acquisition price (mn yen) (A)	End of 22nd fiscal period (As of Apr 30, 2016)				End of 21st fiscal period (As of Oct 31, 2015)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen) (B)	Appraisal value (mn yen) (C)	Direct capitalization method cap rate (D)	Appraisal value vs book value (C)÷(B)-1	Appraisal value (mn yen) (E)	Direct capitalization method cap rate (F)	Changes (C)-(E)	% changes (C)÷(E)-1	Changes (D)-(F)
A087	Itopia Nihonbashi SA Building	Daiwa	2,200	2,247	2,460	4.5%	9.5%	2,410	4.6%	50	2.1%	-0.1%
A088	KDX Shinjuku 6-chome Building	Daiwa	1,900	1,893	2,660	4.4%	40.5%	2,470	4.5%	190	7.7%	-0.1%
A089	KDX Takanawadai Building	JREI	5,250	5,284	5,980	4.5%	13.2%	5,970	4.5%	10	0.2%	-
A090	KDX Ikebukuro Building	Daiwa	3,900	3,787	4,680	4.1%	23.6%	4,470	4.2%	210	4.7%	-0.1%
A091	KDX Mita Building	JREI	3,180	3,165	3,360	4.4%	6.2%	3,400	4.4%	-40	-1.2%	-
A092	KDX Akihabara Building	JREI	2,600	2,572	2,980	4.3%	15.9%	2,970	4.3%	10	0.3%	-
A093	KDX Iidabashi Square	Daiwa	4,350	5,020	4,890	4.2%	-2.6%	4,720	4.3%	170	3.6%	-0.1%
A094	KDX Musashi-Kosugi Building	JREI	12,000	11,637	13,900	4.6%	19.4%	13,900	4.6%	-	-	-
A095	KDX Toyosu Grand Square	Daiwa	8,666	8,412	9,030	4.8%	7.3%	9,030	4.8%	-	-	-
A096	KDX Takadanobaba Building	Daiwa	3,650	3,651	4,170	4.6%	14.2%	4,130	4.6%	40	1.0%	-
A097	KDX Utsunomiya Building	Daiwa	2,350	2,364	2,480	5.8%	4.9%	2,550	5.9%	-70	-2.7%	-0.1%
A098	KDX Hiroshima Building	JREI	1,300	1,384	1,480	5.9%	6.9%	1,460	6.0%	20	1.4%	-0.1%
A099	KDX Ikebukuro West Building	Daiwa	1,934	1,992	2,000	4.5%	0.4%	1,990	4.5%	10	0.5%	-
A100	Senri Life Science Center Building	Daiwa	13,000	12,858	13,100	4.8%	1.9%	13,300	4.9%	-200	-1.5%	-0.1%
A101	KDX Yokohama Building	Daiwa	7,210	7,237	8,070	4.6%	11.5%	7,900	4.7%	170	2.2%	-0.1%
A102	KDX Yokohama Nishiguchi Building	Daiwa	2,750	2,757	2,980	4.7%	8.1%	2,970	4.7%	10	0.3%	-
A103	KDX Shin-Yokohama 214 Building	JREI	2,200	2,219	2,290	5.3%	3.2%	2,280	5.3%	10	0.4%	-
A104	KDX Minami-Honmachi Building	JREI	2,200	2,151	2,690	4.8%	25.1%	2,690	4.8%	-	-	-
A105	BUREX Toranomon	JREI	1,750	1,750	2,380	3.9%	36.0%	2,140	3.9%	240	11.2%	-
A106	KDX Sakura-dori Building	Daiwa	5,900	6,023	7,450	4.8%	23.7%	7,260	4.9%	190	2.6%	-0.1%
A107	KDX Ginza East Building	JREI	3,600	3,613	3,650	4.4%	1.0%	3,640	4.4%	10	0.3%	-
A108	Pentel Building	Daiwa	3,350	3,567	3,594	4.1%	0.8%	3,501	4.2%	93	2.7%	-0.1%
A109	KDX Hamamatsucho Center Building	Daiwa	3,950	4,003	4,140	4.0%	3.4%	4,020	4.1%	120	3.0%	-0.1%
A110	KDX Shin-Osaka Building	Daiwa	4,550	4,606	4,830	4.3%	4.9%	4,700	4.4%	130	2.8%	-0.1%
A111	Nichigin-mae KD Building	JREI	3,500	3,582	3,750	4.7%	4.7%	3,750	4.7%	-	-	-
A112	Nittochi Toranomon Building	JREI	15,550	15,713	16,300	3.7%	3.7%	16,300	3.7%	-	-	-
<b>Subtotal: Office Buildings</b>			<b>362,758</b>	<b>355,932</b>	<b>369,955</b>	<b>4.6%</b>	<b>4.0%</b>	<b>365,462</b>	<b>4.6%</b>	<b>4,493</b>	<b>1.2%</b>	<b>-</b>
B019	Residence Charmante Tsukishima	JREI	5,353	4,623	4,900	4.6%	6.0%	4,920	4.6%	-20	-0.4%	-
<b>Subtotal: Residential Property</b>			<b>5,353</b>	<b>4,623</b>	<b>4,900</b>	<b>4.6%</b>	<b>6.0%</b>	<b>4,920</b>	<b>4.6%</b>	<b>-20</b>	<b>-0.4%</b>	<b>-</b>
C001	Frame Jinnan-zaka	JREI	9,900	9,396	10,500	3.9%	11.7%	10,400	3.9%	100	1.0%	-
C002	KDX Yoyogi Building	JREI	2,479	2,474	2,110	4.9%	-14.7%	2,100	4.9%	10	0.5%	-
C004	Ginza 4chome Tower	JREI	9,800	9,684	11,900	3.5%	22.9%	11,900	3.5%	-	-	-
<b>Subtotal: Central Urban Retail Properties</b>			<b>22,179</b>	<b>21,555</b>	<b>24,510</b>	<b>3.8%</b>	<b>13.7%</b>	<b>24,400</b>	<b>3.8%</b>	<b>110</b>	<b>0.5%</b>	<b>-</b>
D002	Shinjuku 6chome Building (land)	Daiwa	2,880	2,973	3,190	3.9%	7.3%	3,110	4.0%	80	2.6%	-0.1%
<b>Subtotal: Other</b>			<b>2,880</b>	<b>2,973</b>	<b>3,190</b>	<b>3.9%</b>	<b>7.3%</b>	<b>3,110</b>	<b>4.0%</b>	<b>80</b>	<b>2.6%</b>	<b>-0.1%</b>
<b>Total</b>			<b>393,171</b>	<b>385,085</b>	<b>402,555</b>	<b>4.5%</b>	<b>4.6%</b>	<b>397,892</b>	<b>4.6%</b>	<b>4,663</b>	<b>1.2%</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 and portfolio is a weighted average value based on appraisal value.

Note 3: For the properties newly acquired in the 22nd fiscal period (2016/4), 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

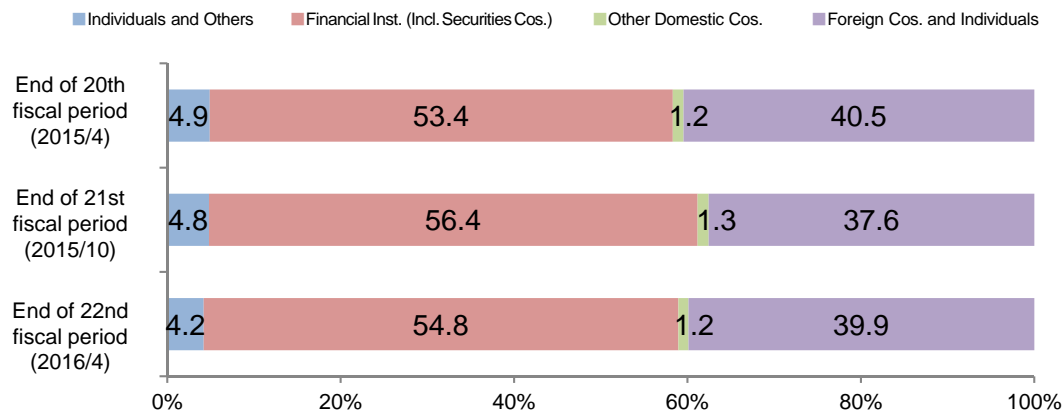
KDO unit price and trading volume performance (from the listing date to May 31, 2016) (Note)



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

# KDO unitholders (as of the end of 22nd fiscal period (2016/4))

## Change in % share of investment units by unitholders



## Number of unitholders

(unit: person)	End of 20th fiscal period (2015/4)	End of 21st fiscal period (2015/10)	End of 22nd fiscal period (2016/4)
Individuals and Others	6,804	6,550	5,906
Financial Inst. (Incl. Securities Cos.)	City/Trust Bank	11	10
	Regional Bank	18	15
	Credit Union and Others	34	33
	Life/Nonlife, Securities	22	26
	<b>Total</b>	<b>85</b>	<b>84</b>
Other Domestic Cos.	132	124	117
Foreign Cos. and Individuals	256	256	253
<b>Total</b>	<b>7,277</b>	<b>7,014</b>	<b>6,366</b>

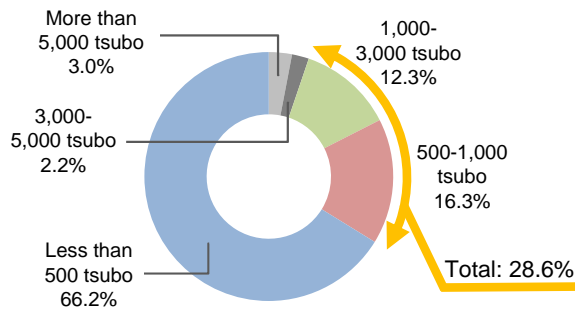
## Top 10 unitholders

Name	# of units held (unit)	Percentage share (%)
Japan Trustee Services Bank, Ltd. (Trust Acct.)	65,256	16.11
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	57,244	14.13
The Master Trust Bank of Japan, Ltd. (Trust Acct.)	43,003	10.62
Nomura Bank (Luxemburg) S.A.	23,109	5.70
The Nomura Trust and Banking Co., Ltd. (Investment Trust Acct.)	19,533	4.82
The Bank of New York Mellon SA/NV 10	11,643	2.87
State Street Bank and Trust Company 505223	8,951	2.21
State Street Bank and Trust Company 505001	6,289	1.55
MSIP CLIENT SECURITIES	5,529	1.36
State Street Bank and Trust Company	5,475	1.35
<b>Total</b>	<b>246,032</b>	<b>60.76</b>

# Office building market (1)

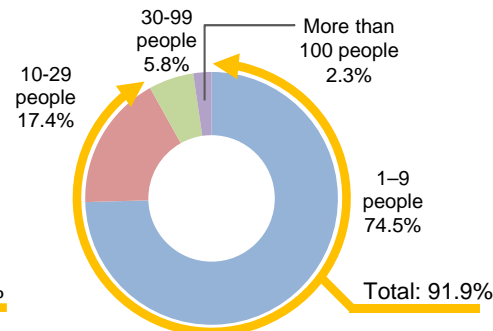
- Small and medium-sized office buildings have a large number of properties and solid tenant base
- About 80% of small and medium-sized office buildings are 20 years or older and require proper facility maintenance and management

**Office market by GFA (proportion of number of buildings) (Note 1)**



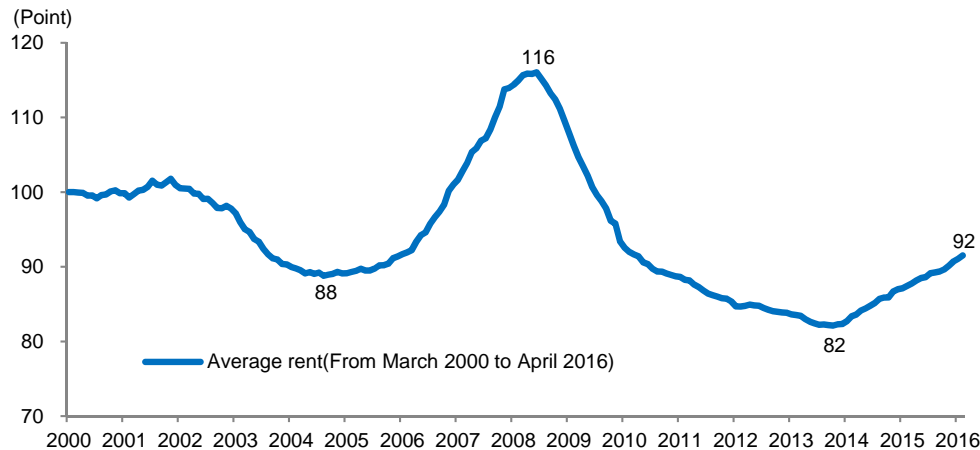
Note 1: The above data is the proportion of number of buildings based on the size. It covers rental office buildings located in Tokyo Central 5 wards that were surveyed by CBRE K.K.. (as of Mar 2011).  
Source: Survey conducted by CBRE K.K. based on KFM's request "Market survey of Medium-sized office buildings" (May 2011)

**Business office by the number of employees (Tokyo)**



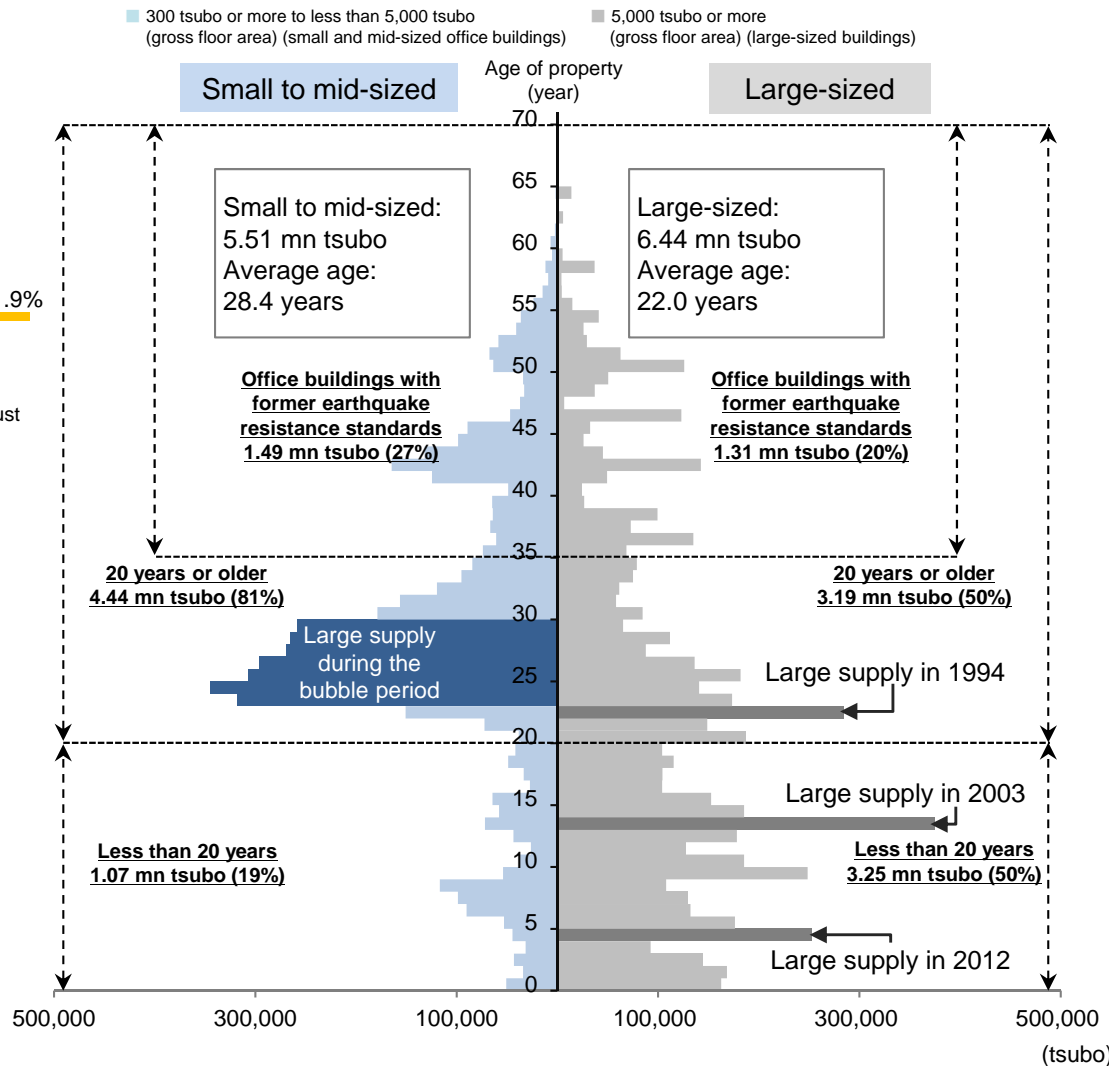
Source: Compiled by KFM based on "2014 Economic Census for Business Frame Tokyo (Preliminary results)" (as of August 3, 2015).

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



Note 2: 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.

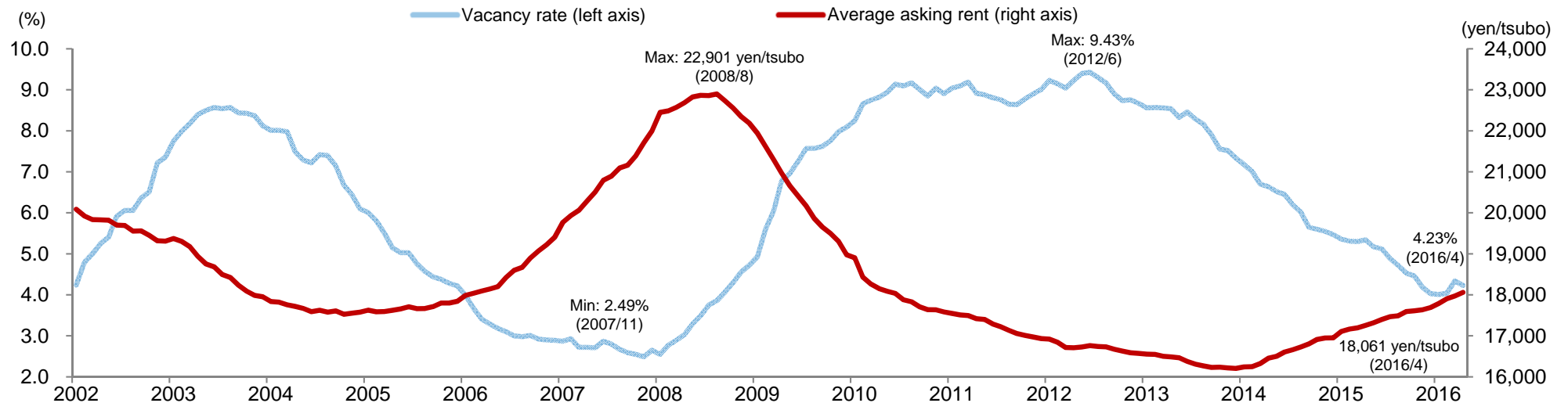
**Tokyo 23 wards office stock pyramid by size and age (based on net rentable area)**



Source: Compiled by KFM using "News & Release—Office Pyramid 2016" released by XYMAX REAL ESTATE INSTITUTE Corporation on January 29, 2016.

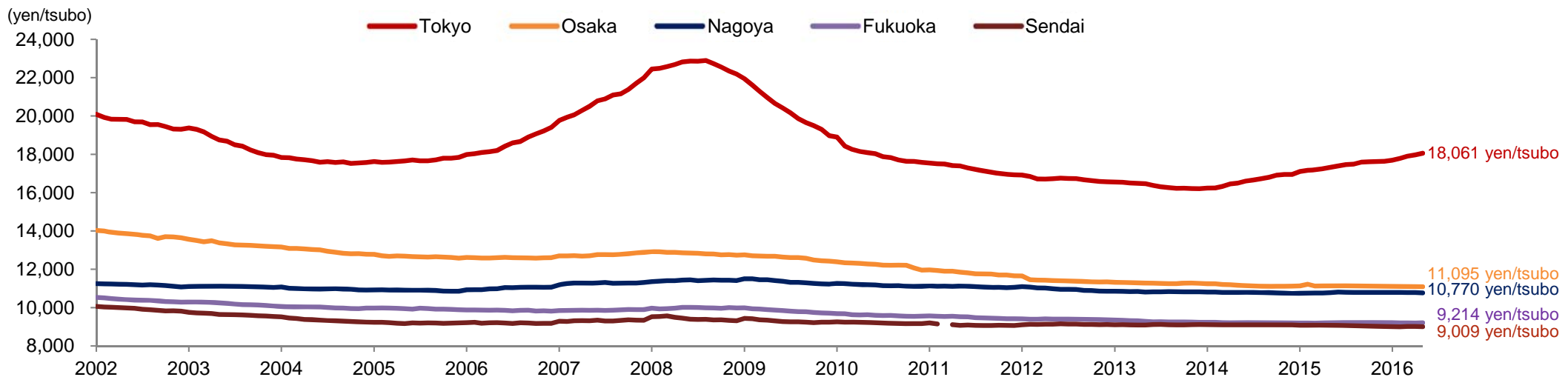
# Office building market (2)

Changes in asking rent and vacancy rate in Tokyo Central 5 wards (from Jan 2002 to Apr 2016) (Note 1)



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)"

Changes in rent levels by region (from Jan 2002 to Apr 2016) (Note 2)

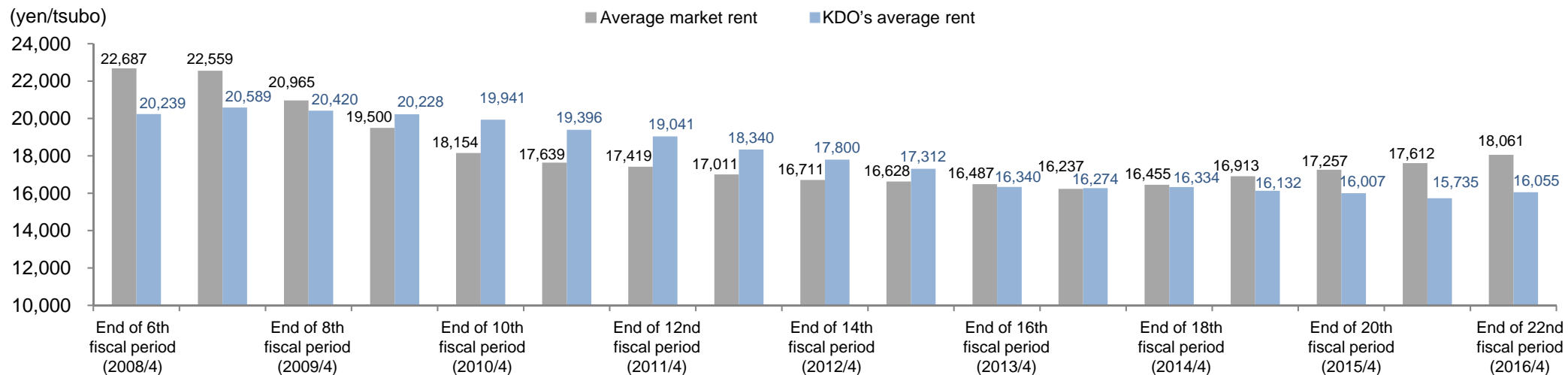


Note 2: Rent data of business districts and their sub areas. Tokyo covers office buildings with standard floor area over 100 tsubo in Tokyo Central 5 wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards).  
Source: Compiled by KFM using the data prepared by Miki Shoji.

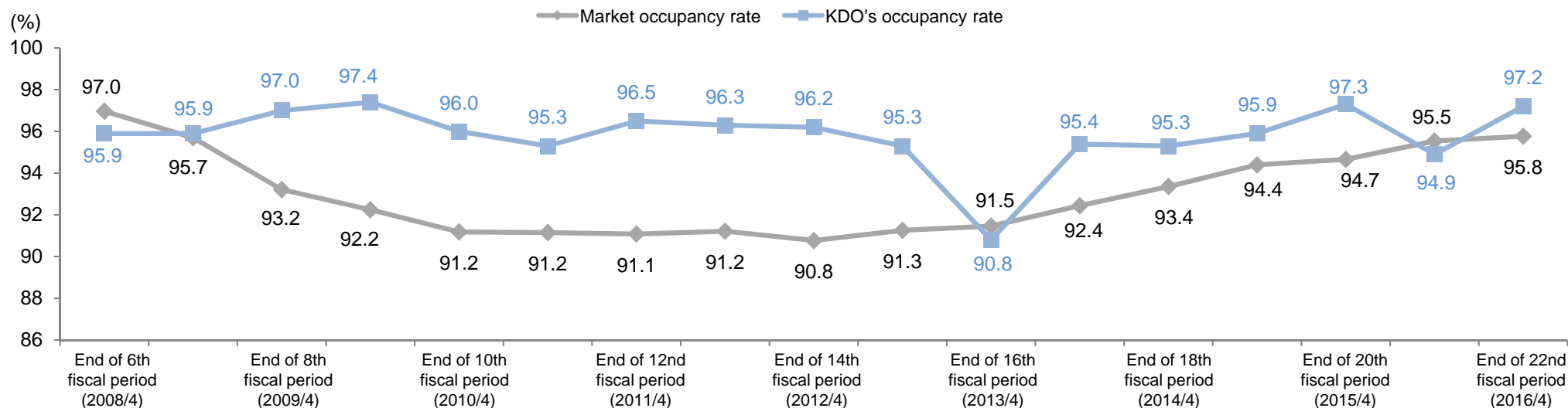


# Average rent/occupancy rate: KDO office buildings vs market average

Average rent of KDO office buildings: Comparison with market average (Tokyo central 5 wards) (Note 1) (Note 2)



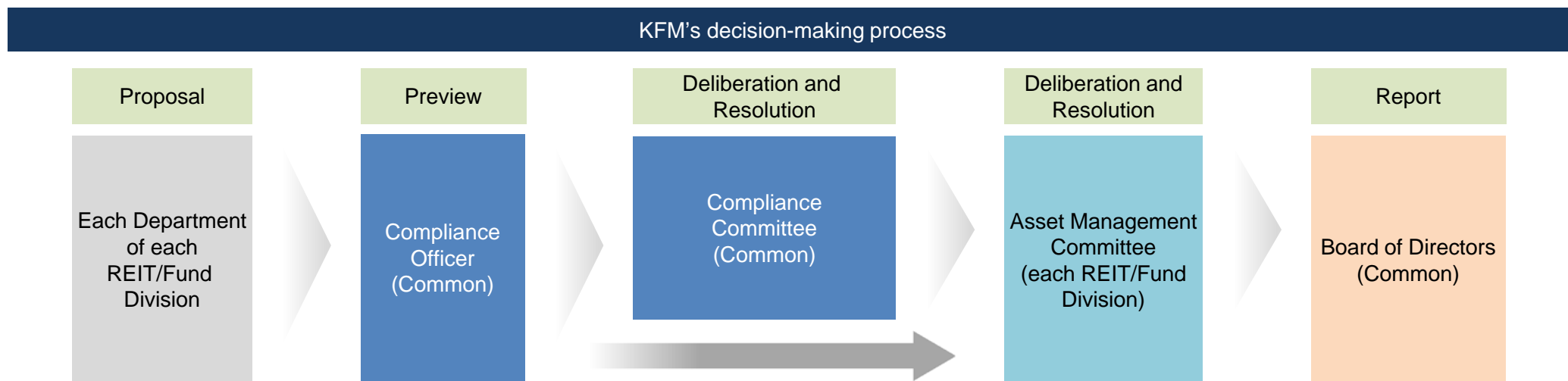
Occupancy rate of KDO office buildings: Comparison with market average (Tokyo central 5 wards) (Note 1) (Note 2)



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 office buildings in Tokyo Central 5 wards which KDO owns as of the end of each fiscal period.

# 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 Asset Investment Dept., Office REIT Div.		●
General Manager of Asset 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 1,661.3 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 **1,149.5** bn yen (as of March 31, 2016)

Private REIT

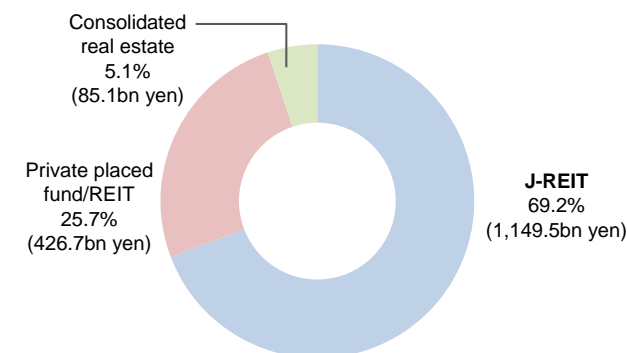
Private fund

Various asset types  
**511.8** bn yen (Note 1)  
(as of March 31, 2016)

## Kenedix Group AUM

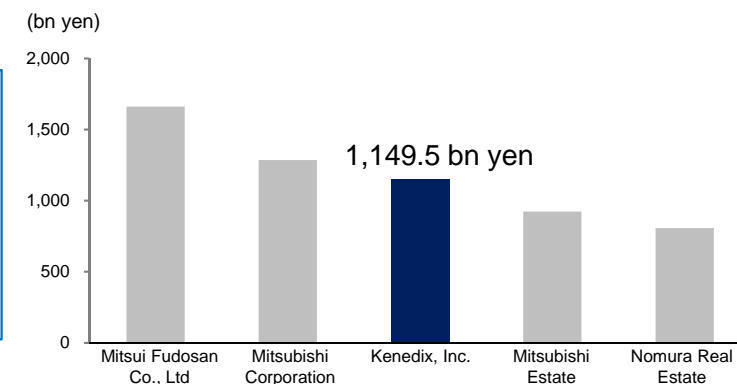
Kenedix Group's assets under management (AUM)

Total **1,661.3** bn yen (as of March 31, 2016)



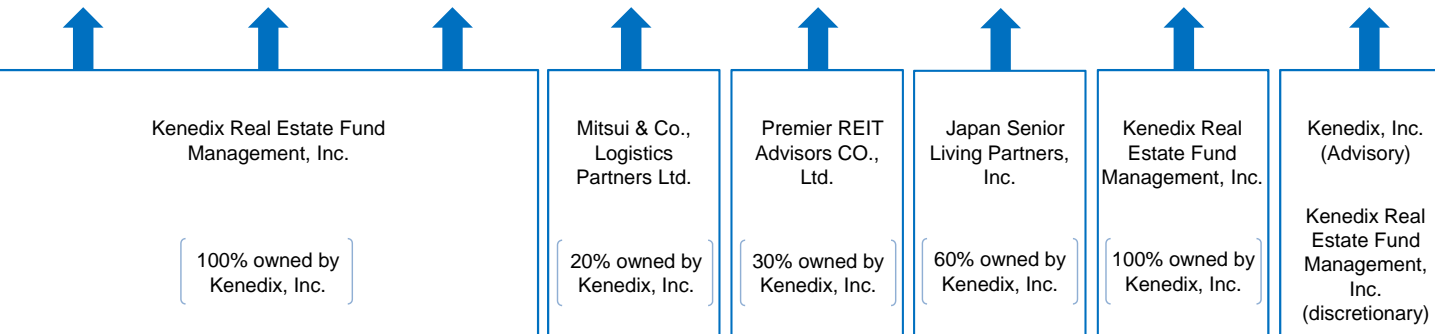
Source: Kenedix Inc.

## AUM (Note 2) by major J-REIT sponsors (Note 3)



Source: Compiled by KFM based on each J-REIT's disclosure material.

Mid-size office buildings etc.	Residential properties	Retail properties	Logistics properties	Office & Residential	Healthcare properties	Various asset types	
393.1 bn yen	148.1 bn yen	131.6 bn yen	212.6 bn yen	235.9 bn yen	27.9 bn yen	511.8 bn yen (Note 1) (as of March 31, 2016)	
KENEDIX Kenedix Office Investment Corporation Listed in 2005/7	KENEDIX Kenedix Residential Investment Corporation Listed in 2012/4	KENEDIX Kenedix Retail REIT Corporation Listed in 2015/2	日本物流ファンド株式会社 Japan Logistics Fund Inc. Listed in 2005/5	プレミア投資株式会社 Premier Investment Corporation Listed in 2002/9	日本シニアリビング投資株式会社 Japan Senior Living Investment Corporation Listed in 2015/7	KENEDIX Kenedix Private Investment Corporation	Various private funds



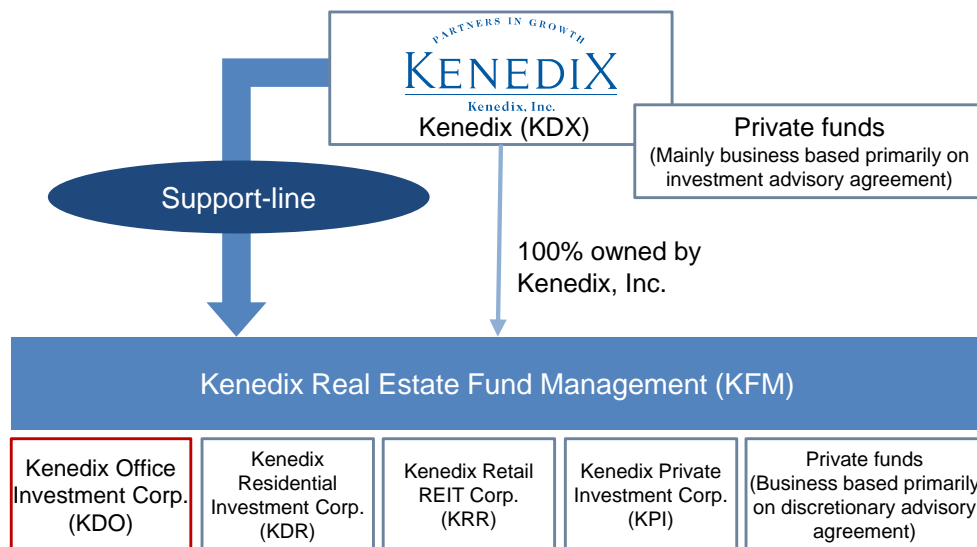
Note 1: Includes consolidated real estate of 85.1 bn yen.

Note 2: AUM by major J-REIT sponsors is based on the asset size of each J-REIT (based on acquisition price) as of March 31, 2016.

Note 3: "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%.

# 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 buildings 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	0%–20%
Residential	Residential properties for leasing purposes as their principal use	
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 (Note 1), 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. Kenedix Office Investment Corp.	Residential REIT Div. Kenedix Residential Investment Corp.	Retail REIT Div. Kenedix Retail REIT Corp.	Private REIT Div. Kenedix Private Investment Corp.	Private Fund Div. 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 weighs 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".

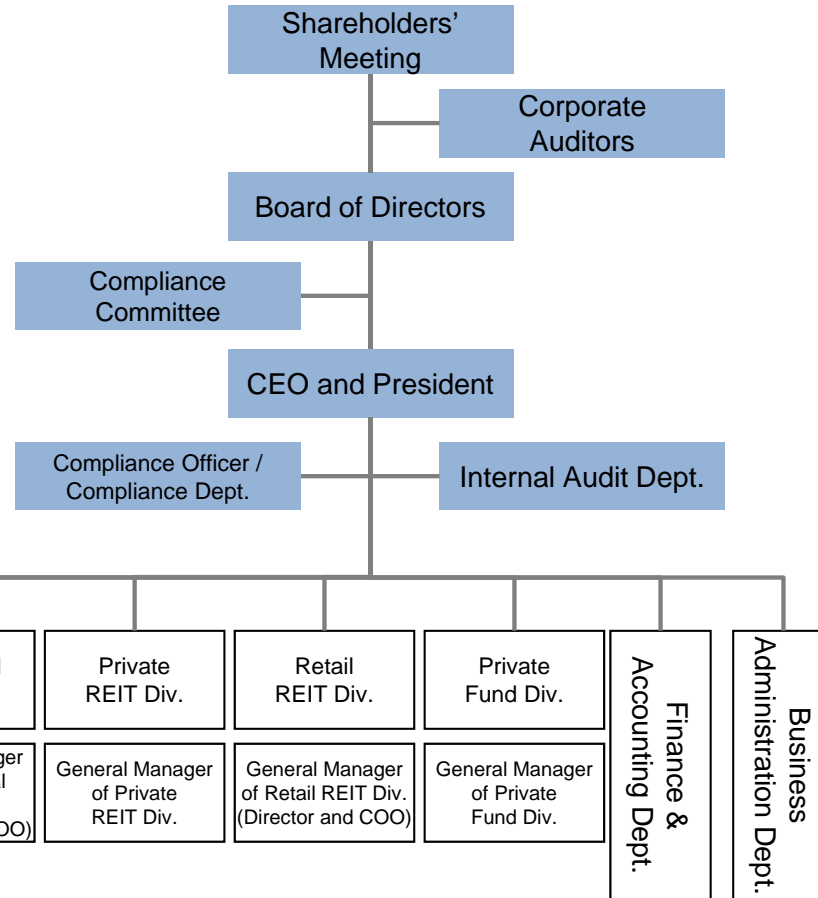
# Organization chart (as of June 13, 2016)

## 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 October 1996
- Appointed adviser of Kenedix, Inc. on Mar 2013 after serving as president and representative director, chairman and representative director, and chairman of board of directors in Kenedix, Inc.
- Appointed CEO and President on Oct 1, 2013



**<Organizational change on March 1, 2016>**

- Divided "Investment Management Dept." into "Asset Investment Dept." and "Asset Management Dept."
- Aiming at further strengthening the asset management structure with the expansion of AUM and accelerating growth

## 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 executive officer of Kenedix Office Investment Corp. (to the present) after serving as president of Kenedix Office Partners, Inc.
- Appointed Director and COO, General Manager of Office REIT Div. on Oct 1, 2013



Akimitsu Uezu  
General Manager  
of Asset Investment Dept.,  
Office REIT Division

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



Chisei Kaji  
General Manager of  
Asset Management Dept.,  
Office REIT Division

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



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

- After working for Sakura Bank for 6 years, worked at Sakura Securities, Daiwa Securities SMBC, and Goldman Sachs in investment banking business for 10 years
- Joined Kenedix Office Partners, Inc. after having worked for Goldman Sachs Realty Japan
- Appointed General Manager of Financial Planning Division, Kenedix Office Partners, Inc. in Aug 2012
- Appointed General Manager of Planning Dept., Office REIT Division on Oct 1, 2013



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

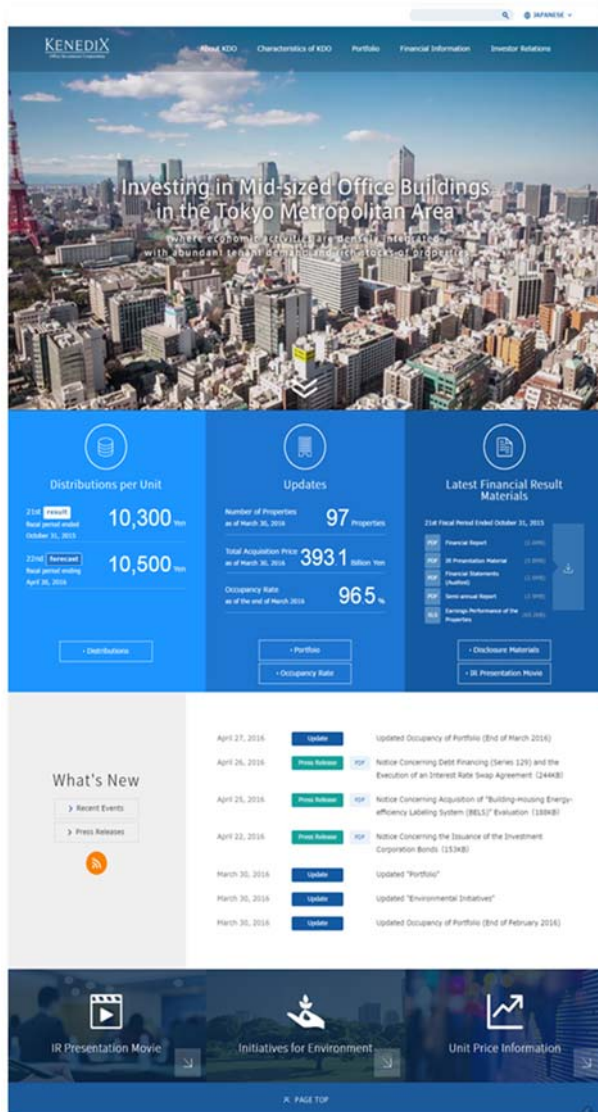
- Worked for Sumitomo Mitsui Trust Bank for 15 years (Engaged in real estate finance, etc.)
- Joined Kenedix after having engaged in real estate investment banking and having served as director responsible for asset management business at Touchstone Capital Securities
- Appointed General Manager of Finance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

Kenedix Office  
Investment Corporation



# Renewal of KDO's website

- We remain committed to enhanced disclosure of information to investors



## Web-design renovation and higher usability on mobile terminals

- Full renovation of both the web-design and layout
- Easy to operate even on mobile terminals, such as smartphones and tablets
- Unification of English and Japanese contents



## Enrichment of website for individual investors

- We have opened web pages dedicated to individual investors, providing a brief explanation on KDO's concept
- The new pages include the introduction of future and past events, the events' URLs and seminar materials



## The video of renovated KDX Iidabashi Square webcasted on YouTube



Corporate website:

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

Kenedix Office



Memo



Memo

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