

Kenedix Office Investment Corporation

25th Fiscal Period Results (Ended October 2017)

December 15, 2017

Ticker Symbol: 8972

KENEDIX
Office Investment Corporation



Kenedix Real Estate Fund Management, Inc.

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Section 1

Executive summary / highlights

Highlights and future initiatives

Highlights

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

A series of initiatives in and after the 25th fiscal period (2017/10)

- **Strategic asset reshuffle in Shibuya and Yokohama areas**
 - Selectively invest in properties with strong competitive advantage in each area
 - Portfolio enhancement through flexible and timely disposition
- **Selective investment in regional areas**
 - Acquired a second mid-sized office building in Sapporo where leasing market is solid
 - Acquired at an estimated NOI yield of 5%
- **Sale of non-core asset**
 - Sold the only residential property owned and achieved capital gains
 - Clarified investment policies as an office-focused REIT

Effects of a series of initiatives	
Growth of DPU Mid-long term estimate +580 yen/period	Enhancement of appraisal profit/loss +1.9 bn yen

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

- Actual occupancy rate continued to improve with decrease in turnover ratio and gradual expiration of free rent periods
- Unit rent increased due to rent increase upon tenant turnover and rooted upward rent revisions against the backdrop of rising market rent

Increase in actual occupancy rate	Increase by rent revision	Rent gap against the market
End of the 25th fiscal period (Owned office buildings) 96.5% (+1.9% period over period) ※Occupancy rate (contracted area based): 99.0%	Total monthly rent of the 25th fiscal period (All properties) +6.6 mn yen	End of the 24th fiscal period -2.8% ➔ End of the 25th fiscal period -4.2%

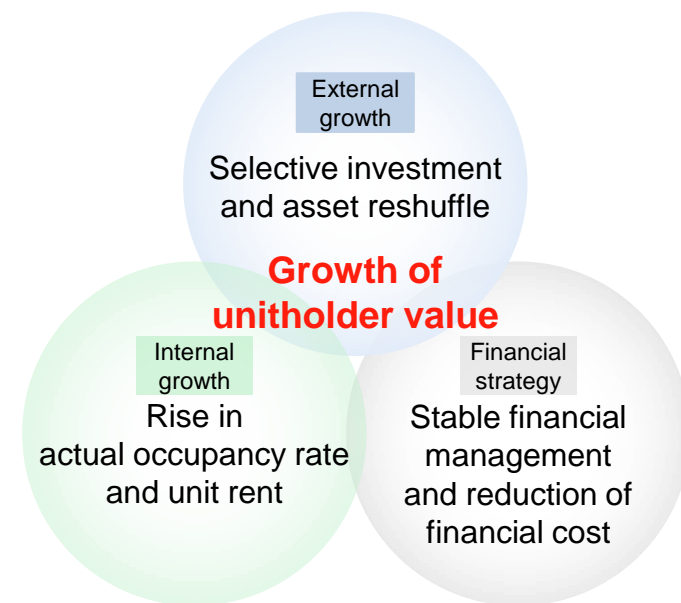
Financial strategy Maintain stable financial base and continue to reduce financial cost

- Issued the first investment corporation bonds of 3.0 billion yen in July post credit rating upgrade
- Continued to reduce financial cost and extend remaining period to maturity

Average interest rate on interest-bearing debt	Average remaining period to maturity on interest-bearing debt	LTV
End of the 25th fiscal period 1.10% (-0.06% period over period)	End of the 25th fiscal period 5.0 years (+0.3 years period over period)	Conservative financial management with a target LTV of 45% End of the 25th fiscal period 43.3% (+0.7% period over period)

Future initiatives

- Aim for further enhancement of our unitholder value



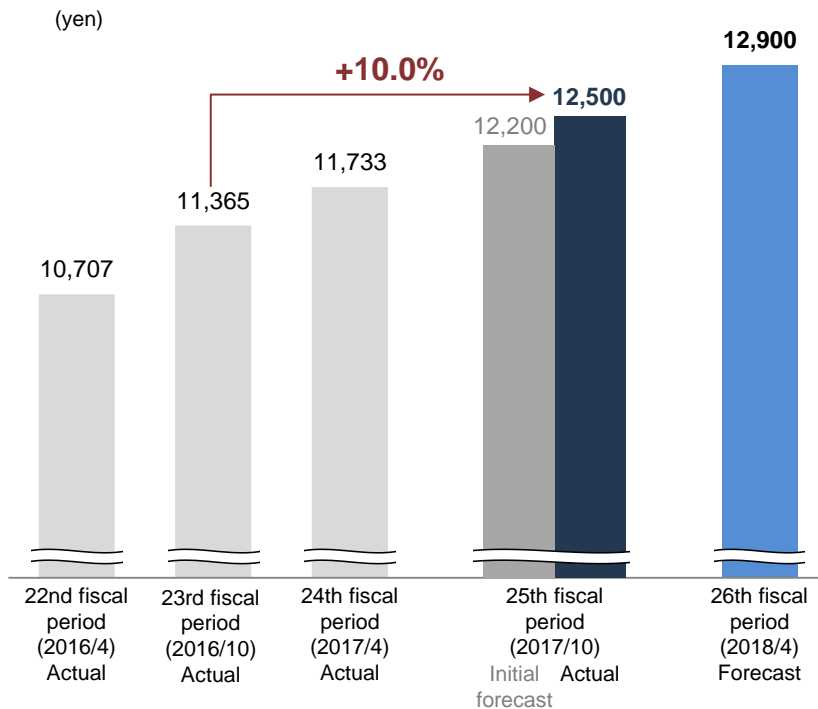
Dividend and reserve for reduction entry

Raised dividend by 10% year over year in the 25th fiscal period (2017/10). Estimated DPU for the 26th fiscal period (2018/4) to be 12,900 yen

Reserve for reduction entry is expected to increase by 109 million yen in comparison to the end of the 24th fiscal period (2017/4)

DPU history

- Expecting a 3.2% period over period DPU growth in the 26th fiscal period (2018/4)

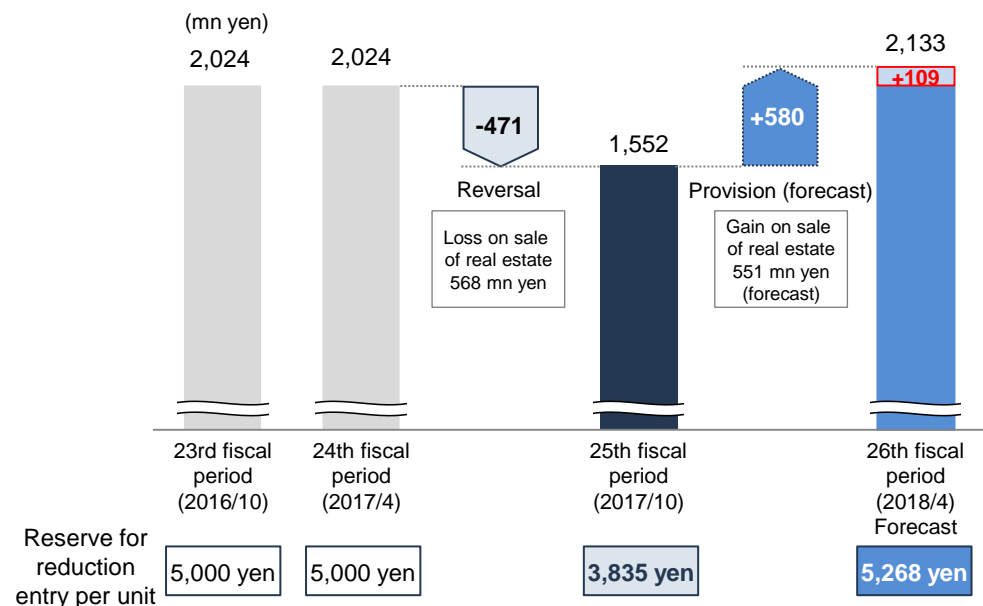


Reserve for reduction entry ^(Note): Utilization policy and historical balance

Utilize reserve for stable growth of dividend

【Specific examples to utilize reserve】

- One-time decrease in revenue due to major tenant vacating, etc.
- Loss on sale of real estate
- One-time losses resulted from natural disaster, etc.
- Decline in dividend resulted from investment for future growth such as large-scale renovation and rebuilding
- One-time dilution of dividend due to public offering during the fiscal period



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

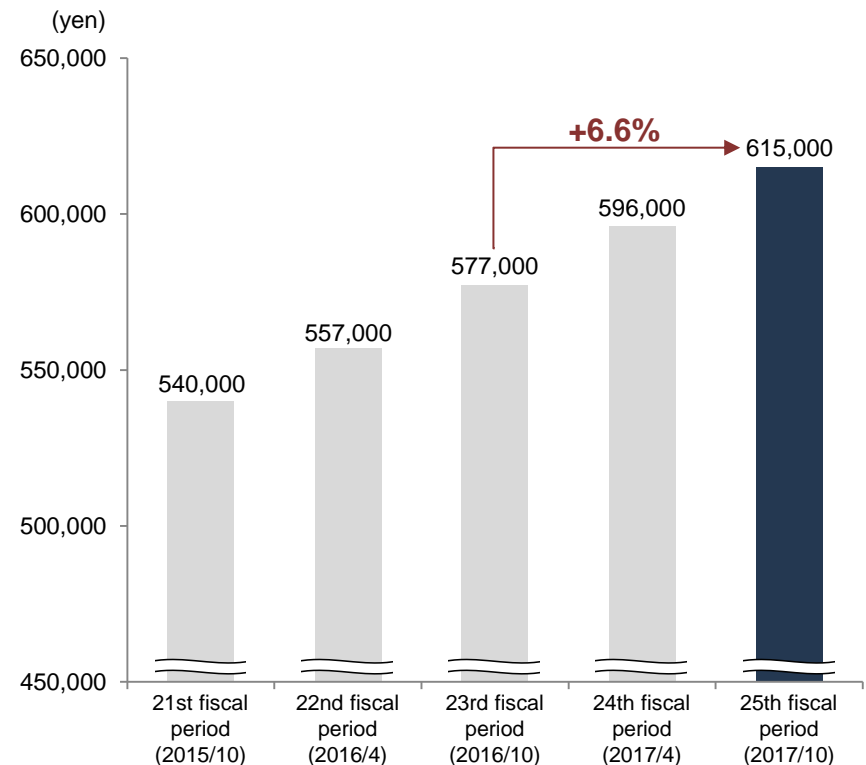
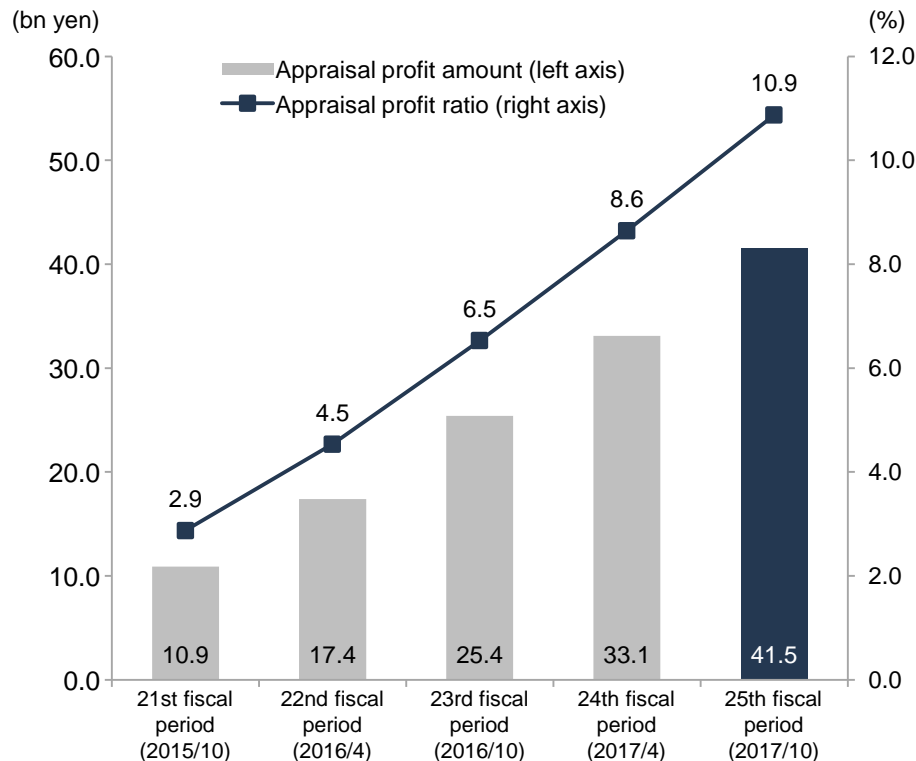
Portfolio appraisal profit and NAV per unit

Appraisal profit expanded to 41.5 billion yen due to increase in appraisal value and proactive asset reshuffle
 Raised NAV per unit by 6.6% year over year

Changes in portfolio appraisal profit amount and ratio (Note 1)

Changes in NAV per unit (Note 2)

- Both appraisal profit amount and ratio reached record high since listing at the end of the 25th fiscal period (2017/10)



Note 1: Appraisal profit amount is calculated by subtracting book values from appraisal values for all properties owned as of the end of the relevant fiscal period.
 In addition, appraisal profit ratio is calculated by dividing appraisal profit amount by book value as of the end of the relevant fiscal period (truncated to the first decimal place)

Note 2: NAV per unit is truncated to the nearest thousand yen after subtracting the amount of DPU

Section 2

25th fiscal period results (2017/10)
and 26th fiscal period earning forecasts (2018/4)

25th fiscal period (2017/10) financial results

Increased net income excluding gain/loss on sale by 412 million yen period over period mainly due to increase in rental NOI
Temporarily utilized reserve for reduction entry and increased DPU by 767 yen (+6.5%) period over period

25th fiscal period (2017/10) actual

	24th fiscal period (2017/4) Actual	25th fiscal period (2017/10) Forecast (announced on Jun. 12, 2017)	25th fiscal period (2017/10) Actual	25th (actual) vs 24th (actual) Difference	25th (actual) vs 25th (forecast) Difference
	A	B	C	C-A	C-B
Operating revenue	15,039	13,788	13,901	① -1,137	① +112
Operating expense	9,137	7,793	8,244	② -893	② +450
Operating income	5,901	5,995	5,657	③ -244	③ -338
Ordinary income	4,751	4,941	4,590	-161	-350
Net income	4,750	4,939	4,588	-161	-350
DPU (yen)	11,733	12,200	12,500	+767	+300
Provision (+) / reversal (-) of reserve for reduction entry	-	-	-471	④ -471	④ -471
Gain / loss on sale of real estate	5	-	-568	② -573	② -568
Rental NOI	9,088	9,227	9,413	③ +325	③ +185
Interest expense, etc.	1,039	1,022	1,022	⑤ -17	-0

Comparison against 24th fiscal period (2017/4) actual

(see page 35 for details)

① Disappearance of gain on sale of real estate	-1,662 mn yen
② Booking of loss on sale of real estate (KDX Shin-Yokohama 381 Bldg.)	+568 mn yen
Disappearance of loss on sale of real estate	-1,657 mn yen
③ Increase in rental NOI	+325 mn yen
Increase in revenues from existing properties	+217 mn yen
Contribution to rent revenue from acquired properties (Takeyama White Bldg., Shibuya 1717 Bldg.)	+66 mn yen
Change in utility revenue/expense	+27 mn yen
④ Reversal of reserve for reduction entry	-471 mn yen
⑤ Reduction in interest expense, etc.	-17 mn yen

Comparison against 25th fiscal period (2017/10) forecast

(see page 35 for details)

① Increase in rental business revenue	+112 mn yen
Increase in rent revenue	+73 mn yen
② Booking of loss on sale of real estate (KDX Shin-Yokohama 381 Bldg.)	+568 mn yen
③ Increase in rental NOI	+185 mn yen
Contribution to rent revenue from acquired properties (Takeyama White Bldg., Shibuya 1717 Bldg.)	+66 mn yen
Increase in revenues from existing properties	+7 mn yen
Change in utility revenue/expense	+58 mn yen
Restoration related revenue of Frame Jinnan-zaka, etc.	+31 mn yen
④ Reversal of reserve for reduction entry	-471 mn yen

26th fiscal period (2018/4) earnings forecasts

Expect to increase DPU by 400 yen (+3.2%) from the 25th fiscal period (2017/10) actual

Plan to provide 580 million yen to reserve for reduction entry, 29 million yen higher than gain on sale of properties of 551 million yen

26th fiscal period (2018/4) forecast

(mn yen)

	25th fiscal period (2017/10) Actual	26th fiscal period (2018/4) Forecast	26th (forecast) vs 25th (actual) Difference
	A	B	B-A
Operating revenue	13,901	14,792	① +890
Operating expense	8,244	7,933	② -310
Operating income	5,657	6,858	③ +1,201
Ordinary income	4,590	5,804	+1,214
Net income	4,588	5,803	+1,214
DPU (yen)	12,500	12,900	+400
Provision (+) / reversal (-) of reserve for reduction entry	-471	+580	
Gain / loss on sale of real estate	-568	551	+1,119
Rental NOI	9,413	9,577	③ +163
Interest expense, etc.	1,022	995	④ -27

Comparison against 25th fiscal period (2017/10) actual

(see page 36 for details)

① Booking of gain on sale of real estate (Residence Charmante Tsukishima, KDX Ikejiri-Oohashi Bldg., KDX Shin-Yokohama 214 Bldg.)	+551 mn yen
② Disappearance of loss on sale of real estate	-568 mn yen
③ Increase in rental NOI	+163 mn yen
Increase in revenues from existing properties	+339 mn yen
Total contribution to rent revenue from asset reshuffle in 25th and 26th fiscal periods	+174 mn yen
Change in utility revenue/expense	-122 mn yen
Increase in repair/maintenance expense	-189 mn yen
Increase in taxes	-7 mn yen
④ Reduction in interest expense, etc.	-27 mn yen

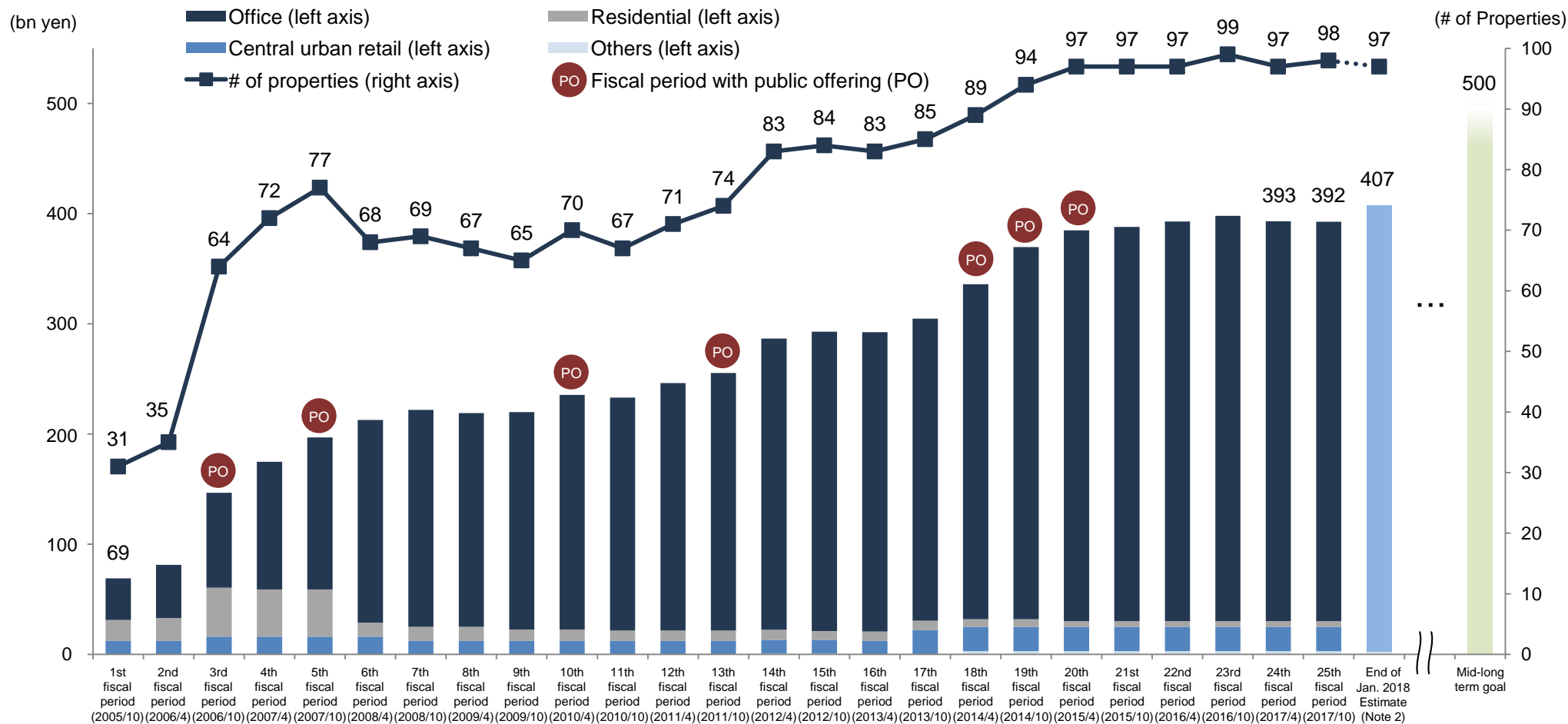
Section 3

Portfolio overview

Portfolio growth and changes in number of properties

Expected to expand the portfolio to over 400 billion yen as of the end of January 2018 through selective investment and asset reshuffle
 Aim to expand the portfolio to 500 billion yen by keeping an eye on real estate market trends and opportunities

Portfolio growth (based on total acquisition price) and the number of properties (Note 1)



Note 1: The amount and the number of properties are shown as of the end of each fiscal period. Figures are truncated to the nearest billion yen

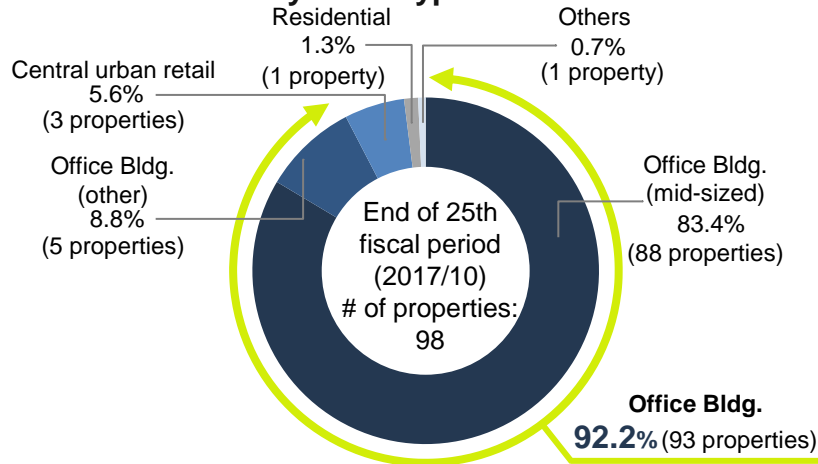
Figures in this material are truncated to the nearest unit unless otherwise stated

Note 2: Calculated after taking into account the changes from properties (to be) acquired/sold in the 26th fiscal period (2018/4)

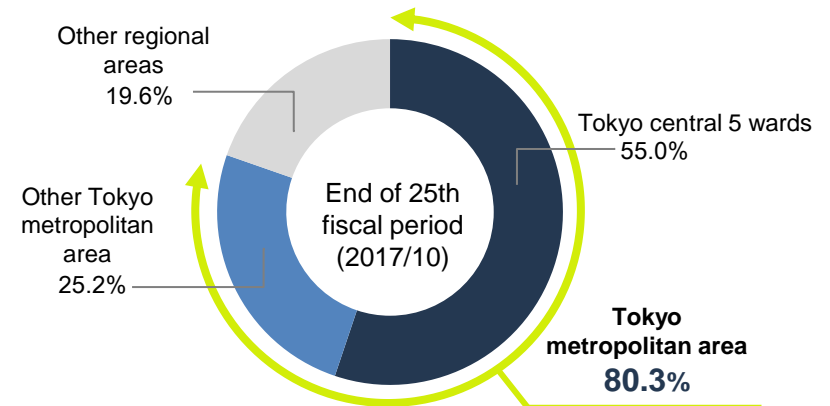
Portfolio diversification

Portfolio mainly consisted of mid-sized office buildings with advanced tenant diversification
Plan to maintain approx. 80% investment ratio in Tokyo metropolitan area

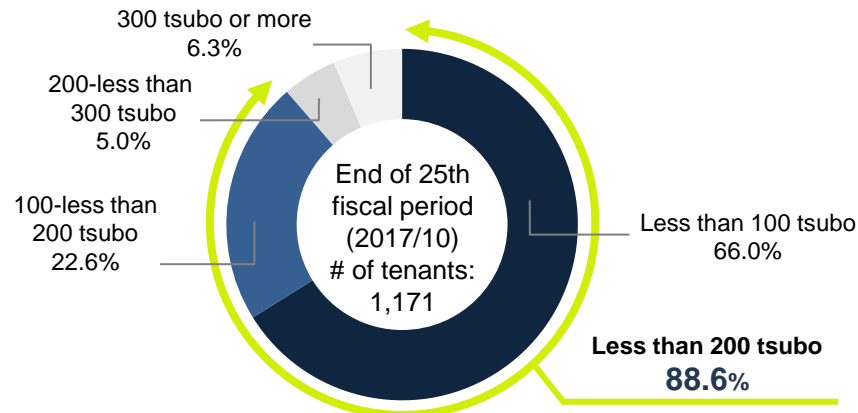
Breakdown by asset type (Note 1)



Breakdown by region (Note 2)



Breakdown of the number of tenants by leased floor area (Note 3)



Note 1: Portfolio breakdown by asset type based on acquisition price (truncated to the first decimal place). The Investment Corporation has made changes in the management guidelines of the Kenedix Real Estate Fund Management, Inc. on December 1, 2017, and has decided to exclude residential properties from target investment properties. Please see page 56 for changed classification by use in target investment properties

Note 2: Portfolio breakdown by region based on acquisition price (truncated to the first decimal place)

Note 3: Based on the number of tenants in each office building. Tenants leasing more than one property are counted as 1 tenant for each building without aggregating by name-base

Section 4

External growth

The terms used in Section 4 are as follows. Figures are rounded to the first decimal place

Estimated NOI yield: Calculated by dividing "NOI after excluding extraordinary factors for the year of the acquisition estimated by the Asset Management Company" by the (planned) acquisition price

Estimated NOI yield after depreciation: Calculated by dividing estimated NOI after depreciation (estimated NOI – estimated depreciation expenses) by the (planned) acquisition price

Appraisal NOI yield: Calculated by dividing "NOI calculated based on the direct capitalization method described in the relevant appraisal report as of the date of acquisition" by the (planned) acquisition price

NOI yield (actual): Calculated by dividing the sum of the actual NOI for the 24th (2017/4) and 25th (2017/10) fiscal periods by the acquisition price

NOI yield after depreciation (actual): Calculated by dividing the sum of the rental operating income (NOI after depreciation (actual)) for the 24th (2017/4) and 25th (2017/10) fiscal periods by the acquisition price

Disposition price NOI yield: Calculated by dividing the sum of actual NOI of the 24th fiscal period and 25th fiscal period by the (planned) disposition price

Amount of enhancement of appraisal profit/loss is calculated by the sum of total appraisal profit of acquired properties and the total appraisal loss of sold properties

The disposition date of KDX Ikejiri-Oohashi Bldg. and KDX Shin-Yokohama 214 Bldg. is expected to be December 28, 2017, but the disposition date by the contract is either December 28, 2017 or a date separately agreed upon with December 28, 2017 as the deadline

A series of initiatives in and after the 25th fiscal period (2017/10)

Continued to improve portfolio quality and profitability by selective investment and asset reshuffle
Increased dividend and enhanced appraisal profit/loss

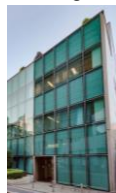
Acquisition

Asset reshuffle in Shibuya and Yokohama areas

- Portfolio enhancement through flexible and timely disposition and selective investment in highly competitive properties

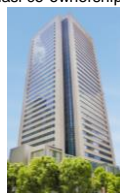
25th fiscal period

Shibuya 1717 Bldg.



26th fiscal period

Mitsubishijuku
Yokohama Bldg.
(23% quasi co-ownership interests)



JN Bldg.



Selective investment in other regional areas

- Conveniently located three minutes on foot from the north exit of Sapporo Station
- The second mid-sized office building in the solid leasing market in Sapporo

25th fiscal period

Takeyama
White Building



Estimated NOI yield	5.0%
Estimated NOI yield after depreciation	4.2%
Appraisal NOI yield	5.7%

Total (to be) acquired

Acquisition price
29.5 bn yen

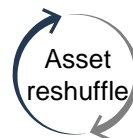
Estimated NOI yield after depreciation
3.3%

Total appraisal profit
+0.8 bn yen (note 1)

Effects of a series of initiatives

Growth of DPU
Mid-long term estimate
+580 yen/period (note 2)

Enhancement of appraisal profit/loss
+1.9 bn yen (note 1)



Sale of non-core asset

- Sold the only residential property owned and achieved capital gains

26th fiscal period

Residence
Charmante
Tsukishima
(compartmentalized ownership:
approx. 57%)



NOI yield (actual)	4.0%
NOI yield after depreciation (actual)	2.2%
Disposition price NOI yield	4.3%

Total (to be) sold

Acquisition price
15.7 bn yen

NOI yield after depreciation (Actual)
2.6%

Total appraisal loss
1.1 bn yen (note 1)

Disposition

26th fiscal period

KDX
Ikejiri-Oohashi
Bldg.



25th fiscal period

KDX
Shin-Yokohama
381 Bldg.



26th fiscal period

KDX
Shin-Yokohama
214 Bldg.



Note 1: Appraisal profit/loss is the difference between the appraisal value as of the date of acquisition and the acquisition price for properties (to be) acquired, and the difference between the appraisal value as of the date of disposition and the estimated book value (the book value for KDX Shin-Yokohama 381 building) for properties (to be) sold. Amount of enhancement of appraisal profit/loss is calculated by the sum of total appraisal profit of properties (to be) acquired and the total appraisal loss of properties (to be) sold

Note 2: The amount of DPU growth is calculated by subtracting the actual NOI yield after depreciation of sold properties and the financial cost for debt borrowed to acquire properties (10.5 bn yen) from the estimated NOI yield after depreciation of acquired properties, then dividing that by the total number of investment units issued as of the end of the 25th fiscal period (2017/10) (truncated to the nearest ten yen)

Strategic asset reshuffle in the Shibuya area

Replaced with a better-located property in the area and enhanced both profitability and appraisal profit/loss



Property to be sold

KDX Ikejiri-Oohashi Bldg. (To be sold on December 28, 2017)



Planned disposition price	2,400 mn yen
Assumed book value (at the time of sale)	2,353 mn yen
Appraisal value (as of October 31, 2017)	1,740 mn yen
NOI yield (actual)	3.7%
NOI yield after depreciation (actual)	2.8%
Disposition price	3.7%
NOI yield	
Completion date	September 1988
Occupancy rate (as of October 31, 2017)	100%

- An aged building located far from Shibuya Station
- Low profitability and high appraisal loss ratio of 26%
- Sell at a price approx. 38% higher than appraisal value

Increase in NOI yield after depreciation

Properties to be sold (actual) 2.8% → Acquired properties (estimated) 3.2%

Enhancement of appraisal profit/loss

Appraisal profit/loss +0.8 bn yen

Rejuvenation of building age (note)

Properties to be sold 29.3 yrs → Properties acquired 14.0 yrs

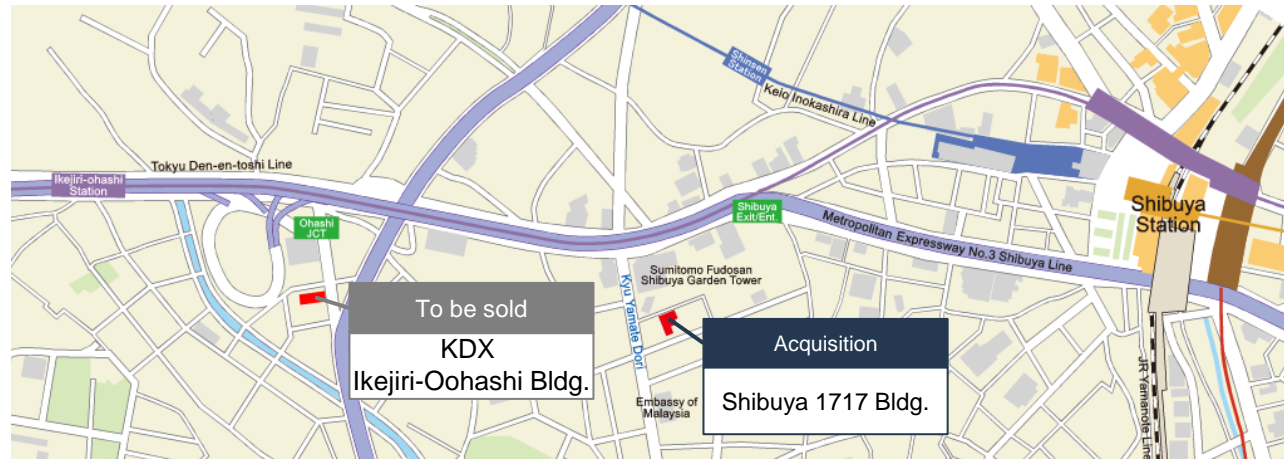
Acquired property

Shibuya 1717 Bldg. (Acquired on August 10, 2017)



Acquisition price	3,500 mn yen
Appraisal value (as of July 1, 2017)	3,710 mn yen
Estimated NOI yield	3.6%
Estimated NOI yield after depreciation	3.2%
Appraisal NOI yield	4.1%
Completion date	December 2003
Occupancy rate (as of October 31, 2017)	100%

- Located within walking distance from Shibuya Station and is in strong demand from apparel and IT-related companies
- Acquired at a price approx. 5.6% lower than appraisal value



Note: Building age is calculated based on the planned disposition date of KDX Ikejiri-Oohashi Bldg., which is December 28, 2017 (rounded to the first decimal place)

Strategic asset reshuffle in the Yokohama area (1)

Flexibly and timely sold two properties located in the Shin-Yokohama with the view to real estate trading market conditions
 Acquired properties in “Minato Mirai 21” and “Kannai” and restructured the portfolio in the Yokohama area

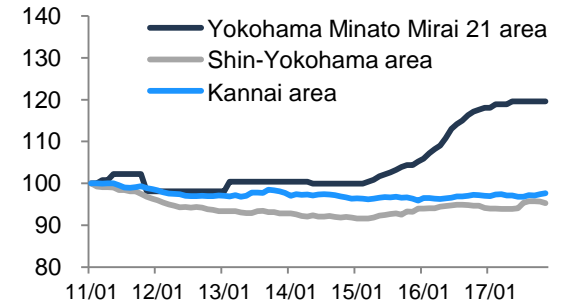
Highlights of asset reshuffle

- Asset reshuffle from “Shin-Yokohama” to “Minato Mirai 21” increasing recognition as site for office buildings and “Kannai” where public offices concentrate
- The Yokohama seaside area is expected to achieve sustained development with the harbor resort plan focusing on the redevelopment of the Yamashita Pier
- Of the properties owned in the Shin-Yokohama area, continue to own KDX Shin-Yokohama Building which is highly accessible to station and relatively easy to attract tenants

Portfolio of the Yokohama area

Shin-Yokohama area	KDX Shin-Yokohama Bldg.
Area surrounding Yokohama Station	Toshin 24 Bldg. KDX Yokohama Nishiguchi Bldg. KDX Yokohama Bldg.
Yokohama Minato Mirai 21 area	Mitsubishijuko Yokohama Bldg.
Kannai area	JN Bldg. (to be acquired)

Changes in rent indices (Note)



Note: Compiled by the Asset Management Company using data for existing buildings in “Office Building Markets” (from January 2011 to November 2017) prepared by Miki Shoji Co., Ltd.
 The average asking unit rent as of January 2011 adjusted to 100

Strategic asset reshuffle in the Yokohama area (2)

Selectively invested in Mitsubishijuko Yokohama Building, which is expected to generate stable earnings over the long term and JN Building, a highly competitive property in the Kannai area
 Sold two properties in the Shin-Yokohama area at a price approximately 9.4% higher than appraisal value

Overview of asset reshuffle

Properties (to be) sold

KDX Shin-Yokohama 381 Bldg.
 (Sold on October 31, 2017)

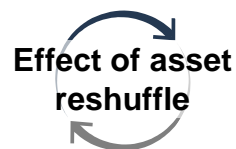


Disposition price	4,900 mn yen
Book value (at the time of sale)	5,419 mn yen
Appraisal value (as of April 30, 2017)	4,310 mn yen
NOI yield (actual)	3.9%
NOI yield after depreciation (actual)	2.2%
Disposition price NOI yield	4.6%
Completion date	Existing Tower: March 1988 Annex Tower: April 2009
Occupancy rate (as of October 31, 2017)	100%

KDX Shin-Yokohama 214 Bldg.
 (To be sold on December 28, 2017)



Planned disposition price	2,430 mn yen
Assumed book value (at the time of sale)	2,221 mn yen
Appraisal value (as of October 31, 2017)	2,390 mn yen
NOI yield (actual)	5.4%
NOI yield after depreciation (actual)	4.2%
Disposition price NOI yield	4.9%
Completion date	November 1989
Occupancy rate (as of October 31, 2017)	100%



Rise in NOI yield after depreciation

Properties sold (actual)	2.7%	➔	Properties acquired (estimate)	3.3%
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Enhancement of appraisal profit/loss

+1.4 bn yen

Rejuvenation of building age (Note)

Properties sold	29.4 yrs	➔	Properties acquired	18.6 yrs
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Properties (to be) acquired

Mitsubishijuko Yokohama Bldg.
 (23% quasi co-ownership interest)
 (Acquired on December 7, 2017)



Acquisition price	14,720 mn yen
Appraisal value (as of October 31, 2017)	14,900 mn yen
Estimated NOI yield	4.0%
Estimated NOI yield after depreciation	3.5%
Appraisal NOI yield	4.4%
Completion date	February 1994
Occupancy rate (as of December 1, 2017)	100%

JN Bldg.

(To be acquired on January 31, 2018)



Planned Acquisition price	9,500 mn yen
Appraisal value (as of December 1, 2017)	9,860 mn yen
Estimated NOI yield	4.1%
Estimated NOI yield after depreciation	3.0%
Appraisal NOI yield	4.6%
Completion date	September 2007
Occupancy rate (as of December 1, 2017)	100%

Note : Building age is calculated from the scheduled date of acquisition of JN Bldg., which is January 31, 2018 (rounded to the first decimal place)

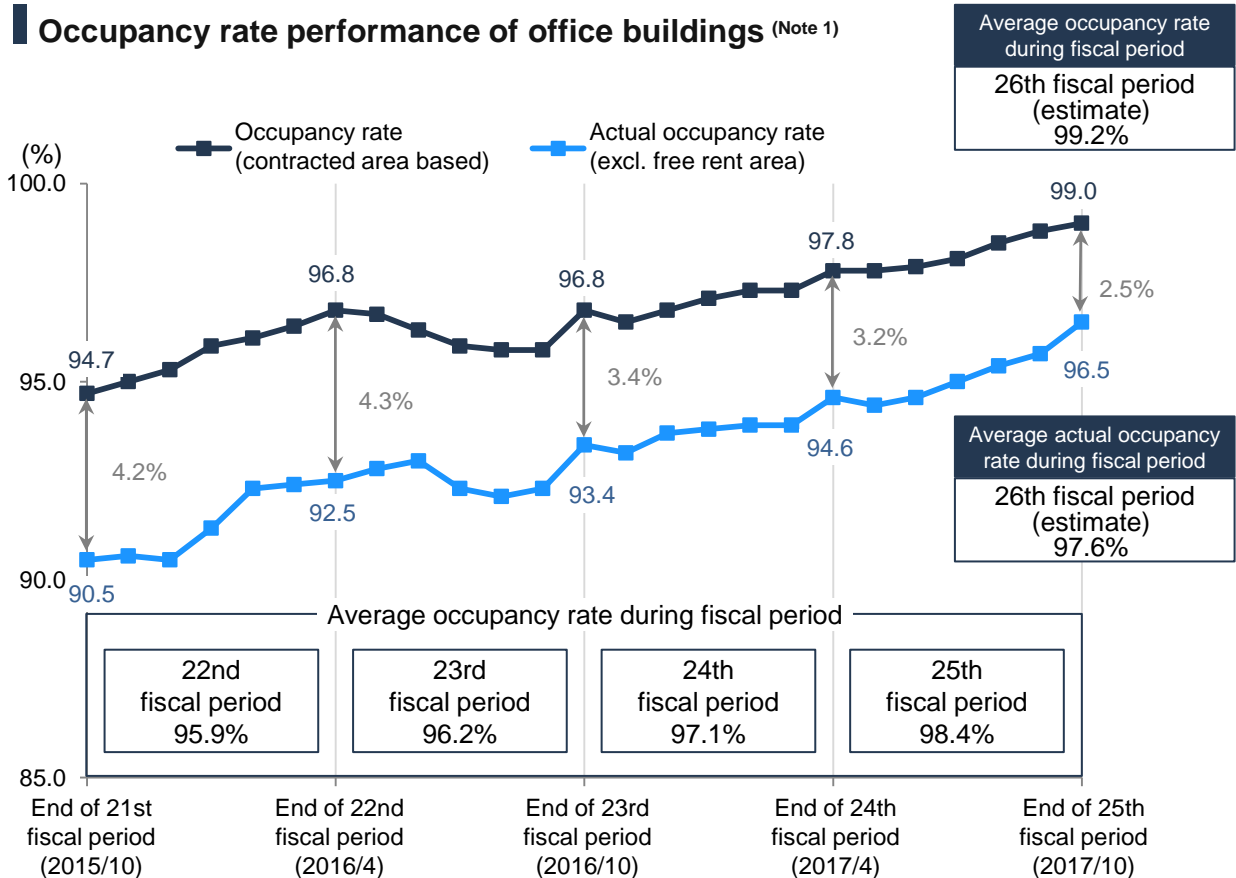
Section 5

Internal growth

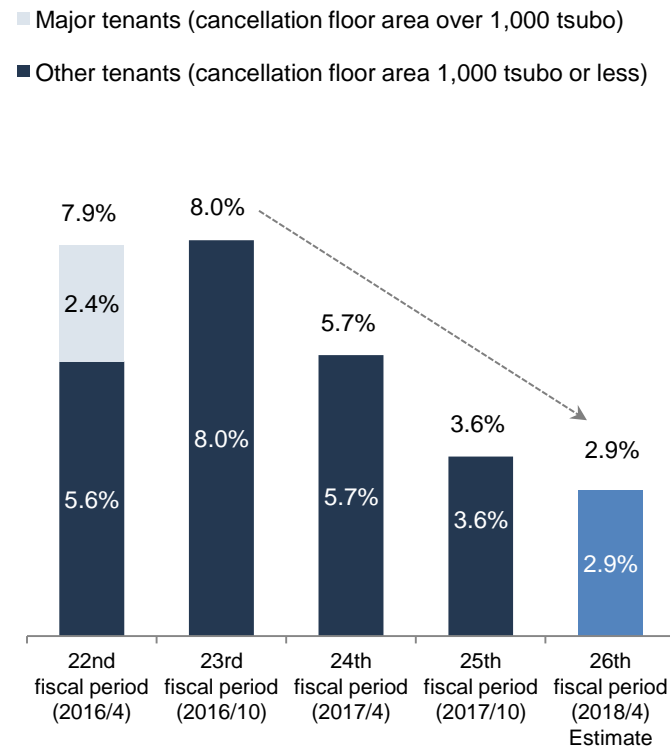
Changes in occupancy and turnover ratio for office buildings

Period-end occupancy rate has improved by 1.2% from the previous fiscal period backed by steady progress in filling vacancies
 Actual occupancy rate is expected to improve further with expiration of free rent periods and decreasing turnover ratio

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 contract based leased area by leasable area and actual occupancy rate (excl. free rent area) is calculated by dividing leased area subtracting free rent area by leasable area. The figures are rounded to the first decimal place. Average occupancy rate of office buildings during each fiscal period is a simple average of month-end occupancy rates of owned buildings during each period. The estimated average occupancy rate during the 26th fiscal period (2018/4) is the figure that is used as part of the assumptions for the earnings forecasts

Note 2: Annualized turnover ratio is calculated and annualized as follows: (Total leased 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 fiscal period) x 2. Figures are rounded to the first decimal place

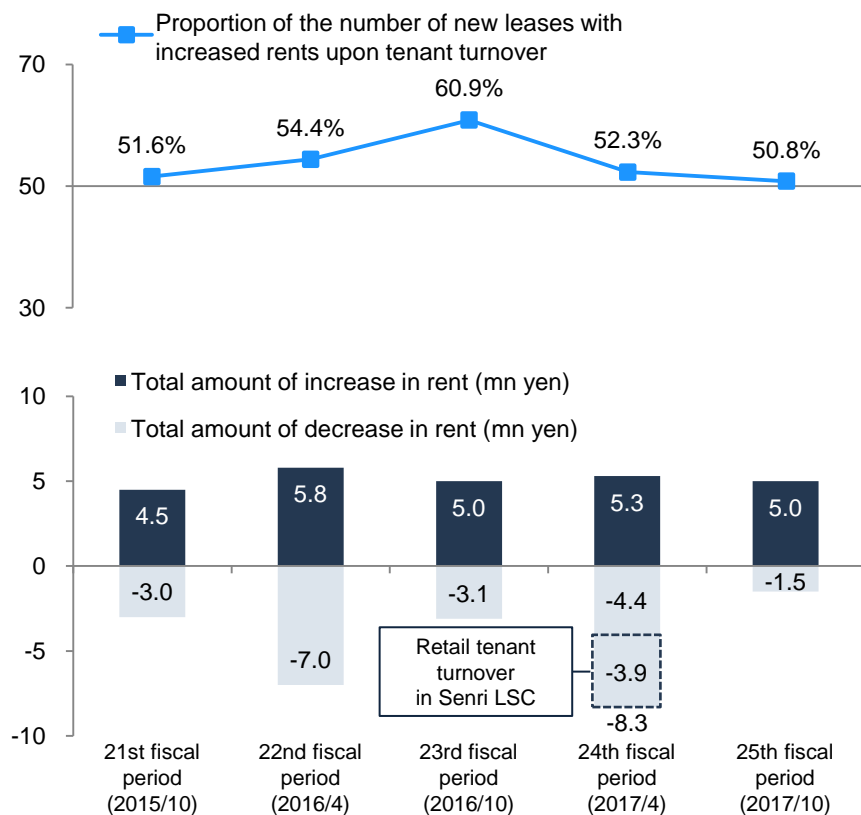
Note 3: The estimate for the 26th fiscal period (2018/4) is based on the cancellation notice, etc. received by November 30, 2017

Rent trend upon tenant turnover and reasons for move-ins/outs for office buildings

More than half of the new tenants have agreed to rents higher than previous rents upon tenant turnover, continued for five consecutive fiscal periods

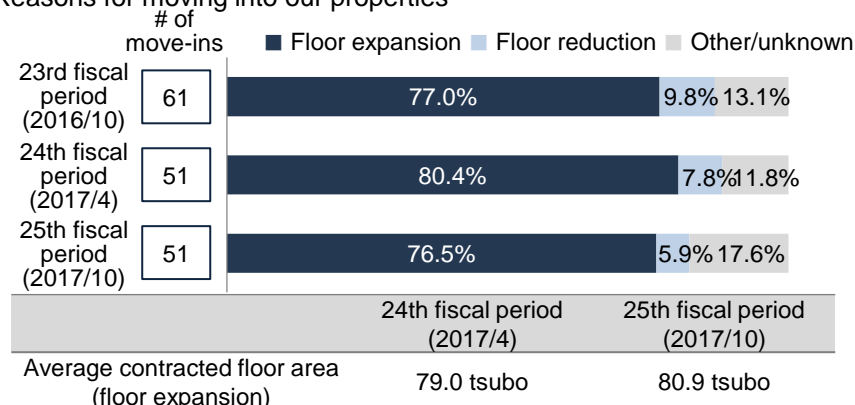
Relocation demand for floor expansion has remained strong among mid- and small-sized companies

Increase/decrease in monthly rent upon tenant turnover (Note 1)

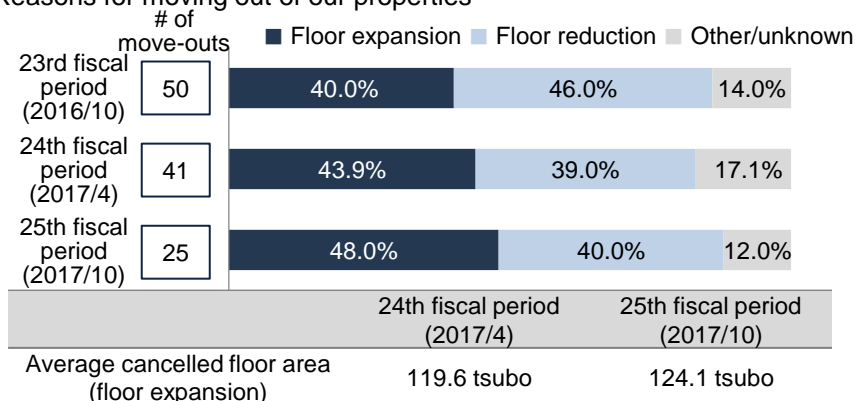


Change in reasons for move-ins/outs (Note 2)

Reasons for moving into our properties



Reasons for moving out of our properties



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

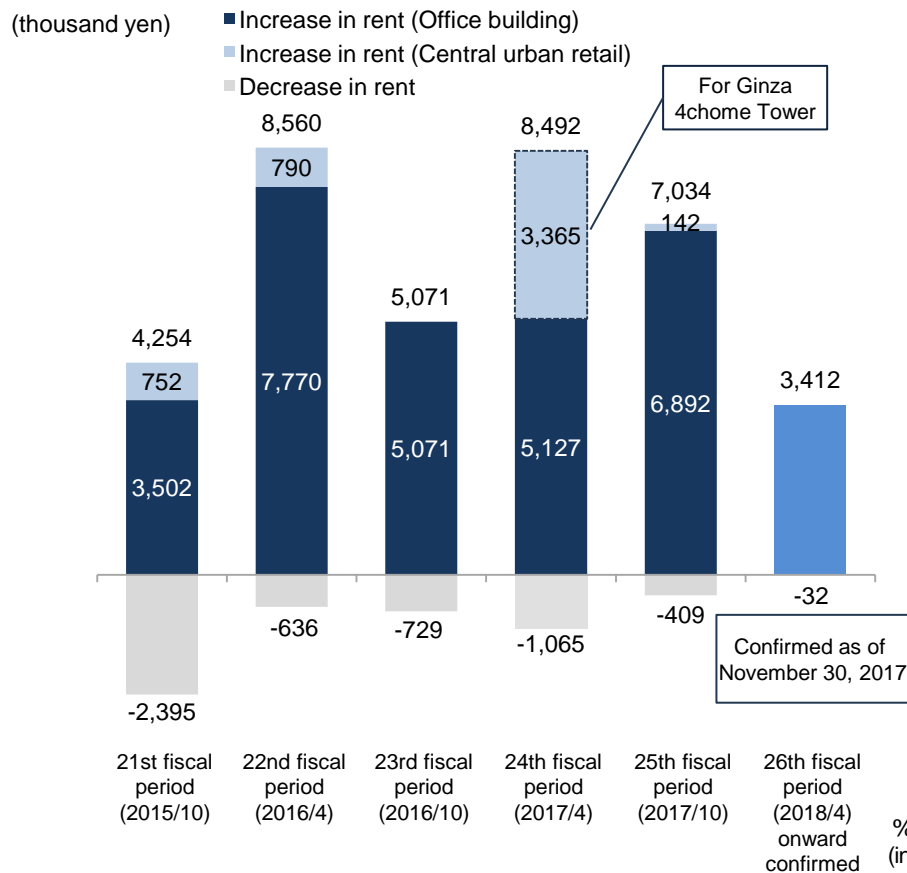
Note 2: The above data is based on the hearing survey, etc. compiled by the Asset Management Company with regard to reasons for office relocation of relevant tenants. We classify responses of survey into 3 categories: "Floor expansion", "Floor reduction" and "Other/unknown", and calculate the proportion of each category. For move-ins, the figures are based on the number of tenants on office floors on the second floor or above. For move-outs, the figures are based on the number of tenants on all floors except for residential floors

Status of rent revisions with existing tenants

Upward rent trend has continued, with more than 50 upward rent revisions
 This trend has also been observed in areas other than Tokyo central 5 wards

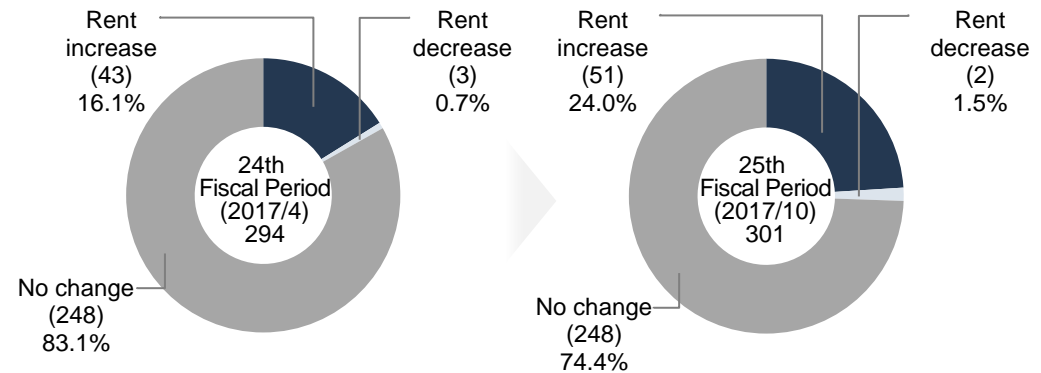
Changes in rent upon rent revisions (based on monthly rent) (Note 1)

- Steady rent increase as a result of proactive upward rent negotiations



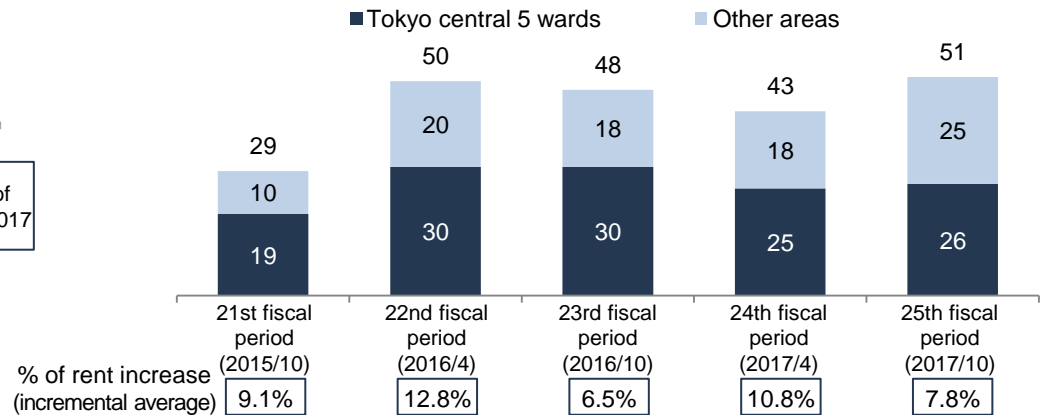
Status of rent revisions (based on leased area)

- Number of contracts subject to rent revisions and portion of upward rent revision both increased



Changes in number of rent increase and % of rent increase (Note 2)

- Number of rent increase was prominent in areas other than Tokyo central 5 wards



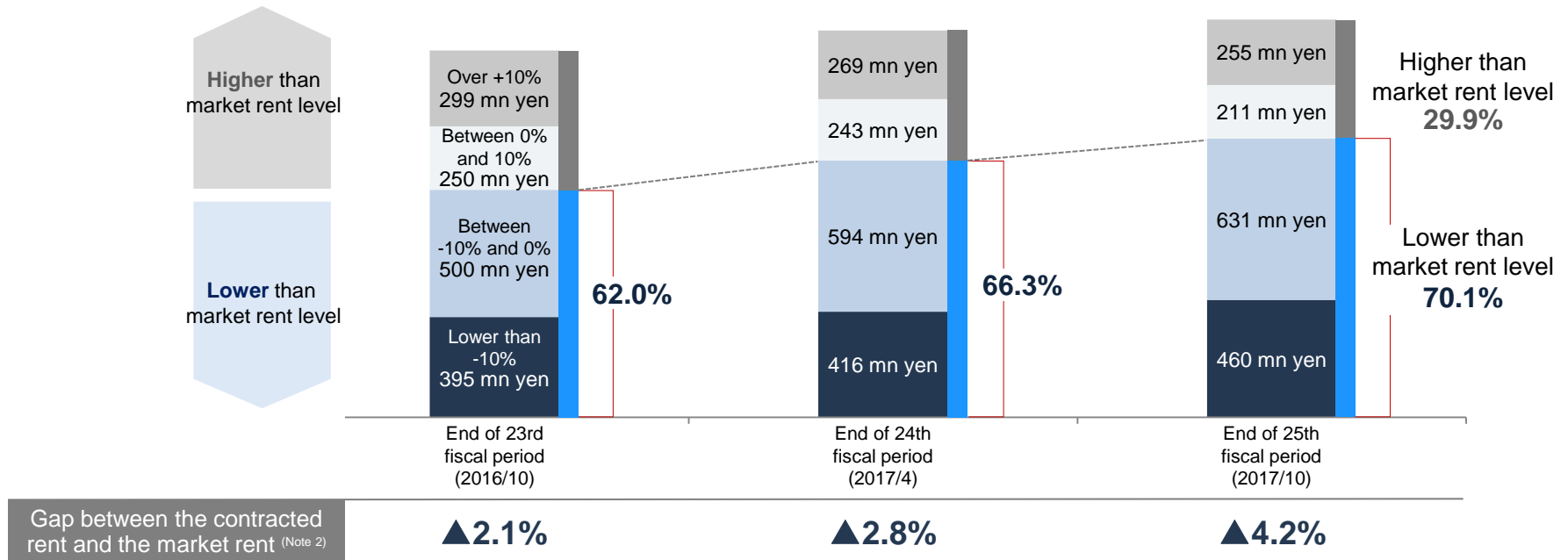
Note 1: Total amount of increases/decreases in monthly rent before and after rent revisions for each fiscal period is aggregated, respectively. Figures are rounded to the nearest thousand yen

Note 2: Calculated by aggregating the actual rent increase of the office buildings and central urban retail properties in our portfolio. Rent increase rate is calculated by dividing the sum of increase in monthly rent by the sum of monthly rent before revision. Figures are rounded to the first decimal place

Rent gap of KDO office buildings

The contract rents aiming for upward rent revision account for 70.1%, increased by 3.8% period over period
 The market rents outside Tokyo central 5 wards are rising, and potential of upward rent revisions with tenants is further increased

Breakdown of rent gaps (based on monthly rent) (Note 1)



	23rd fiscal period	24th fiscal period	24th fiscal period	25th fiscal period
Number of properties with increased market rent	Overall	21 of 89 properties (Rent increase rate:+4.4%)	28 of 91 properties (Rent increase rate:+5.1%)	
	Tokyo central 5 wards	8 of 43 properties (Rent increase rate:+3.6%)	8 of 45 properties (Rent increase rate:+3.1%)	
	Other areas	13 of 46 properties (Rent increase rate:+4.9%)	20 of 46 properties (Rent increase rate:+5.9%)	

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

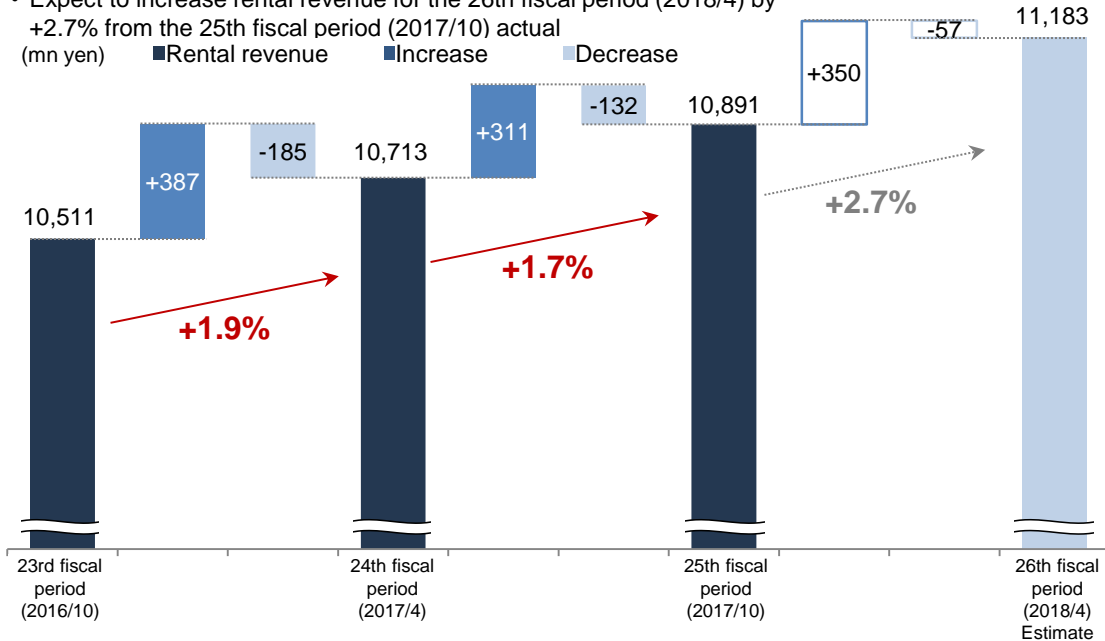
Note 2: Calculated as the weighted average, based on leasable floor area, of the gap between the average contracted rent of the standard floor for the office buildings held by KDO as of the end of each fiscal period and the market rent for each property estimated by CBRE at the time of appraisal

Rental revenues of existing 88 properties

Revenue growth has continued due to improvement in actual occupancy rate and unit rent

Changes in rental revenues from existing properties (Note 1)

- Expect to increase rental revenue for the 26th fiscal period (2018/4) by +2.7% from the 25th fiscal period (2017/10) actual

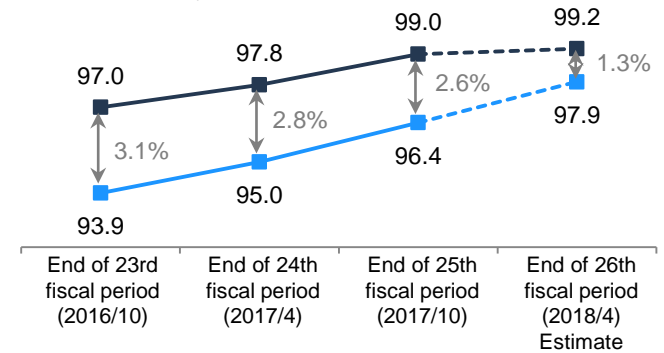


(mn yen)	23rd fiscal period → 24th fiscal period	24th fiscal period → 25th fiscal period	25th fiscal period → 26th fiscal period
Main properties with increased revenue	KDX Iidabashi Square (+99) KDX Nagoya Ekimae Bldg. (+40) KDX Toranomon 1chome Bldg. (+32)	KDX Iidabashi Square (+42) KDX Nishi-Gotanda Bldg. (+31) KDX Ikebukuro Bldg. (+24)	Ginza 4chome Tower (+39) KDX Nihonbashi 313 Bldg. (+38) KDX Ginza East Bldg. (+35)
Main properties with decreased revenue	Ginza 4chome Tower (-39) KDX Fuchu Bldg. (-20) Senri LSC Bldg. (-18)	KDX Jimbocho Bldg. (-28) KDX Ginza East Bldg. (-22) KDX Nihonbashi 313 Bldg. (-15)	Frame Jinnan-zaka (-25) Pentel Building (-5) KDX Kiba Bldg. (-4)

Changes in occupancy rate of existing properties (Note 1) (Note 2)

- Steady increase in actual occupancy rate due to gradual expiration of the existing free rent period and decrease in turnover ratio

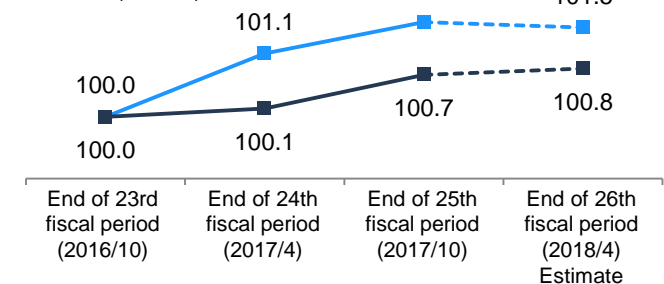
- Occupancy rate (contracted area based)
- Actual occupancy rate (excl. free rent area)



Changes in unit rent index of existing properties (Note 1) (Note 3)

- Unit rent growth is also expected to continue

- Unit rent (Tokyo central 5 wards)
- Unit rent (overall)



Note 1: Calculation is based on 88 properties, including the properties we owned as of the beginning of the 23rd fiscal period (2016/10) and excluding the properties sold (KDX Shin-Yokohama 381 Bldg., Residence Charmante Tsukushima, KDX Ikejiri-Ohashi Bldg., KDX Shin-Yokohama 214 Bldg.). Rental revenues include common area charge

Note 2: Occupancy rate (contracted area based) is calculated by dividing contract based leased area by leasable area and actual occupancy rate (excl. free rent area) is calculated by dividing leased area after subtracting free rent area by leasable area. The figures are rounded to the first decimal place

Note 3: Unit rent index is an index with the unit rent as of the end of 23rd fiscal period (2016/10) given a value of 100

Overview of the 7th CS survey results (Aug. 2017)

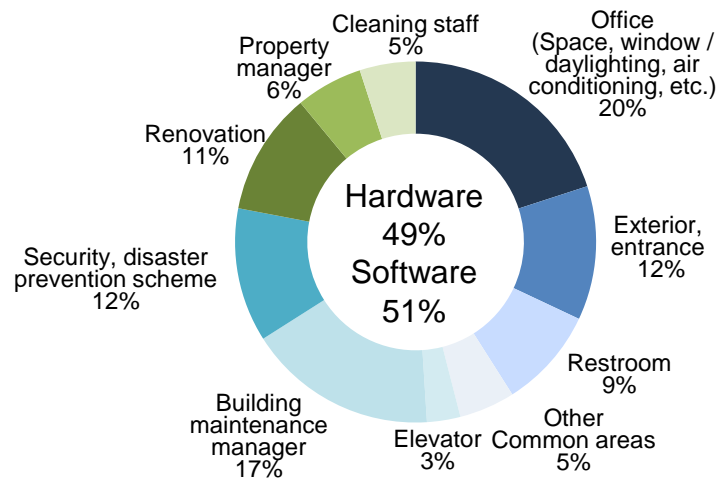
High intention for continuous occupancy even at aged buildings
 Competitiveness dependent on timely equipment upgrade and renovation

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 biennial basis

Timing	6th survey August 2015 (21st fiscal period)	7th survey August 2017 (25th fiscal period)
# of properties	85 properties	89 properties
# of distributions	Person in charge: 884 Employee: 4,736	Person in charge: 973 Employee: 5,052
Collection rate	Person in charge: 82% Employee: 78%	Person in charge: 81% Employee: 81%

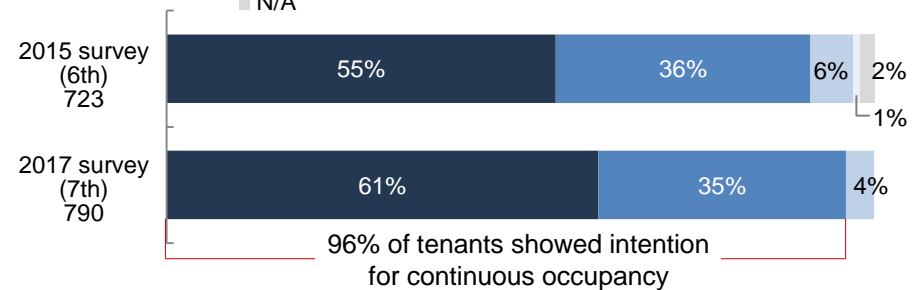
7th CS survey results: reasons of satisfaction (Interviewing people in charge of general affairs) (Note)



Note: Result on survey that interviewed people in charge of general affairs

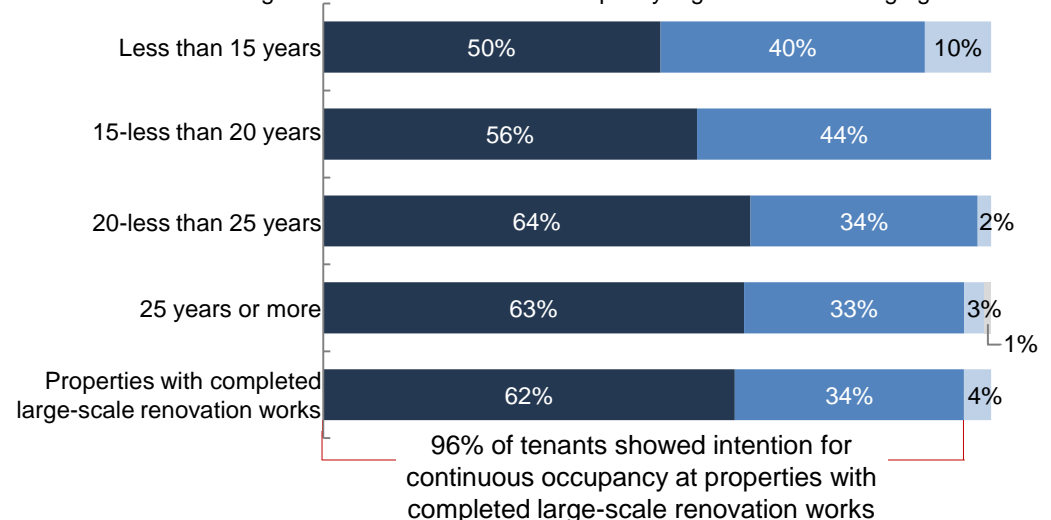
Intention for continuous occupancy (Note)

- The ratio of tenants with intention for continuous occupancy increased by 5% from the previous survey



Intention for continuous occupancy by building age (Note)

- Confirmed high intention for continuous occupancy regardless of building age

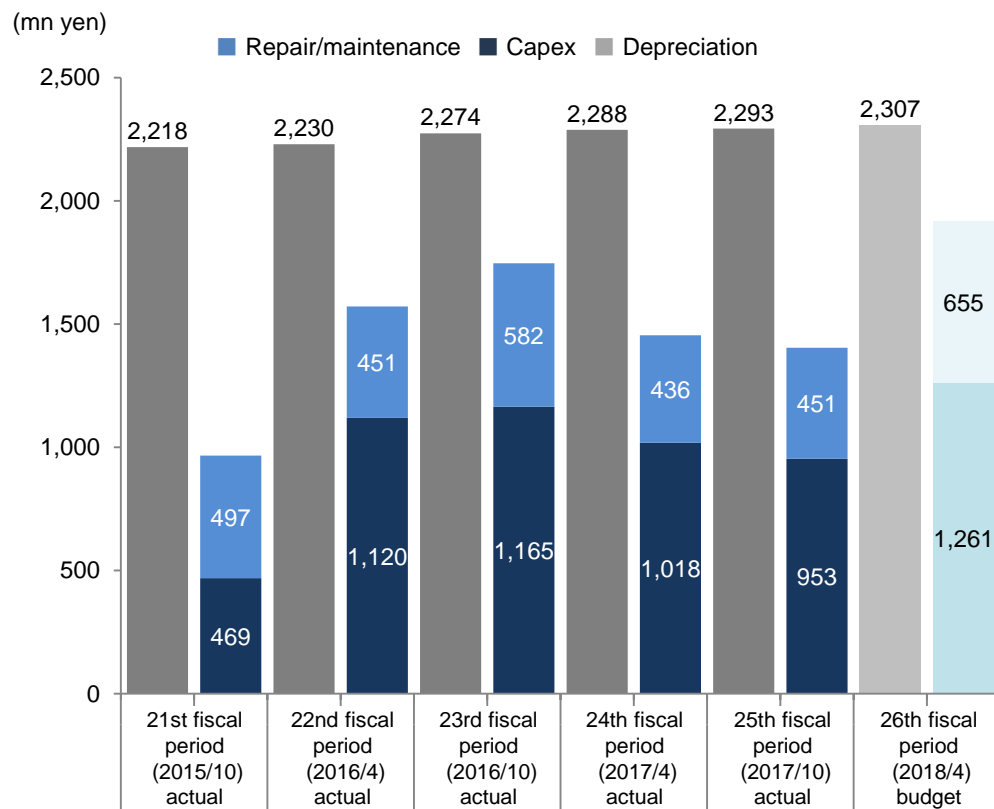


Construction expense (actual/budget)

Reinforce property competitiveness by flexibly implementing appropriate measures to improve property value
Increase construction budget for the 26th fiscal period (2018/4), and proactively conduct value-upgrading works

Changes in depreciation and construction expense (actual/budget)

- Increase both repair expenses and capital expenditure budgets as KDO plans to proactively conduct value-upgrading works in the 26th fiscal period (2018/4)



Repair/renovation work budget for the 26th fiscal period (2018/4) (Note)

Items	Estimated amount (mn yen)	Percentage of total expense (%)	
Value-upgrading works (including common areas)	581	30.3	
Improvement/ replacement works	Air-conditioning facilities	276	14.4
	Other major facilities	453	23.7
Installation of LED lightings, etc.	110	5.8	
Outer wall repair	84	4.4	
Maintenance / repair works	410	21.4	

26th fiscal period (2018/4) total	Percentage to depreciation expense (%)
1,917	83.1

Note: Figures are approximate estimates as of the date in which repair plan was prepared

Properties to undergo major repair/renovation for the 26th fiscal period (2018/4)

- Value-upgrading works (renovation of common areas, restrooms, etc.):
KDX Omiya Building, KDX Funabashi Building, KDX Shinjuku 286 Building, KDX Shinjuku Building, KDX Hachioji Building, Shin-toshin Maruzen Building, KDX Nishi-Shinbashi Building, KDX Ginza East Building, Toshin 24 Building, Pentel Building, KDX Sakura-dori Building, KDX Takadanobaba Building
- Improvement/replacement works of air-conditioning facilities:
KDX Takanawadai Building, Pentel Building, KDX Kitahama Building, Senri LSC Building, KDX Hakata-Minami Building
- Outer wall repair:
KDX Shiba-Daimon Building, Itopia Nihonbashi SA Building

End-tenants of KDO office buildings

The largest tenant occupies 1.1% of total leased floor area, and tenants other than the top 3 each occupy less than 1.0%
A highly diversified tenant base with the top 10 tenants occupying less than 10% of total leased floor area

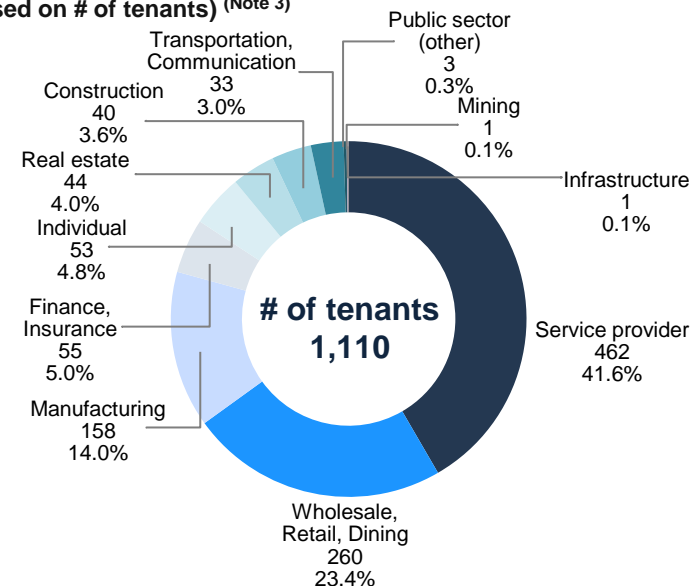
List of top end-tenants for office buildings (as of the end of the 25th fiscal period (2017/10))

	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	1.1	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	1.0	KDX Toranomon 1Chome Bldg.
4	JASTEC Co., Ltd.	1,304.6	1.0	KDX Takanawadai Bldg.
5	Tenant C (service provider)	1,080.1	0.8	KDX Musashi-Kosugi Bldg.
6	Customer relation telemarketing, CO,LTD	1,052.8	0.8	KDX Higashi Umeda Bldg.
7	Medical Corporation DOYUKAI	1,022.4	0.7	Koishikawa TG Bldg.
8	Tenant D (wholesale, retail and dining)	912.2	0.7	Harajuku F.F. Bldg.
9	Otsuka Corporation	864.1	0.6	Portus Center Bldg. KDX Nishi-Shinbashi Bldg.
10	ACOM CO., LTD.	781.8	0.6	KDX Harumi Bldg.
	Total	11,465.9	8.4	

Average rent for office buildings by area (as of the end of the 25th fiscal period (2017/10)) (Note 2)

	# of properties	Average rent (yen/tsubo)
Tokyo metropolitan area	75	15,400 (+300 yen period over period)
Japan	93	14,500 (+200 yen period over period)

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 KDO portfolio as of the end of the 25th fiscal period (2017/10). Figures are rounded to the first decimal place

Taking into account the changes in leased floor area and the leased floor area for end-tenants by the series of (planned) acquisition/sale in the 26th fiscal period (2018/4), floor area leased to the top 10 office end-tenants as a proportion of the total lease floor area is expected to be 10.4%, and Mitsubishi Heavy Industries, Ltd. is expected to occupy the largest portion (2.4%)

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

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 25th fiscal period (2017/10). Figures are rounded to the first decimal place

Efforts for sustainability

1 Environment-related certifications

Rating from GRESB (Note 1)

- Acquired "Green Star" rating, the highest rating, for 6 consecutive years as a result of our efforts for improving sustainability performance, and earned the highest-rated "5 Stars" (five-star scale)
- Participated from 2011 as the first J-REIT participant



DBJ Green Building Certification (Note 2)

- A total of 17 properties in our portfolio were awarded DBJ Green Building Certification, including KDX Toranomom 1chome Bldg. which earned Property with the best class environmental and social awareness (five stars)



Certification for CASBEE for Real Estate (Note 3)

- ARK Mori Bldg., KDX Toranomom 1chome Bldg. and KDX Kobayashi-Doshomachi Bldg. were ranked S, the highest rating, by CASBEE



BELS Certification (Note 4)

- In October 2014, KDX Musashi-Kosugi Bldg. was awarded a BELS Certification for the first time in history as a J-REIT owned property



2 Responsibility towards our stakeholders

Disaster prevention related renovations

- Placed a box storing emergency kit in each elevator since the 24th fiscal period (2017/4) as a result of an increase of tenant's anti-disaster consciousness
- Of 98 properties owned by KDO, placed total 152 kits in 75 properties as of the end of the 25th fiscal period (2017/10)



3 Contribution towards society

Cooperating with communities in bicycle sharing

- We have offered portions of five property sites to serve as bicycle parking for bicycle sharing. Such cooperation enhances convenience for tenants and local residents as well as serves the public interest



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

Note 2: 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"

Note 3: CASBEE is an evaluation system for rating the environmental performance of buildings, developed under the auspices of the Ministry of Land, Infrastructure, Transport and Tourism. The system rates the overall environmental performance of buildings from two perspectives; the evaluation of the environmental quality and performance of buildings themselves and the external environmental load of buildings

Note 4: BELS (Building-Housing Energy-efficiency Labeling System) is the third-party certification system to rate houses and buildings in accordance with the obligation to make effort to label energy saving performance as stipulated in the Act on Improving Energy Consumption Performance for Architectural Structures

Section 6

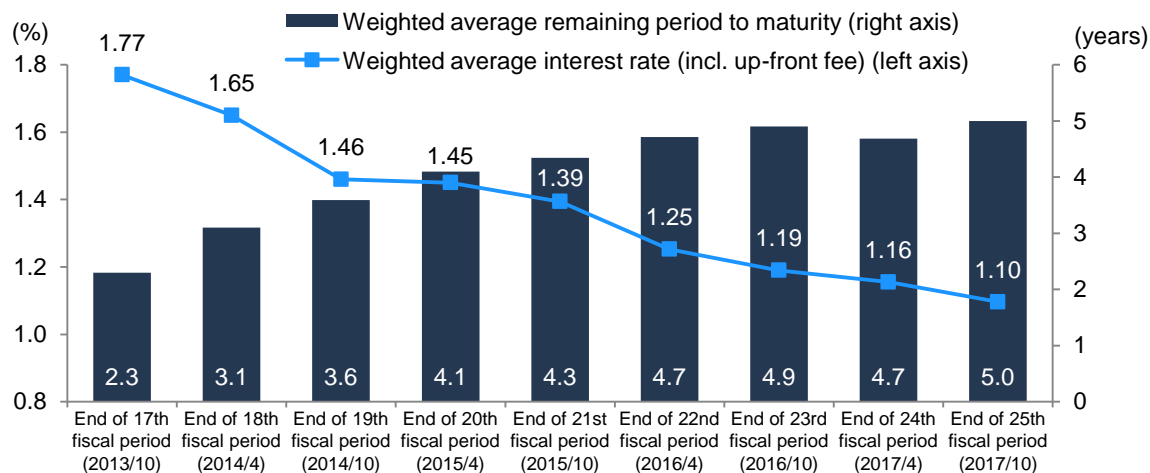
Financial strategy

Status of debt financing

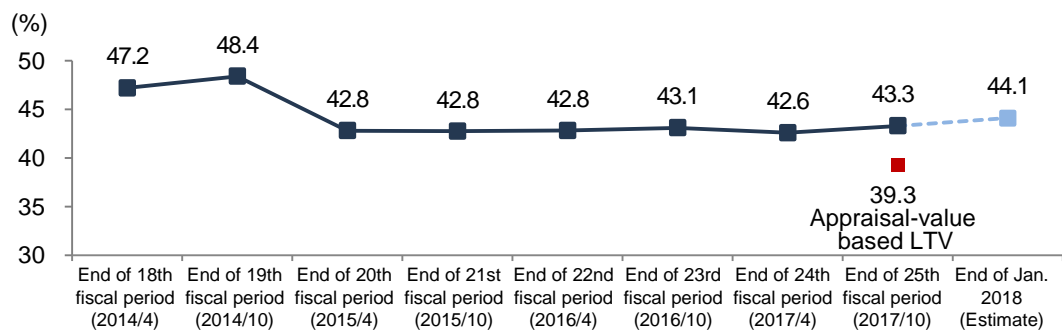
Issued the first investment corporation bonds post credit rating upgrade, and continued to reduce financial cost while extending remaining period to maturity through refinancing, etc.

Maintain conservative financial management with a target LTV of 45%

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



Historical LTV (interest-bearing debt ratio) level (Note 3)



Note 1: Average remaining period to maturity and interest rate are the weighted average based on the balance of debt outstanding as of the end of each fiscal period (with the average remaining period to maturity rounded to the first decimal place and the average interest rate rounded to the second decimal place)

Note 2: Average interest rate and borrowing period are the weighted average of the interest rate of borrowings (incl. up-front fee) and borrowing period based on the balance of borrowings, respectively (with the average interest rate rounded to the second decimal place and the average borrowing period rounded to the first decimal place)

Note 3: LTV is calculated by dividing the balance of interest-bearing debt by the amount of total assets as of the end of each fiscal period. Appraisal-value based LTV is calculated by dividing the balance of interest-bearing debt by the sum of the amount of total assets and appraisal profit/loss of owned properties as of the end of each fiscal period (rounded to the first decimal place)

Note 4: Includes the borrowings with floating interest rate fixed by interest rate swap but excludes those hedged by interest rate cap (rounded to the first decimal place)

Refinance record for the 25th fiscal period (2017/10) (Total amount of 14.0 bn yen) (Note 2)

- Reduced financial cost through refinancing and extended remaining period to maturity

	Conditions before refinancing	Conditions after refinancing
Average interest rate	1.30%	0.82%
Average borrowing period	4.2 years	7.9 years

Investment corporation bonds issued during the 25th fiscal period (2017/10)

- Issued 3.0 billion yen at relatively favorable terms due to the AA rating

Corporate bonds	Issued period	Balance	Interest rate	Term
8th bonds	2017/7	1.0 bn yen	0.26%	5 years
9th bonds	2017/7	2.0 bn yen	0.64%	10 years

Major indices related to the stability of financial structure

Ratio of fixed interest rate (Note 4)
Continue to hedge against a potential rise in interest rates
95.5%

Status of credit rating (JCR)
AA- (stable)

Diversification of debt maturities

Reduced refinancing risk through extension of remaining period to maturity and diversification of debt maturities

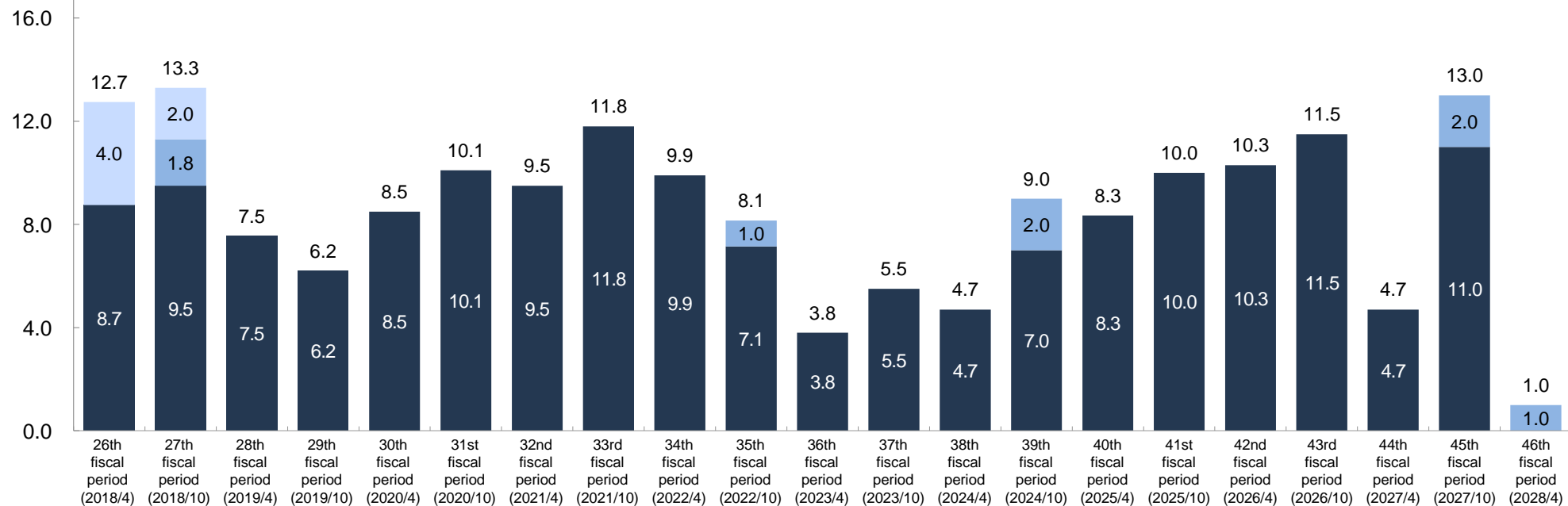
Balance of interest-bearing debt by maturity

(bn yen)

- Short-term borrowings 6.0 bn yen
- Corporate bonds 7.8 bn yen
- Long-term borrowings 165.8 bn yen
- Total interest-bearing debt 179.6 bn yen

• Interest-bearing debt by maturity (excl. short-term borrowings)

	26th fiscal period (2018/4)	27th fiscal period (2018/10)	28th fiscal period (2019/4)	29th fiscal period (2019/10)
Balance of debt maturing	8.7 bn yen	11.3 bn yen	7.5 bn yen	6.2 bn yen
Average interest cost	1.60%	1.14%	1.30%	0.97%



Appendix 1

Properties acquired/sold during the 25th fiscal period (2017/10) and the 26th fiscal period (2018/4)

The terms used in Appendix 1 are as follows. Figures are rounded to the first decimal place

Estimated NOI yield: Calculated by dividing "NOI after excluding extraordinary factors for the year of the acquisition estimated by the Asset Management Company" by the (planned) acquisition price

Estimated NOI yield after depreciation: Calculated by dividing estimated NOI after depreciation (estimated NOI – estimated depreciation expenses) by the (planned) acquisition price

Appraisal NOI yield: Calculated by dividing "NOI calculated based on the direct capitalization method described in the relevant appraisal report as of the date of acquisition" by the (planned) acquisition price

NOI yield (actual): Calculated by dividing the sum of the actual NOI for the 24th (2017/4) and 25th (2017/10) fiscal periods by the acquisition price

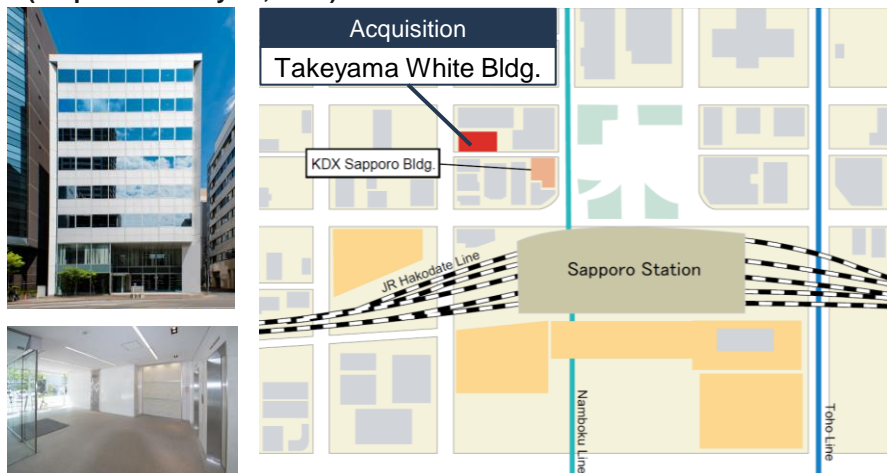
NOI yield after depreciation (actual): Calculated by dividing the sum of the rental operating income (NOI after depreciation (actual)) for the 24th (2017/4) and 25th (2017/10) fiscal periods by the acquisition price

(Planned) disposition price NOI yield: Calculated by dividing the sum of actual NOI of the 24th fiscal period and 25th fiscal period by the (planned) disposition price

The planned disposition date of KDX Ikejiri-Oohashi Bldg. and KDX Shin-Yokohama 214 Bldg. is expected to be December 28, 2017, but the disposition date by the contract is either December 28, 2017 or a date separately agreed upon with December 28, 2017 as the deadline

Properties acquired during the 25th fiscal period (2017/10)

Takeyama White Bldg. (Acquired on July 20, 2017)



- A highly visible and conveniently accessible office building facing a major highway and located approx. 3 minutes on foot from the north exit of Sapporo Station on the JR line
- The solid rental office building market is expected to continue as the vacancy rate has been significantly decreasing in association with brisk demand expansion such as entry and relocation for expansion as well as the limited supply of new office buildings
- Synergistic benefits in tenant leasing are expected, owing to its proximity to KDX Sapporo Building

Location	Sapporo, Hokkaido	Acquisition price	1,800 mn yen
Ownership	Trust beneficiary interest	Appraisal value (as of June 1, 2017)	1,890 mn yen
Total floor area	4,639.44 m ²	Estimated NOI yield	5.0%
Completion date	September 1992	Estimated NOI yield after depreciation	4.2%
Occupancy rate (as of October 31, 2017)	100%	Appraisal NOI yield	5.7%
# of tenants (as of October 31, 2017)	12		

Shibuya 1717 Bldg. (Acquired on August 10, 2017)



- Located approx. 12 minutes on foot from Shibuya Station on 9 lines including JR Yamanote Line, Tokyo Metro Ginza Line, Tokyu Den-en-toshi Line and other lines, and approx. 8 minutes from Shinsen Station on Keio Inokashira Line
- Located in the peaceful Nanpeidaicho area and is in demand from apparel and IT-related companies
- Relatively small as the total floor area of the entire building is about 856 tsubo, meeting the needs of the tenant using the entire building in addition to the demand for each leasing floor

Location	Shibuya-ku, Tokyo	Acquisition price	3,500 mn yen
Ownership	Trust beneficiary interest	Appraisal value (as of July 1, 2017)	3,710 mn yen
Total floor area	2,832.58 m ²	Estimated NOI yield	3.6%
Completion date	December 2003	Estimated NOI yield after depreciation	3.2%
Occupancy rate (as of October 31, 2017)	100%	Appraisal NOI yield	4.1%
# of tenants (as of October 31, 2017)	1		

Properties (to be) acquired during the 26th fiscal period (2018/4)

Mitsubishijuko Yokohama Bldg.

(Acquired on December 7, 2017) (Note)

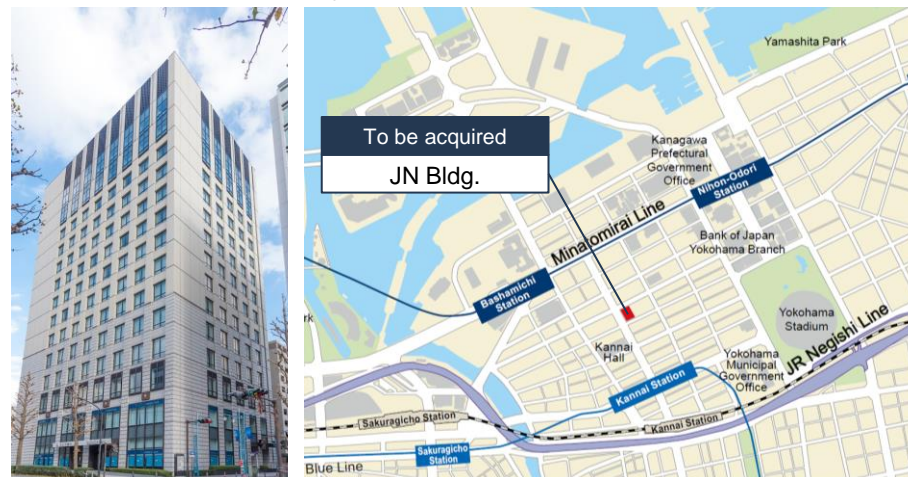


- Located approx. 4 minutes on foot from Minatomirai Station on the Minatomirai Line which connects to the Tokyu Toyoko Line, and approx. 8 minutes on foot from Sakuragicho Station, with moving walkways on the pedestrian decks available, on the JR lines and the Yokohama Municipal Subway Blue Line
- Increasing recognition of Minato Mirai 21 area as site for office buildings with approx. 100 thousand working population and more than 1,700 offices
- Mitsubishi Heavy Industries occupies the majority of leased area as its Yokohama head office, etc. Prime property expected to generate stable earnings over the long term

Location	Yokohama, Kanagawa	Acquisition price	14,720 mn yen
Ownership	Trust beneficiary interest (quasi co-ownership interest)	Appraisal value (as of October 31, 2017)	14,900 mn yen
Total floor area	109,472.69 m ²	Estimated NOI yield	4.0%
Completion date	February 1994	Estimated NOI yield after depreciation	3.5%
Occupancy rate (as of December 1, 2017)	100%	Appraisal NOI yield	4.4%
# of tenants (as of December 1, 2017)	22		

JN Bldg.

(To be acquired on January 31, 2018)



- Located approx. 5 minutes on foot from Kannai Station on the JR Negishi Line, approx. 3 minutes on foot from Kannai Station on the Yokohama Municipal Subway Blue Line, and approx. 4 minutes on foot from Bashamichi Station on the Minatomirai Line
- The Kannai area thrives as a business and commercial district in Yokohama City from years ago, notably public offices such as the Kanagawa Prefectural Government Office and the Yokohama Municipal Government Office
- A relatively young office building. The lease spaces have an open feel due to the natural light on three sides and enable layouts that are easy to use for tenants

Location	Yokohama, Kanagawa	Acquisition price	9,500 mn yen
Ownership	Trust beneficiary interest	Appraisal value (as of December 1, 2017)	9,860 mn yen
Total floor area	15,883.21 m ²	Estimated NOI yield	4.1%
Completion date	September 2007	Estimated NOI yield after depreciation	3.0%
Occupancy rate (as of December 1, 2017)	100%	Appraisal NOI yield	4.6%
# of tenants (as of December 1, 2017)	6		

Note: Acquiring the trust beneficiary interest in 23% of quasi co-ownership interest of ownership for Mitsubishijuko Yokohama Building. Total floor area for the entire building is shown in the table

Properties (to be) sold during and after the 25th fiscal period (2017/10)



Property name	KDX Shin-Yokohama 381 Bldg.	Residence Charmante Tsukishima (compartmentalized ownership) <small>(Note 1)</small>	KDX Ikejiri-Oohashi Bldg.	KDX Shin-Yokohama 214 Bldg.
Location	Yokohama, Kanagawa	Chuo-ku, Tokyo	Meguro-ku, Tokyo	Yokohama, Kanagawa
Total floor area	10,290.30 m ²	18,115.39 m ²	3,482.96 m ²	6,478.89 m ²
Completion date	Existing tower: March 1988 Annex tower: April 2009	January 2004	September 1988	November 1989
Book value <small>(Note 2)</small>	5,419 mn yen	4,478 mn yen	2,353 mn yen	2,221 mn yen
(Planned) disposition price	4,900 mn yen	4,900 mn yen	2,400 mn yen	2,430 mn yen
Difference from book value ((planned) disposition price - book value)/book value	-9.2%	9.4%	2.0%	9.4%
Appraisal value (Base date for appraisal)	4,310 mn yen (as of April 30, 2017)	4,900 mn yen (as of October 31, 2017)	1,740 mn yen (as of October 31, 2017)	2,390 mn yen (as of October 31, 2017)
Buyer	Undisclosed	G.K. KRF 68	Undisclosed	Undisclosed
Acquisition date	Existing tower: February 1, 2008 Annex tower: November 18, 2009	May 1, 2006	February 1, 2008	December 2, 2014
(Planned) disposition date	October 31, 2017	December 1, 2017	December 28, 2017	December 28, 2017
NOI yield (actual)	3.9%	4.0%	3.7%	5.4%
NOI yield after depreciation (actual)	2.2%	2.2%	2.8%	4.2%
(Planned) disposition price NOI yield	4.6%	4.3%	3.7%	4.9%

Note 1: Residence Charmante Tsukishima is a compartmentalized-ownership building (exclusive floor area ratio: 56.86%) and total floor area for the entire building is shown

Note 2: The book value of KDX Shin-Yokohama 381 Bldg. is as of October 31, 2017, and the estimated book values of the other properties (to be) sold are as of their respective disposition dates

Appendix 2

Supplemental material / data

25th fiscal period (2017/10) financial results

Items	24th Fiscal Period	25th Fiscal Period	25th Fiscal Period	(mn yen)	
	2017/4	2017/10	2017/10	25th (actual) vs 24th (actual)	25th (actual) vs 25th (forecast)
	Actual	Forecast (announced on Jun.12, 2017)	Actual	Difference	Difference
	A	B	C	C-A	C-B
Operating revenue	15,039	13,788	13,901	-1,137	112
Gain on sale of real estate	1,662	-	-	-1,662	-
Dividend income	48	64	61	12	-3
Operating expense	9,137	7,793	8,244	-893	450
Loss on sale of real estate	1,657	-	568	-1,089	568
Operating income	5,901	5,995	5,657	-244	-338
Non-operating income	0	1	0	-0	-0
Non-operating expense	1,151	1,055	1,067	-83	12
Ordinary income	4,751	4,941	4,590	-161	-350
Net income	4,750	4,939	4,588	-161	-350
Provision (+) / reversal (-) of reserve for reduction entry	-	-	-471	-471	-471
Total distributions	4,750	4,939	5,061	310	121
DPU (yen)	11,733	12,200	12,500	767	300
# of total units outstanding	404,885	404,885	404,885	0	0
Rental NOI (Note 1)	9,088	9,227	9,413	325	185
FFO (Note 2)	7,034	7,241	7,451	417	210
Depreciation	2,288	2,301	2,293	5	-7
# of properties	97	97	98	1	1
Total interest-bearing debt	174,600	-	179,600	5,000	-
LTV	42.6%	-	43.3%	0.7%	-
Book value (Period-end)	383,401	-	382,081	-1,320	-
Appraisal value (Period-end)	416,550	-	423,643	7,093	-
Net assets	212,986	-	212,851	-134	-

Comparison against 24th fiscal period (2017/4) actual

■ Operating revenue	-1,137 mn yen
• Rent/common area charge	+272 mn yen (Existing properties: +217, Properties acquired: +66 (25th), +184 (24th), Properties sold: -195 (24th))
• Utilities	+197 mn yen
• Other revenues	+44 mn yen
• Gain on sale of real estate	-1,662 mn yen (24th: Disappearance of gain on sale of BUREX Toranomon: -680, disappearance of gain on sale of KDX Nihonbashi Kabutocho Bldg.: -982)
• Dividend income	+12 mn yen (TK Dividend: KRF43 Shinjuku Sanei Bldg.)
■ Operating expense	-893 mn yen
• Depreciation	+5 mn yen (Properties acquired: +8 (25th), +14 (24th), Properties sold: -37 (24th), Other: +20)
• Utilities	+170 mn yen
• Taxes	+19 mn yen
• Repair/maintenance cost	+14 mn yen
• Property/facility management fee	+9 mn yen
• Other expenses	-21 mn yen
• Loss on sale of real estate	-1,089 mn yen (25th: Loss on sale of KDX Shin-Yokohama 381 Bldg.: +568, 24th: Disappearance of loss on sale of properties: -1,657)
■ Non-operating expense	-83 mn yen
• Interest expense/financing-related expense	-17 mn yen
• Non-deductible consumption taxes, etc.	-66 mn yen

Comparison against 25th fiscal period (2017/10) forecast (announced on June 12, 2017)

■ Operating revenue	+112 mn yen
• Rent/common area charge	+73 mn yen (Properties acquired: +66 (25th), Progress in leasing: +7)
• Other revenues	+42 mn yen (25th: Restoration related revenue of Frame Jinnan-zaka, etc. +31)
• Dividend income	-3 mn yen (TK Dividend: KRF43 Shinjuku Sanei Bldg.)
■ Operating expense	+450 mn yen
• Utilities	-58 mn yen
• Repair/maintenance cost	+5 mn yen
• Other expenses	-65 mn yen
• Loss on sale of real estate	+568 mn yen (25th: Loss on sale of KDX Shin-Yokohama 381 Bldg. +568)

(Reference) Properties acquired (25th): Takeyama White Bldg., Shibuya 1717 Bldg.

Note 1: Rental NOI = Operating revenue – Gain on sale of real estate – Dividend income – Expenses related to rental business (excluding depreciation)

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

26th fiscal period (2018/4) earning forecast

	Items			(mn yen)
		25th Fiscal Period	26th Fiscal Period	26th (forecast) vs 25th (actual)
		2017/10	2018/4	Difference
		Actual	Forecast	B-A
	A	B		
P/L, etc.	Operating revenue	13,901	14,792	890
	Gain on sale of real estate	-	551	551
	Dividend income	61	44	-16
	Operating expense	8,244	7,933	-310
	Loss on sale of real estate	568	-	-568
	Operating income	5,657	6,858	1,201
	Non-operating income	0	0	0
	Non-operating expense	1,067	1,054	-13
	Ordinary income	4,590	5,804	1,214
	Net income	4,588	5,803	1,214
	Provision (+) / reversal (-) of reserve for reduction entry	-471	+580	
	Total distributions	5,061	5,223	+161
	DPU (yen)	12,500	12,900	400
	# of total units outstanding	404,885	404,885	0
Related Information	Rental NOI (Note 1)	9,413	9,577	163
	FFO (Note 2)	7,451	7,560	108
	Depreciation	2,293	2,307	13
	# of properties	98	97	-1
	(Reference) Estimated property and city planning taxes	-	1,149	

Comparison against 25th fiscal period (2017/10) actual

■ Operating revenue	+890 mn yen
• Rent/common area charge	+513 mn yen (Existing properties: +339, Properties (to be) acquired: +446 (26th), Properties acquired: +65 (25th), Properties (to be) sold: -197 (26th), Properties sold: -140 (25th))
• Utilities	-128 mn yen
• Other revenues	-30 mn yen
• Gain on sale of real estate	+551 mn yen (Gain on sale of properties (to be) sold (26th))
• Dividend income	-16 mn yen (TK Dividend: KRF43 Shinjuku Sanei Bldg.)
■ Operating expense	-310 mn yen
• Depreciation	+13 mn yen (Properties (to be) acquired: +69 (26th), Properties (to be) sold: -47 (26th), Properties sold: -48 (25th), Other: +39)
• Utilities	-6 mn yen
• Taxes	+7 mn yen (Property and city planning taxes for properties acquired in 2017 (including and after Takeyama White Bldg.): +22, Properties sold: -15 (25th))
• Repair/maintenance cost	+189 mn yen
• Other expenses	+55 mn yen
• Loss on sale of real estate	-568 mn yen (Disappearance of loss on sale of KDX Shin-Yokohama 381 Bldg.: -568 (25th))
■ Non-operating expense	-13 mn yen
• Interest expense/financing related expense	-27 mn yen
• Non-deductible consumption taxes, etc.	+14 mn yen
(Reference) Properties acquired (25th): Takeyama White Bldg., Shibuya 1717 Bldg. Properties (to be) acquired (26th): Mitsubishijuko Yokohama Bldg., JN Bldg. Properties (to be) sold (26th): Residence Charmante Tsukishima, KDX Ikejiri-Oohashi Bldg., KDX Shin-Yokohama 214 Bldg.	

Impact of reassessment of fixed asset (Note 3)

- Following the review of assessed value of fixed asset tax of FY2018, property taxes are expected to increase by 4 million yen in the 26th fiscal period (2018/4) and by 40 million yen in the 27th fiscal period (2018/10), and continue to gradually increase and begin to decrease after reaching 78 million yen in the 31st fiscal period (2020/10)

Note 1: Rental NOI = Operating revenue – Gain on sale of real estate – Dividend income – Expenses related to rental business (excluding depreciation)

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

Note 3: Based on the appraisal value of existing properties as of the end of the 25th fiscal period (2017/10), the amount of change in property and city planning taxes by depreciation of building, etc., which is by the change in rating of FY2018 and property aging of fixed assets, is calculated by the appraisal company, and aggregated as an estimated amount by the Asset Management Company

Portfolio overview (1)

(as of the end of the 25th fiscal period (2017/10))

Office Buildings (93 properties)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Completion date (Note 2)	End of 25th fiscal period occupancy rate (%) (Note 3)	Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Completion date (Note 2)	End of 25th 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	A062	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	1989/11	100.0
		A003	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	1987/1	100.0			A063	KDX Gotanda Building	Shinagawa-ku, Tokyo	2,620	1988/4	100.0
		A004	KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	1993/6	100.0			A064	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	2006/10	100.0
		A005	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	1992/8	96.5			A066	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	1993/5	96.4
		A006	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	1985/11	100.0			A067	KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	1991/11	100.0
		A007	KDX Minami Aoyama Building	Minato-ku, Tokyo	2,270	1988/11	100.0			A068	KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	1984/1	100.0
		A008	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	1993/5	100.0			A071	KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	1990/3	100.0
		A013	KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	1994/5	100.0			A072	KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	1993/1	100.0
		A014	KDX Funabashi Building	Funabashi, Chiba	2,252	1989/4	91.1			A073	KDX Hakozaki Building	Chuo-ku, Tokyo	2,710	1993/11	100.0
		A016	Toshin 24 Building	Yokohama, Kanagawa	5,300	1984/9	94.1			A074	KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	2002/11	100.0
		A017	KDX Ebisu Building	Shibuya-ku, Tokyo	4,640	1992/1	100.0			A078	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	1990/2	100.0
		A019	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	1999/9	100.0			A083	KDX Fuchu Building	Fuchu, Tokyo	6,120	1996/3	99.1
		A020	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	1987/10	100.0			A084	KDX Kasuga Building	Bunkyo-ku, Tokyo	2,800	1992/6	100.0
		A021	KDX Shinbashi Building	Minato-ku, Tokyo	3,728	1992/2	100.0			A085	KDX Nakameguro Building	Meguro-ku, Tokyo	1,880	1985/10	100.0
		A022	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	1990/9	100.0			A086	KDX Omiya Building	Saitama, Saitama	2,020	1993/4	100.0
		A026	KDX Kiba Building	Koto-ku, Tokyo	1,580	1992/10	100.0			A087	Itopia Nihonbashi SA Building	Chuo-ku, Tokyo	2,200	1995/7	100.0
		A027	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	1990/3	100.0			A088	KDX Shinjuku 6-chome Building	Shinjuku-ku, Tokyo	1,900	1990/3	100.0
		A029	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	1990/1	100.0			A089	KDX Takanawadai Building	Minato-ku, Tokyo	5,250	1985/10	94.0
		A030	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	1992/11	100.0			A090	KDX Ikebukuro Building	Toshima-ku, Tokyo	3,900	2009/3	100.0
		A031	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	1986/9	100.0			A091	KDX Mita Building	Minato-ku, Tokyo	3,180	1993/3	100.0
		A032	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	1986/7	100.0			A092	KDX Akihabara Building	Chiyoda-ku, Tokyo	2,600	1973/12	100.0
		A033	KDX Okachimachi Building	Taito-ku, Tokyo	2,000	1988/6	100.0			A093	KDX Iidabashi Square	Shinjuku-ku, Tokyo	4,350	1994/1	100.0
		A034	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	1995/5	77.9			A094	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	2013/5	100.0
		A035	KDX Hachioji Building	Hachioji, Tokyo	1,155	1985/12	100.0			A095	KDX Toyosu Grand Square	Koto-ku, Tokyo	8,666	2008/4	98.0
		A037	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	1982/8	100.0			A096	KDX Takadanobaba Building	Toshima-ku, Tokyo	3,650	1988/10	92.0
		A038	KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	1992/10	100.0			A099	KDX Ikebukuro West Building	Toshima-ku, Tokyo	1,934	1988/7	100.0
		A041	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	1989/8	100.0			A101	KDX Yokohama Building	Yokohama, Kanagawa	7,210	1994/3	100.0
		A046	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	1988/3	100.0			A102	KDX Yokohama Nishiguchi Building	Yokohama, Kanagawa	2,750	1988/10	100.0
		A048	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	1985/2	100.0			A103	KDX Shin-Yokohama 214 Building	Yokohama, Kanagawa	2,200	1989/11	100.0
		A050	KDX Ikejiri-Oohashi Building	Meguro-ku, Tokyo	2,400	1988/9	100.0			A107	KDX Ginza East Building	Chuo-ku, Tokyo	3,600	1991/8	100.0
		A051	KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	1988/9	100.0			A108	Pentel Building	Chuo-ku, Tokyo	3,350	1990/11	100.0
A055	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	1990/7	83.1	A109	KDX Hamamatsucho Center Building	Minato-ku, Tokyo	3,950	1985/12	100.0				
A056	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	1994/5	100.0	A112	KDX Toranomon 1 Chome Building	Minato-ku, Tokyo	15,550	2013/10	100.0				
A059	KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	2008/3	100.0	A113	KDX Shin-Nihonbashi Ekimae Building	Chuo-ku, Tokyo	3,829	1992/5	100.0				
A060	KDX Harumi Building	Chuo-ku, Tokyo	10,250	2008/2	100.0	A114	KDX Nihonbashi Edo-dori Building	Chuo-ku, Tokyo	1,350	1985/3	100.0				
A061	KDX Hamamatsucho Dai-2 Building	Minato-ku, Tokyo	2,200	1992/4	100.0	A115	ARK Mori Building	Minato-ku, Tokyo	4,169	1986/3	100.0				

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

Note 2: Completion date shows the newly-built year-month recorded in the real estate register. The average value shown in the subtotal or total section is a weighted average number calculated based on acquisition price with a base date of October 31, 2017 (the end of the 25th fiscal period (2017/10)). Figures are truncated to the first decimal place

Note 3: Occupancy rate is calculated by dividing leased area as of the end of the 25th fiscal period (2017/10) by leasable area and is rounded to the first decimal place

Portfolio overview (2)

(as of the end of the 25th fiscal period (2017/10))

Office Buildings (93 properties)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Completion date (Note 2)	End of 25th fiscal period occupancy rate (%) (Note 3)
Office Buildings	Tokyo Metropolitan Area	A116	KDX Nishi-Shinbashi Building	Minato-ku, Tokyo	8,400	1992/8	100.0
		A117	BR Gotanda	Shinagawa-ku, Tokyo	2,200	1991/9	100.0
		A119	Shibuya 1717 Building	Shibuya-ku, Tokyo	3,500	2003/12	100.0
	Other Regional Areas	A012	Portus Center Building	Sakai, Osaka	5,570	1993/9	100.0
		A042	KDX Karasuma Building	Kyoto, Kyoto	5,400	1982/10	96.7
		A044	KDX Sendai Building	Sendai, Miyagi	2,100	1984/2	100.0
		A053	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	1973/6	99.5
		A054	KDX Kitahama Building	Osaka, Osaka	2,220	1994/7	89.2
		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	95.5
		A097	KDX Utsunomiya Building	Utsunomiya, Tochigi	2,350	1999/2	100.0
		A098	KDX Hiroshima Building	Hiroshima, Hiroshima	1,300	1990/1	100.0
		A100	Senri Life Science Center Building	Toyonaka, Osaka	13,000	1992/6	99.8
		A104	KDX Minami-Honmachi Building	Osaka, Osaka	2,200	2009/12	100.0
		A106	KDX Sakura-dori Building	Nagoya, Aichi	5,900	1992/8	100.0
A110	KDX Shin-Osaka Building	Osaka, Osaka	4,550	1992/5	100.0		
A111	KDX Nagoya Nichigin-mae Building	Nagoya, Aichi	3,500	2006/9	100.0		
A118	Takeyama White Building	Sapporo, Hokkaido	1,800	1992/9	100.0		
Office Buildings (93 properties) Subtotal					362,555	Ave. 23.7 yrs	99.0

Central Urban Retail Properties (3 properties)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Completion date (Note 2)	End of 25th fiscal period occupancy rate (%) (Note 3)
Central Urban Retail Properties	Tokyo Metropolitan Area	C001	Frame Jinnan-zaka	Shibuya-ku, Tokyo	9,900	2005/3	96.5
		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. 12.4 yrs	98.6

Residential Property (1 property)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Completion date (Note 2)	End of 25th 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. 13.8 yrs	100.0

Others Property (1 property)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Completion date (Note 2)	End of 25th fiscal period occupancy rate (%) (Note 3)
Others	Tokyo Metropolitan Area	D002	Shinjuku 6chome Building (Land)	Shinjuku-ku, Tokyo	2,880	-	100.0
Others (1 property) Subtotal					2,880	-	100.0
(98 properties, excl. investment securities) Total					392,968	Ave. 22.9 yrs	99.1%

• The total number of end tenants for 93 office buildings is 1,171 (1,110 if tenants are aggregated based on their names)

Investment Security (1 security)

Type	Name	Location of specified asset	Acquisition price (mn yen)	Completion date of specified asset
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) (%)

	21st fiscal period (2015/10)	22nd fiscal period (2016/4)	23rd fiscal period (2016/10)	24th fiscal period (2017/4)	25th fiscal period (2017/10)
Office buildings	4.5	4.4	4.5	4.7	4.7
Central urban retail properties	3.9	3.8	4.2	3.9	4.3
Residential property	4.0	4.0	4.1	4.2	3.8
Others	4.3	4.3	4.3	4.3	4.3
Total	4.5	4.4	4.5	4.6	4.7

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

Note 2: Completion date shows the newly-built year-month recorded in the real estate register. The average value shown in the subtotal or total section is a weighted average number calculated based on acquisition price with a base date of October 31, 2017 (the end of the 25th fiscal period (2017/10)). Figures are truncated to the first decimal place

Note 3: Occupancy rate is calculated by dividing leased area as of the end of the 25th fiscal period (2017/10) by leasable area and is rounded to the first decimal place

Note 4: NOI yield calculation for the properties acquired during each fiscal period without taxation on property and city planning taxes are assumed as if they are imposed. Acquisition price for newly acquired/sold properties is calculated by multiplying the ratio of actual operating days to the relevant fiscal period's operating days

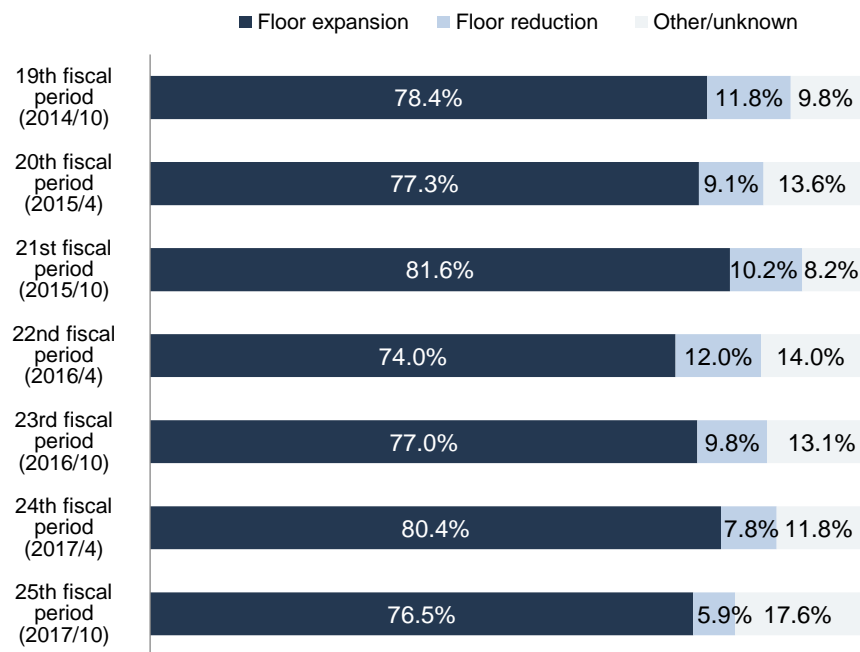
Note 5: Each yield is rounded to the first decimal place

Reasons for moving-in/out

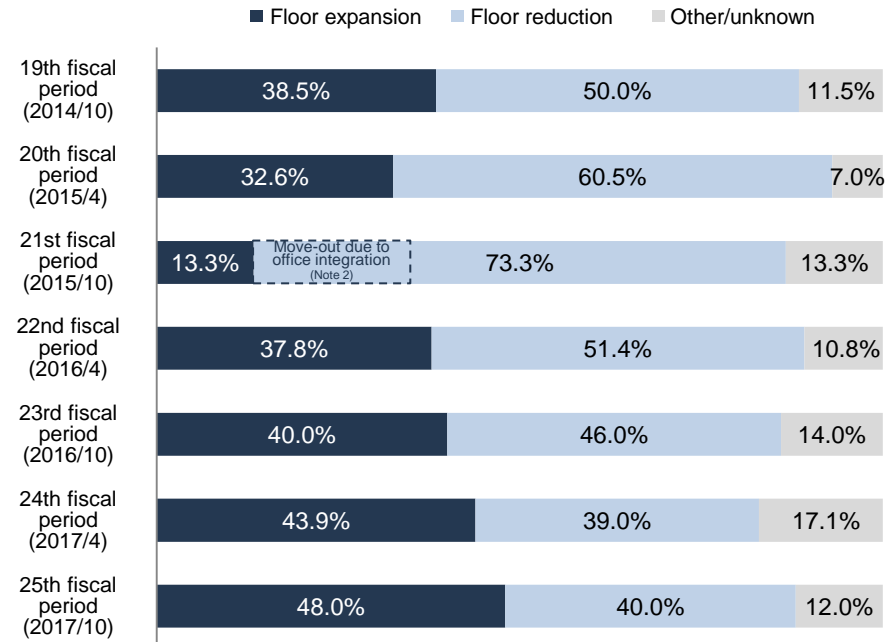
The percentage of move-ins for floor expansion purposes has hovered around 80%; the percentage of move-outs for floor expansion purposes has been on the rise

Demonstrating that well-performing mid/small-sized companies have a strong need to relocate their offices for floor expansion

Reasons for moving into our properties (Note 1)



Reasons for moving out of our properties (Note 1)



Average contracted floor area of incoming tenants (tsubo)

	21st fiscal period (2015/10)	22nd fiscal period (2016/4)	23rd fiscal period (2016/10)	24th fiscal period (2017/4)	25th fiscal period (2017/10)
Floor expansion	86.6	116.6	84.4	79.0	80.9
Floor reduction	37.4	385.0	96.4	39.1	126.7

Average cancelled floor area of exiting tenants (tsubo)

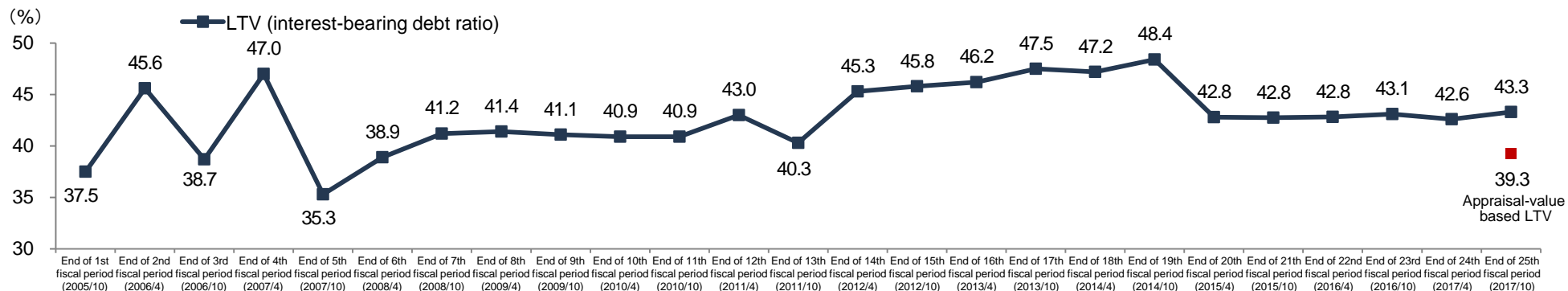
	21st fiscal period (2015/10)	22nd fiscal period (2016/4)	23rd fiscal period (2016/10)	24th fiscal period (2017/4)	25th fiscal period (2017/10)
Floor expansion	128.1	96.6	108.7	119.6	124.1
Floor reduction	127.4	198.5	107.8	79.7	63.1

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 second 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 (2015/10), about 20.0% of them moved out to integrate/consolidate their offices targeting optimization of office functions

Historical changes in LTV and status of interest-bearing debt financing

Historical LTV (interest-bearing debt ratio) level (Note)

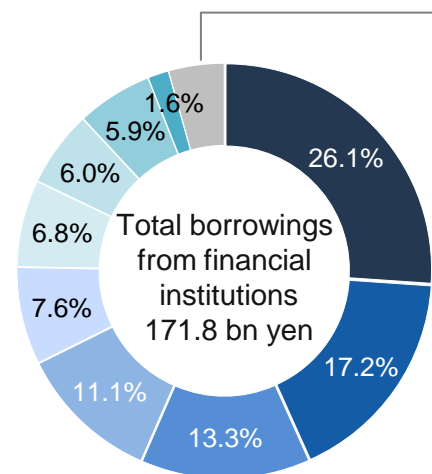


Note: The interest-bearing debt ratio (LTV) is calculated by dividing ending balance of interest-bearing debt by ending balance of total assets (rounded to the first decimal place)
 Appraisal-value based LTV is calculated by dividing ending balance of interest-bearing debt by the sum of ending balance of total assets and appraisal profit/loss (rounded to the first decimal place)

Investment corporation bonds issued as of the end of the 25th fiscal period (2017/10) (total of 7.8 bn yen)

Corporate bonds	Issued period	Issued amount	Interest rate	Term
5th bonds	2013/9	1.8 bn yen	1.00%	5 years
6th bonds	2014/7	2.0 bn yen	1.18%	10 years
7th bonds	2016/4	1.0 bn yen	0.90%	12 years
8th bonds	2017/7	1.0 bn yen	0.26%	5 years
9th bonds	2017/7	2.0 bn yen	0.64%	10 years

Outstanding borrowings by financial institutions as of the end of the 25th fiscal period (2017/10) 15 lending financial institutions

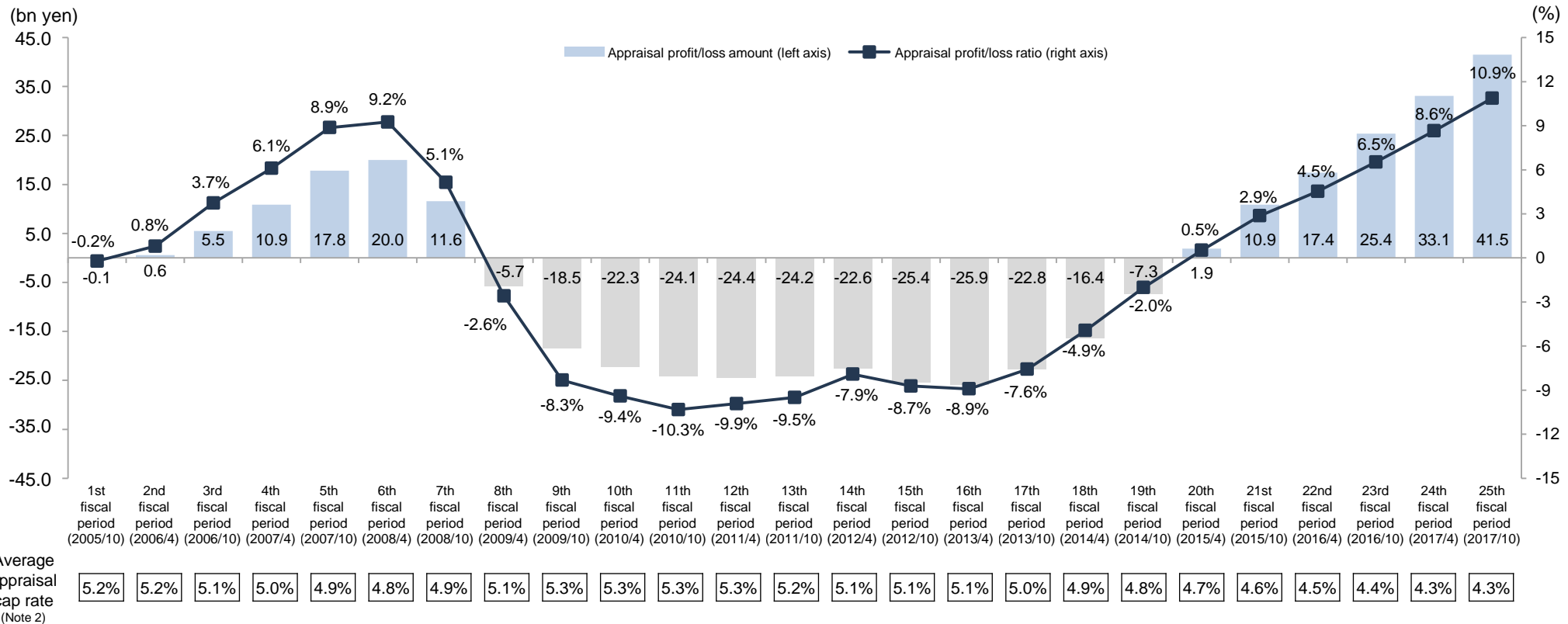


Sumitomo Mitsui Banking	44,800 mn yen	26.1%
Development Bank of Japan	29,550 mn yen	17.2%
The Bank of Tokyo-Mitsubishi UFJ	22,800 mn yen	13.3%
Sumitomo Mitsui Trust Bank	19,100 mn yen	11.1%
Aozora Bank	13,100 mn yen	7.6%
Mizuho Bank	11,700 mn yen	6.8%
Resona Bank	10,250 mn yen	6.0%
Mitsubishi UFJ Trust and Banking	10,200 mn yen	5.9%
Mizuho Trust & Banking	2,800 mn yen	1.6%
The Bank of Fukuoka	2,500 mn yen	1.5%
The Nishi-Nippon City Bank	1,700 mn yen	1.0%
The Hiroshima Bank	1,000 mn yen	0.6%
The 77 Bank	1,000 mn yen	0.6%
Higashi-Nippon Bank	800 mn yen	0.5%
The Mie Bank	500 mn yen	0.3%

Historical appraisal profit/loss of portfolio

Appraisal profit increased to 41.5 billion yen as a result of increase in appraisal value and proactive asset reshuffle

Historical changes in portfolio's appraisal profit/loss amount and ratio and average appraisal cap rate (Note 1)



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 and listed in the appraisal report with the base date for appraisal as of the end of each fiscal period. Figures are rounded to the first decimal place

Appraisal value and cap rate as of the end of the 25th fiscal period (2017/10) (1)

No.	Name	Appraiser	Acquisition price (mn yen)	End of the 25th fiscal period (As of Oct. 31, 2017)				End of the 24th fiscal period (As of Apr. 30, 2017)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen)	Appraisal value (mn yen)	Direct capitalization method cap rate	Appraisal value vs Book value <small>(Note 1)</small> (C)÷(B)-1	Appraisal value (mn yen)	Direct capitalization method cap rate	Difference (C)-(E)	Increase- decrease rate <small>(Note 1)</small> (C)÷(E)-1	Difference (D)-(F)
A001	KDX Nihonbashi 313 Building	Daiwa	5,940	5,838	6,740	3.9%	15.4%	6,740	4.0%	-	-	-0.1%
A003	Higashi-Kayabacho Yuraku Building	JREI	4,450	4,078	5,050	4.3%	23.8%	5,050	4.3%	-	-	-
A004	KDX Hatchobori Building	Daiwa	3,680	3,288	3,360	4.2%	2.2%	3,280	4.3%	80	2.4%	-0.1%
A005	KDX Nakano-Sakaue Building	Daiwa	2,533	2,344	2,470	4.4%	5.3%	2,400	4.5%	70	2.9%	-0.1%
A006	Harajuku F.F. Building	JREI	2,450	2,413	3,140	4.7%	30.1%	3,130	4.7%	10	0.3%	-
A007	KDX Minami Aoyama Building	JREI	2,270	2,217	2,710	4.2%	22.2%	2,510	4.1%	200	8.0%	0.1%
A008	Kanda Kihara Building	Daiwa	1,950	1,780	1,680	4.2%	-5.6%	1,640	4.3%	40	2.4%	-0.1%
A012	Portus Center Building	Daiwa	5,570	4,068	5,080	5.6%	24.9%	4,720	5.7%	360	7.6%	-0.1%
A013	KDX Kojimachi Building	JREI	5,950	5,527	4,980	3.8%	-9.9%	4,940	3.8%	40	0.8%	-
A014	KDX Funabashi Building	JREI	2,252	2,223	2,490	5.4%	12.0%	2,330	5.4%	160	6.9%	-
A016	Toshin 24 Building	JREI	5,300	4,842	4,970	4.6%	2.6%	4,970	4.6%	-	-	-
A017	KDX Ebisu Building	JREI	4,640	4,402	4,970	4.1%	12.9%	4,890	4.1%	80	1.6%	-
A019	KDX Hamamatsucho Building	Daiwa	3,460	3,063	3,400	3.9%	11.0%	3,400	3.9%	-	-	-
A020	KDX Kayabacho Building	JREI	2,780	2,702	2,620	4.5%	-3.1%	2,600	4.5%	20	0.8%	-
A021	KDX Shinbashi Building	JREI	3,728	3,745	4,600	3.8%	22.8%	4,580	3.8%	20	0.4%	-
A022	KDX Shin-Yokohama Building	JREI	2,520	2,276	2,370	5.0%	4.1%	2,370	5.1%	-	-	-0.1%
A026	KDX Kiba Building	JREI	1,580	1,450	1,210	5.0%	-16.6%	1,230	5.0%	-20	-1.6%	-
A027	KDX Kajicho Building	Daiwa	2,350	2,258	2,260	4.3%	0.1%	2,260	4.3%	-	-	-
A029	KDX Higashi-Shinjuku Building	Daiwa	2,950	3,015	3,780	4.4%	25.3%	3,780	4.4%	-	-	-
A030	KDX Nishi-Gotanda Building	JREI	4,200	3,839	3,650	4.4%	-4.9%	3,640	4.4%	10	0.3%	-
A031	KDX Monzen-Nakacho Building	Daiwa	1,400	1,310	1,100	4.8%	-16.1%	1,080	4.9%	20	1.9%	-0.1%
A032	KDX Shiba-Daimon Building	JREI	6,090	5,975	4,950	4.3%	-17.2%	4,800	4.3%	150	3.1%	-
A033	KDX Okachimachi Building	Daiwa	2,000	2,036	2,020	4.3%	-0.8%	1,980	4.4%	40	2.0%	-0.1%
A034	KDX Hon-Atsugi Building	Daiwa	1,305	1,143	1,290	5.5%	12.8%	1,270	5.6%	20	1.6%	-0.1%
A035	KDX Hachioji Building	Daiwa	1,155	1,209	1,120	5.2%	-7.4%	1,100	5.3%	20	1.8%	-0.1%
A037	KDX Ochanomizu Building	JREI	6,400	6,375	6,850	4.1%	7.4%	6,850	4.1%	-	-	-
A038	KDX Nishi-Shinjuku Building	JREI	1,500	1,520	1,450	4.5%	-4.7%	1,410	4.5%	40	2.8%	-
A041	KDX Shinjuku 286 Building	JREI	2,300	2,308	2,620	4.1%	13.5%	2,620	4.1%	-	-	-
A042	KDX Karasuma Building	Daiwa	5,400	5,112	5,240	4.8%	2.5%	5,140	4.9%	100	1.9%	-0.1%
A044	KDX Sendai Building	Daiwa	2,100	1,968	1,860	5.4%	-5.5%	1,830	5.5%	30	1.6%	-0.1%
A046	Hiei Kudan-Kita Building	Daiwa	7,600	7,460	7,900	3.9%	5.9%	7,990	4.0%	-90	-1.1%	-0.1%
A048	KDX Kawasaki-Ekimae Hon-cho Building	JREI	3,760	3,546	3,100	5.0%	-12.6%	3,080	5.1%	20	0.6%	-0.1%
A050	KDX Ikejiri-Ohashi Building	JREI	2,400	2,357	1,740	4.9%	-26.2%	1,740	4.9%	-	-	-
A051	KDX Hamacho Nakanohashi Building	JREI	2,310	2,241	1,960	4.5%	-12.6%	1,960	4.5%	-	-	-

※Notes are shown on page 44

Appraisal value and cap rate as of the end of the 25th fiscal period (2017/10) (2)

No.	Name	Appraiser	Acquisition price (mn yen)	End of the 25th fiscal period (As of Oct. 31, 2017)				End of the 24th fiscal period (As of Apr. 30, 2017)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen)	Appraisal value (mn yen)	Direct capitalization method cap rate	Appraisal value vs Book value <small>(Note 1)</small> (C)÷(B)-1	Appraisal value (mn yen)	Direct capitalization method cap rate	Difference (C)-(E)	Increase- decrease rate <small>(Note 1)</small> (C)÷(E)-1	Difference (D)-(F)
A053	KDX Hakata-Minami Building	JREI	4,900	4,519	4,070	6.0%	-9.9%	4,010	6.0%	60	1.5%	-
A054	KDX Kitahama Building	JREI	2,220	2,068	1,610	5.4%	-22.2%	1,610	5.4%	-	-	-
A055	Shin-toshin Maruzen Building	JREI	2,110	2,086	1,680	4.4%	-19.5%	1,680	4.5%	-	-	-0.1%
A056	KDX Jimbocho Building	JREI	2,760	2,867	2,360	4.4%	-17.7%	2,100	4.5%	260	12.4%	-0.1%
A058	KDX Nagoya Sakae Building	Daiwa	7,550	6,730	5,260	4.5%	-21.8%	5,340	4.5%	-80	-1.5%	-
A059	KDX Iwamoto-cho Building	JREI	1,864	1,662	1,510	4.6%	-9.1%	1,510	4.6%	-	-	-
A060	KDX Harumi Building	JREI	10,250	8,881	8,470	4.3%	-4.6%	8,470	4.3%	-	-	-
A061	KDX Hamamatsucho Dai-2 Building	Daiwa	2,200	2,238	2,200	3.8%	-1.7%	2,150	3.9%	50	2.3%	-0.1%
A062	Koishikawa TG Building	JREI	3,080	3,000	3,460	4.3%	15.3%	3,460	4.3%	-	-	-
A063	KDX Gotanda Building	JREI	2,620	2,711	3,120	4.5%	15.1%	3,080	4.5%	40	1.3%	-
A064	KDX Nihonbashi 216 Building	JREI	2,010	1,851	2,160	4.0%	16.7%	2,060	4.0%	100	4.9%	-
A066	KDX Shinjuku Building	JREI	6,800	6,867	8,560	3.8%	24.6%	8,490	3.8%	70	0.8%	-
A067	KDX Ginza 1chome Building	Daiwa	4,300	4,192	5,710	3.6%	36.2%	5,570	3.7%	140	2.5%	-0.1%
A068	KDX Nihonbashi Honcho Building	Daiwa	4,000	3,934	4,660	4.0%	18.4%	4,550	4.1%	110	2.4%	-0.1%
A069	KDX Kobayashi-Doshomachi Building	JREI	2,870	2,177	2,670	6.4%	22.6%	2,620	6.3%	50	1.9%	0.1%
A070	KDX Sapporo Building	Daiwa	2,005	1,948	2,400	4.9%	23.2%	2,310	5.0%	90	3.9%	-0.1%
A071	KDX Iidabashi Building	Daiwa	4,670	4,535	5,490	4.1%	21.0%	5,460	4.1%	30	0.5%	-
A072	KDX Higashi-Shinagawa Building	Daiwa	4,590	4,741	4,460	4.2%	-5.9%	4,360	4.3%	100	2.3%	-0.1%
A073	KDX Hakozaki Building	Daiwa	2,710	2,706	3,300	4.4%	21.9%	3,230	4.5%	70	2.2%	-0.1%
A074	KDX Shin-Nihonbashi Building	Daiwa	2,300	2,078	2,820	3.8%	35.7%	2,750	3.9%	70	2.5%	-0.1%
A078	KDX Tachikawa Ekimae Building	JREI	1,267	1,329	1,620	5.2%	21.8%	1,560	5.2%	60	3.8%	-
A079	KDX Nagoya Ekimae Building	JREI	7,327	8,027	9,170	4.3%	14.2%	9,030	4.3%	140	1.6%	-
A082	KDX Higashi Umeda Building	Daiwa	2,770	2,502	3,650	4.4%	45.9%	3,600	4.4%	50	1.4%	-
A083	KDX Fuchu Building	Daiwa	6,120	5,919	7,890	4.8%	33.3%	7,710	4.9%	180	2.3%	-0.1%
A084	KDX Kasuga Building	JREI	2,800	2,728	3,630	4.3%	33.0%	3,630	4.3%	-	-	-
A085	KDX Nakameguro Building	Daiwa	1,880	1,860	2,680	4.4%	44.1%	2,630	4.5%	50	1.9%	-0.1%
A086	KDX Omiya Building	Daiwa	2,020	2,169	2,850	5.0%	31.4%	2,740	5.1%	110	4.0%	-0.1%
A087	Itopia Nihonbashi SA Building	Daiwa	2,200	2,237	2,660	4.3%	18.9%	2,570	4.4%	90	3.5%	-0.1%
A088	KDX Shinjuku 6-chome Building	Daiwa	1,900	1,885	2,950	4.3%	56.4%	2,950	4.3%	-	-	-
A089	KDX Takanawadai Building	JREI	5,250	5,453	6,170	4.3%	13.1%	6,150	4.3%	20	0.3%	-
A090	KDX Ikebukuro Building	Daiwa	3,900	3,707	4,810	4.0%	29.7%	4,810	4.0%	-	-	-
A091	KDX Mita Building	JREI	3,180	3,151	3,460	4.2%	9.8%	3,460	4.2%	-	-	-
A092	KDX Akihabara Building	JREI	2,600	2,544	3,090	4.1%	21.5%	3,090	4.1%	-	-	-
A093	KDX Iidabashi Square	Daiwa	4,350	4,947	5,680	4.0%	14.8%	5,590	4.1%	90	1.6%	-0.1%

Appraisal value and cap rate as of the end of the 25th fiscal period (2017/10) (3)

No.	Name	Appraiser	Acquisition price (mn yen)	End of the 25th fiscal period (As of Oct. 31, 2017)					End of the 24th fiscal period (As of Apr. 30, 2017)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen)	Appraisal value (mn yen)	Direct capitalization method cap rate	Appraisal value vs Book value (Note 1) (C)÷(B)-1	Appraisal value (mn yen)	Direct capitalization method cap rate	Difference (C)-(E)	Increase- decrease rate (Note 1) (C)÷(E)-1	Difference (D)-(F)	
													(A)
A094	KDX Musashi-Kosugi Building	JREI	12,000	11,338	14,900	4.3%	31.4%	14,900	4.3%	-	-	-	
A095	KDX Toyosu Grand Square	Daiwa	8,666	8,184	9,240	4.6%	12.9%	9,080	4.7%	160	1.8%	-0.1%	
A096	KDX Takadanobaba Building	Daiwa	3,650	3,633	4,310	4.4%	18.6%	4,230	4.5%	80	1.9%	-0.1%	
A097	KDX Utsunomiya Building	Daiwa	2,350	2,291	2,500	5.7%	9.1%	2,510	5.7%	-10	-0.4%	-	
A098	KDX Hiroshima Building	JREI	1,300	1,404	1,600	5.6%	13.9%	1,580	5.6%	20	1.3%	-	
A099	KDX Ikebukuro West Building	Daiwa	1,934	2,021	2,090	4.3%	3.4%	2,040	4.4%	50	2.5%	-0.1%	
A100	Senri Life Science Center Building	Daiwa	13,000	12,826	13,300	4.6%	3.7%	13,000	4.7%	300	2.3%	-0.1%	
A101	KDX Yokohama Building	Daiwa	7,210	7,603	8,440	4.4%	11.0%	8,210	4.5%	230	2.8%	-0.1%	
A102	KDX Yokohama Nishiguchi Building	Daiwa	2,750	2,723	3,140	4.5%	15.3%	3,070	4.6%	70	2.3%	-0.1%	
A103	KDX Shin-Yokohama 214 Building	JREI	2,200	2,226	2,390	5.0%	7.4%	2,390	5.0%	-	-	-	
A104	KDX Minami-Honmachi Building	JREI	2,200	2,080	2,900	4.5%	39.4%	2,900	4.5%	-	-	-	
A106	KDX Sakura-dori Building	Daiwa	5,900	6,223	8,050	4.6%	29.4%	7,700	4.7%	350	4.5%	-0.1%	
A107	KDX Ginza East Building	JREI	3,600	3,606	3,740	4.2%	3.7%	3,720	4.2%	20	0.5%	-	
A108	Pentel Building	Daiwa	3,350	3,568	3,793	3.9%	6.3%	3,730	4.0%	63	1.7%	-0.1%	
A109	KDX Hamamatsucho Center Building	Daiwa	3,950	4,031	4,300	3.8%	6.7%	4,190	3.9%	110	2.6%	-0.1%	
A110	KDX Shin-Osaka Building	Daiwa	4,550	4,567	5,040	4.1%	10.4%	4,940	4.2%	100	2.0%	-0.1%	
A111	KDX Nagoya Nichigin-mae Building	JREI	3,500	3,526	3,980	4.4%	12.9%	3,970	4.4%	10	0.3%	-	
A112	KDX Toranomon 1Chome Building	JREI	15,550	15,572	17,000	3.5%	9.2%	17,000	3.5%	-	-	-	
A113	KDX Shin-Nihonbashi Ekimae Building	JREI	3,829	3,957	4,070	3.9%	2.8%	4,010	4.0%	60	1.5%	-0.1%	
A114	KDX Nihonbashi Edo-dori Building	JREI	1,350	1,375	1,440	4.3%	4.7%	1,440	4.4%	-	-	-0.1%	
A115	ARK Mori Building	Daiwa	4,169	4,190	4,430	3.7%	5.7%	4,310	3.8%	120	2.8%	-0.1%	
A116	KDX Nishi-Shinbashi Building	Daiwa	8,400	8,445	8,880	3.5%	5.1%	8,630	3.6%	250	2.9%	-0.1%	
A117	BR Gotanda	JREI	2,200	2,323	2,400	4.4%	3.3%	2,360	4.4%	40	1.7%	-	
A118	Takeyama White Building (Note 3)	Daiwa	1,800	1,817	1,890	4.8%	4.0%	1,890	4.8%	-	-	-	
A119	Shibuya 1717 Building (Note 3)	Daiwa	3,500	3,579	3,710	3.6%	3.6%	3,710	3.6%	-	-	-	
Subtotal: Office Buildings (Note 2)			362,555	353,328	388,543	4.3%	10.0%	383,150	4.4%	5,393	1.4%	-0.1%	
B019	Residence Charmante Tsukishima	JREI	5,353	4,496	4,900	4.4%	9.0%	4,900	4.4%	-	-	-	
Subtotal: Residential Property (Note 2)			5,353	4,496	4,900	4.4%	9.0%	4,900	4.4%	-	-	-	
C001	Frame Jinnan-zaka	JREI	9,900	9,234	11,100	3.7%	20.2%	10,800	3.7%	300	2.8%	-	
C002	KDX Yoyogi Building	JREI	2,479	2,449	2,160	4.7%	-11.8%	2,160	4.7%	-	-	-	
C004	Ginza 4chome Tower	JREI	9,800	9,598	13,600	3.3%	41.7%	13,600	3.3%	-	-	-	
Subtotal: Central Urban Retail Properties (Note 2)			22,179	21,282	26,860	3.6%	26.2%	26,560	3.6%	300	1.1%	-	
D002	Shinjuku 6chome Building (Land)	Daiwa	2,880	2,973	3,320	3.7%	11.7%	3,230	3.8%	90	2.8%	-0.1%	
Subtotal: Others Property (Note 2)			2,880	2,973	3,320	3.7%	11.7%	3,230	3.8%	90	2.8%	-0.1%	
Total (Note 2)			392,968	382,081	423,623	4.3%	10.9%	417,840	4.3%	5,783	1.4%	-	

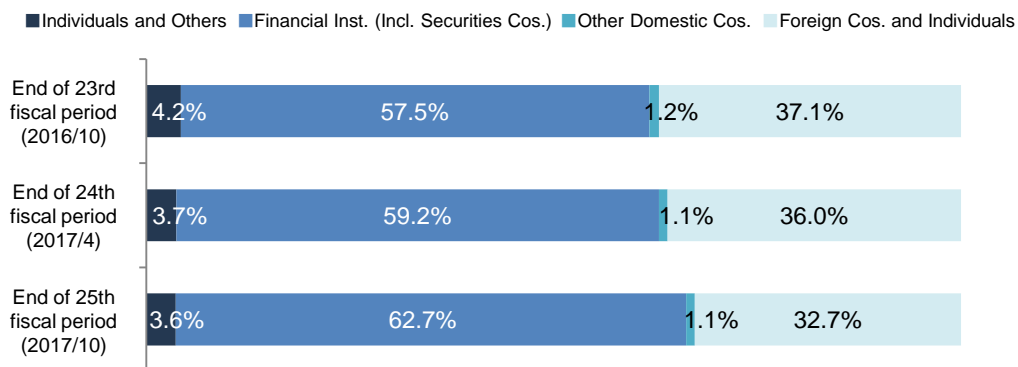
Note 1: Ratios for appraisal value vs book value and increase-decrease rate are rounded to the first decimal place

Note 2: Cap rates for subtotals and the entire portfolio are weighted averages based on appraisal values

Note 3: For the properties newly acquired in the 25th fiscal period (2017/10), appraisal values included in relevant appraisal report obtained at the time of acquisition are considered as appraisal values as of the end of the previous fiscal period in calculating change in appraisal value period over period

KDO unitholders (as of the end of the 25th fiscal period (2017/10))

Changes in unit holding ratio by type of unitholders (Note)



Number of unitholders

	End of 23rd fiscal period (2016/10)	End of 24th fiscal period (2017/4)	End of 25th fiscal period (2017/10)
	(person)		
Individuals and Others	5,693	5,209	5,056
Financial Inst. (Incl. Securities Cos.)			
City / Trust Bank	10	11	10
Regional Bank	23	21	21
Credit Union and Others	40	36	44
Life / Nonlife, Securities	22	20	23
Total	95	88	98
Other Domestic Cos.	112	100	104
Foreign Cos. and Individuals	264	243	252
Total	6,164	5,640	5,510

Top 10 unitholders (Note)

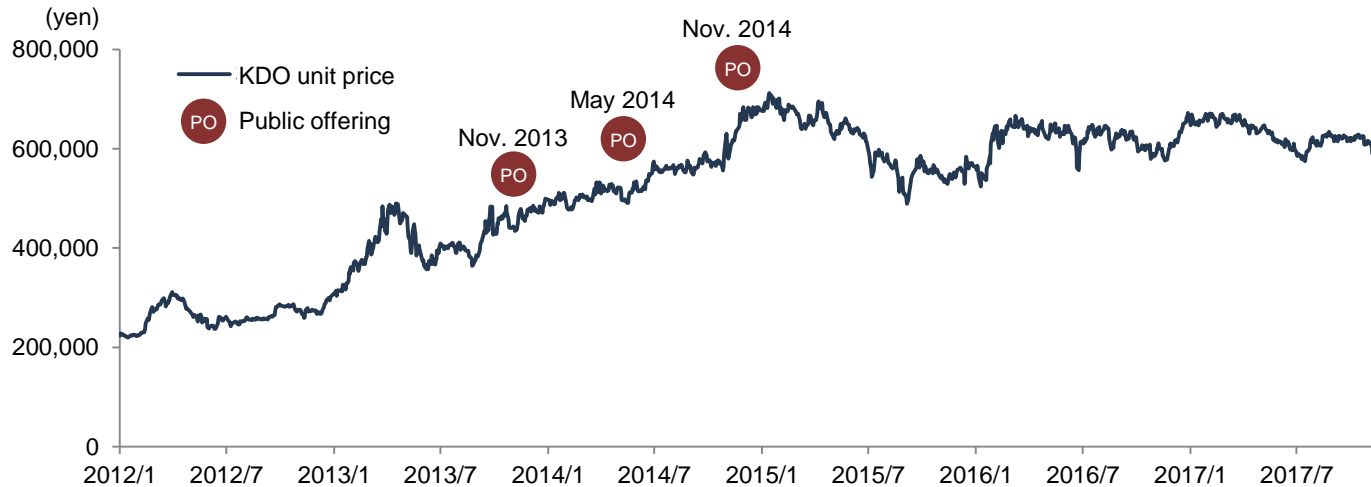
Name	# of units held (unit)	Percentage share
Japan Trustee Services Bank, Ltd. (Trust Acct.)	84,715	20.9%
The Master Trust Bank of Japan, Ltd. (Trust Acct.)	72,813	18.0%
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	34,297	8.5%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Acct.)	21,179	5.2%
State Street Bank and Trust Company 505012	11,742	2.9%
State Street Bank and Trust Company 505223	8,240	2.0%
State Street Bank and Trust Company	6,455	1.6%
DFA International Real Estate Securities Portfolio	6,064	1.5%
The Bank of New York Mellon SA/NV 10	5,752	1.4%
State Street Bank and Trust Company 505001	5,491	1.4%
Total	256,748	63.4%

Note: Ratios are rounded to the first decimal place

Historical changes in unit price

KDO unit price has continued to outperform TSE REIT Index

Historical changes in unit price (January 4, 2012 – November 30, 2017)



Inclusion into indices

- FTSE EPRA/NAREIT Global Real Estate Investors index

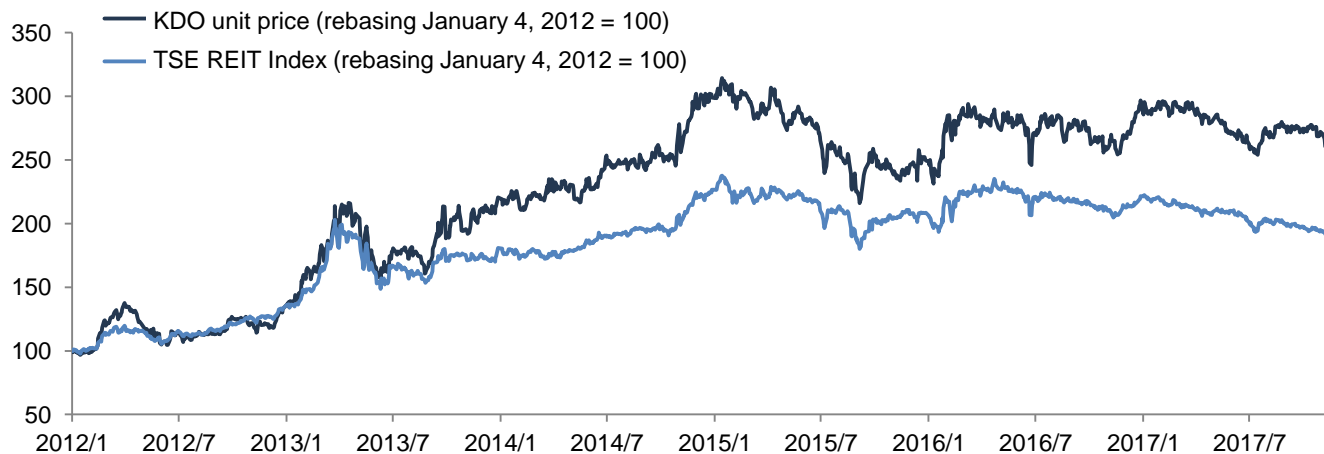


- S&P Global Property Index/
S&P Global REIT Index

S&P Dow Jones Indices

An S&P Global Division

Comparison between rebased unit price and TSE REIT Index (January 4, 2012 – November 30, 2017)



- Russell Global Index Series



Appendix 3

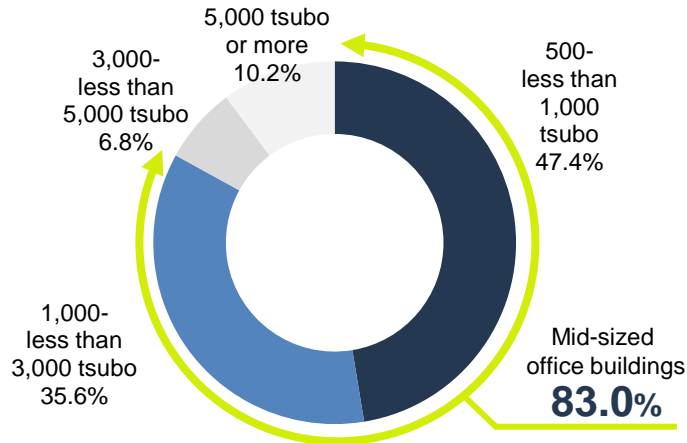
Characteristics of KDO

Characteristics of mid-sized office building market

A wide selection of prime properties available

Expected to generate stable rent revenues given a broad tenant base

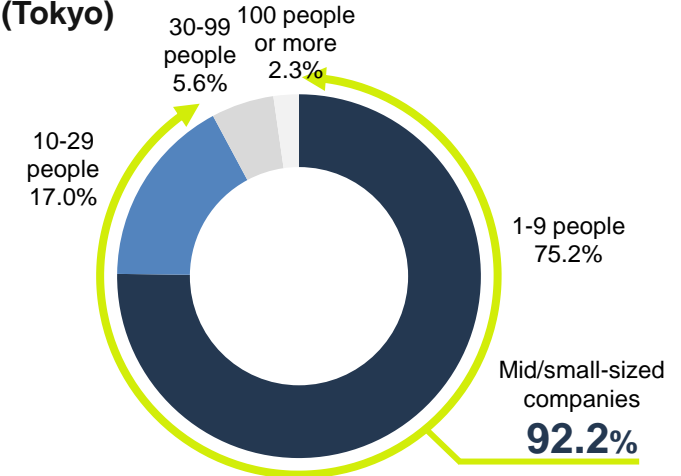
Office market by total floor area (proportion of number of buildings) (Note 1)



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 (as of the end of September 2016)

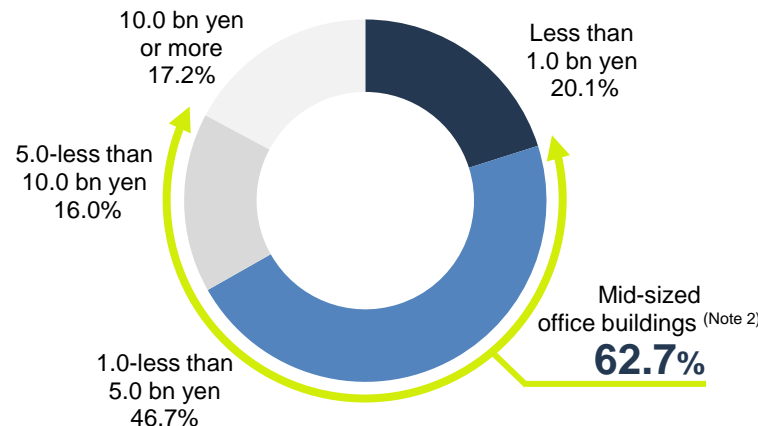
Source: Based on the survey CBRE conducted at the request of the Asset Management Company

Business office by the number of employees (Tokyo)



Source: Compiled by the Asset Management Company based on "2014 Economic Census for Business Frame Tokyo (revised results) (as of March 27, 2017)"

of office building transactions by transaction price

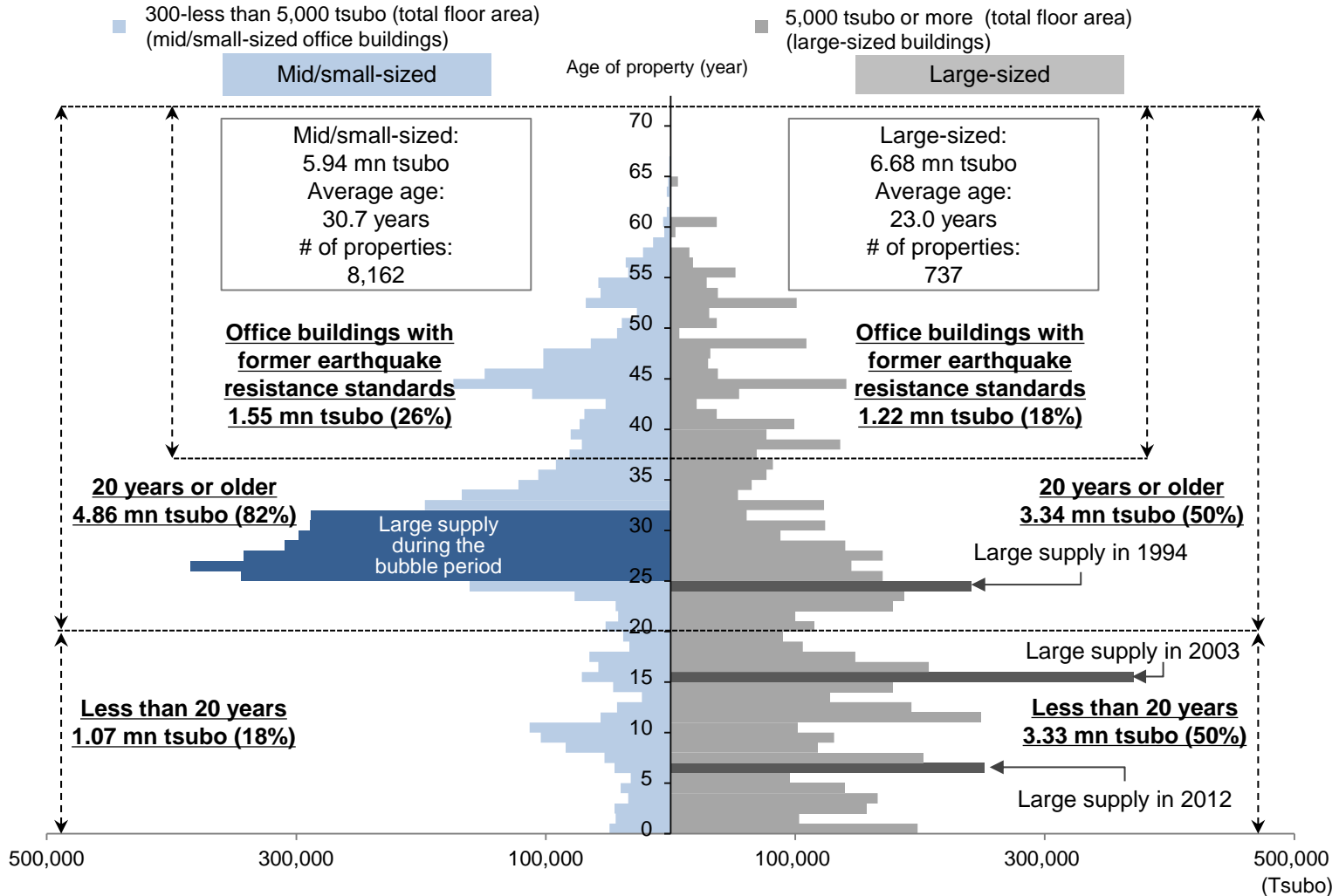


Note 2: The transaction prices of mid-sized office buildings are generally around 1.0 bn yen to 10.0 bn yen

Source: Compiled by the Asset Management Company based on "the number of office building transactions by transaction size (FY2006-FY2016)" from "Real Estate Transactions Study" by Urban Research Institute Corporation, a think tank of Mizuho Trust & Banking Co., Ltd.

Tokyo 23 wards office stock by size and age

Approx. 80% of mid/small-sized office buildings are 20 years or older; new supply is limited
 Proper repair/maintenance and management are important in order to keep mid/small-sized office buildings competitive

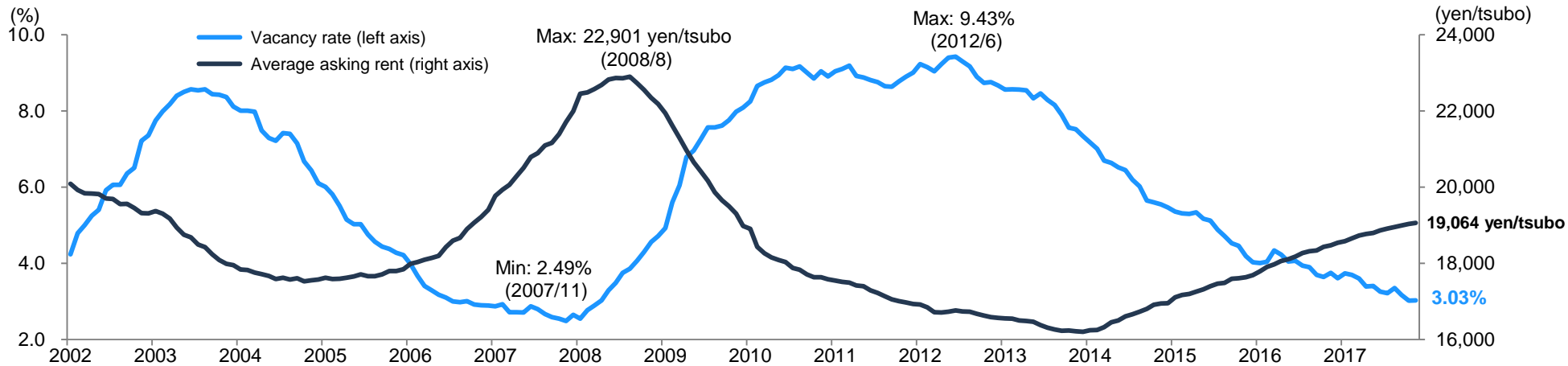


Source: Compiled by the Asset Management Company based on "Tokyo 23 Wards New Supply of Office Buildings & Office Pyramid 2018" published by XYMAX REAL ESTATE INSTITUTE Corporation on December 7, 2017

Office building market

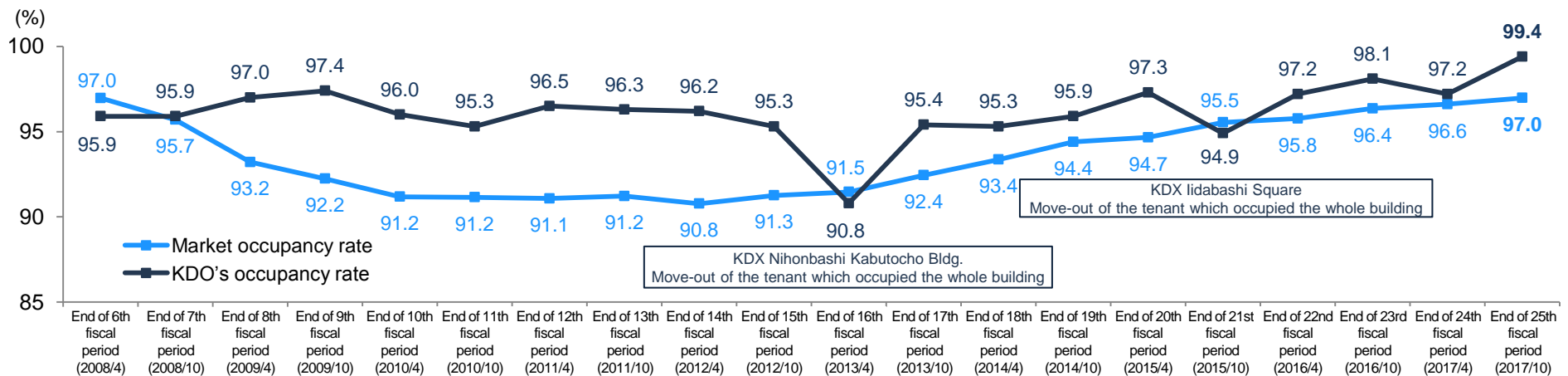
Rents for mid-sized office buildings are generally more stable than for large-sized office buildings

Change in asking rent and vacancy rate in Tokyo central 5 wards (Jan 2002 - November 2017) (Note 1)



Note 1: Include office buildings with a standard floor area of 100 tsubo or more in Tokyo business districts (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards)
 Source: Miki Shoji "Latest Office Building Markets in Tokyo (Central 5 wards)"

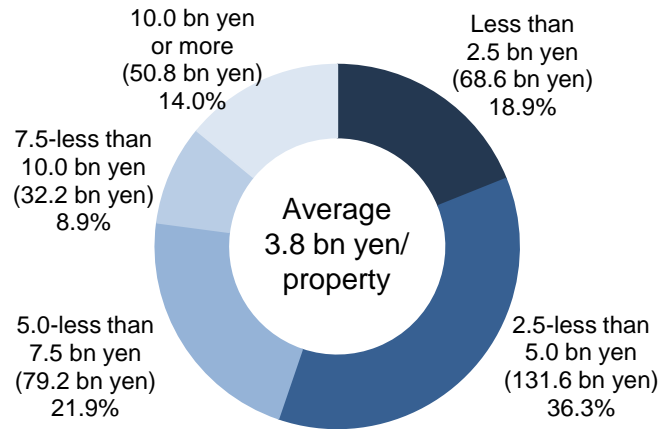
Comparison of occupancy rates of KDO office buildings and market average (Note 2) (Note 3)



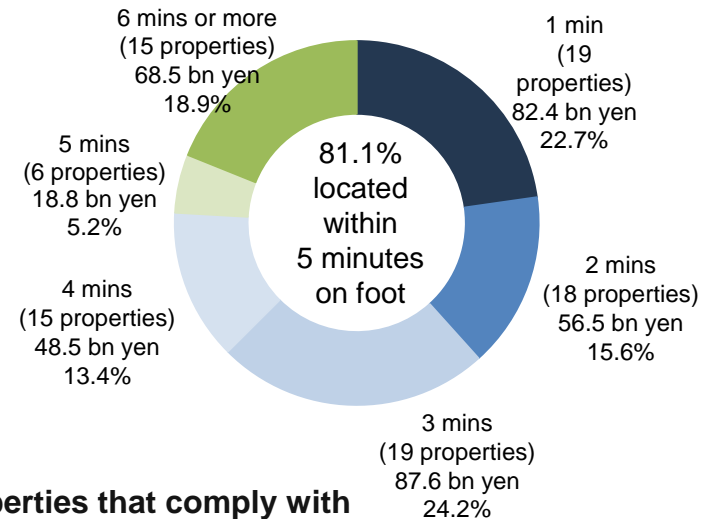
Note 2: Market occupancy rate refers to the average values of Tokyo central 5 wards for each corresponding month published by Miki Shoji
 Note 3: KDO's average occupancy rate refers to the weighted average occupancy rate of the office buildings in Tokyo central 5 wards that KDO owns as of the end of each fiscal period

Characteristics of KDO office buildings (as of the end of the 25th fiscal period (2017/10))

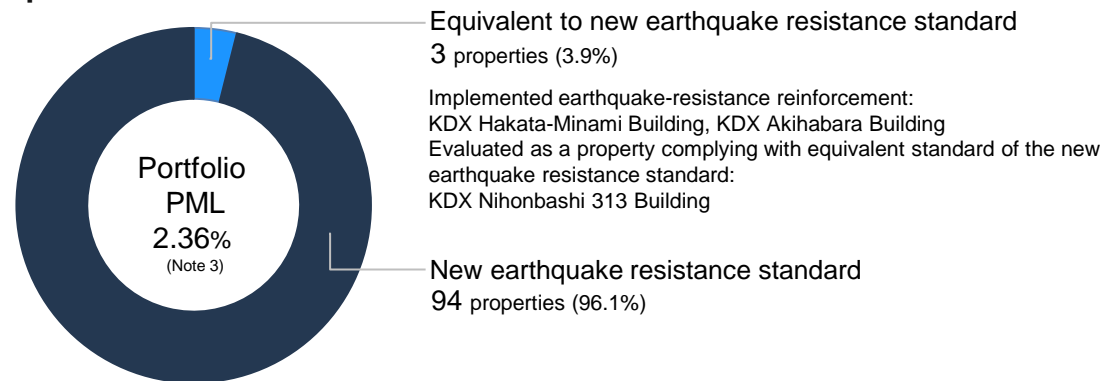
By acquisition price (based on acquisition price, office buildings)



By distance from the nearest station on foot (based on acquisition price, office buildings)



Percentage share of our properties that comply with new earthquake resistance standard (Note 1) (Note 2)



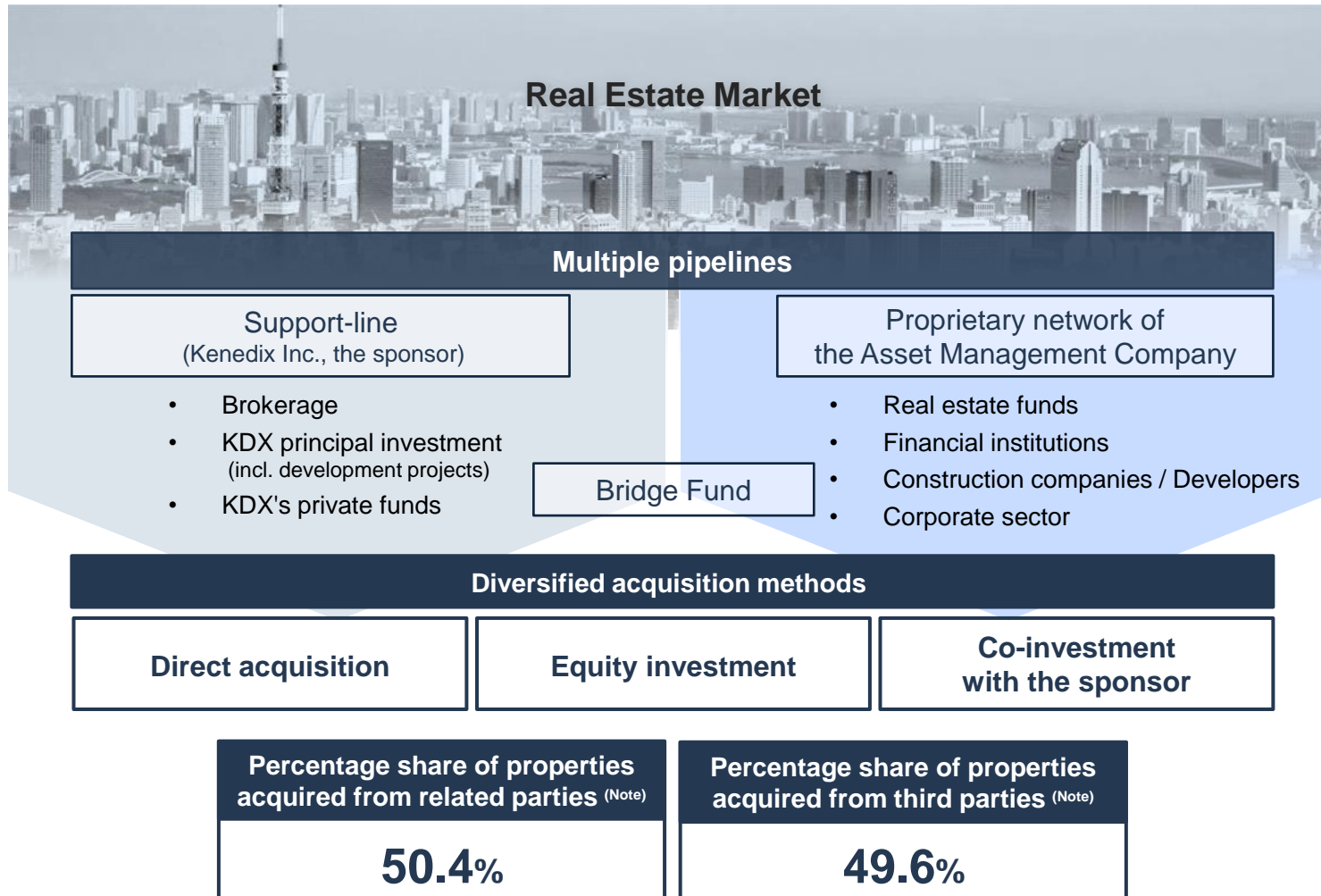
Note 1: "New Earthquake Resistance Standard" was formulated based on the revision of enforcement order of Building Standard Law in 1981 (cabinet order No. 144 on April 24, 1981). The anti-seismic performance of buildings has been greatly improved since the enforcement of the law due to the newly added provisions including the followings: New provision on tie-hoop ratio of Reinforced-Concrete Pillars (0.2% or more); 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 the end of the 25th fiscal period (2017/10). 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 November 2017 and is based on the research implemented by Sompo Risk Management & Health Care Inc. PML value is probable maximum loss ratio due to an 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 ratio of 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 a property (50 years = expected lifetime of general property), to replacement value of estimated restoration expenses

Property sourcing and acquisition methods

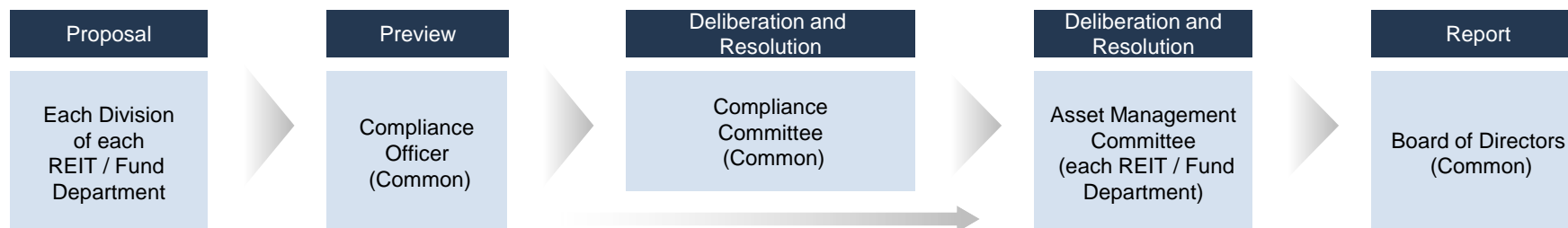
Our acquisition track record supported by our property sourcing network using multiple pipelines
 Surely capture a wide variety of acquisition opportunities through our diversified acquisition methods



Note: Percentage share of properties is calculated by sum of acquisition prices for each acquisition source divided by total acquisition price for the properties which KDO owns as of the end of the 25th fiscal period (2017/10). Figures are rounded to the first decimal place

Management structure of KFM

KFM's decision-making process



Constituent members of decision making body

	Compliance Committee	AM Committee (Office REIT Department)
President & CEO	●	
Compliance Officer	●	●
Director (full-time)	●	
Head of Office REIT Dept.		●
Head of Asset Investment Div., Office REIT Dept.		●
Head of Asset Management Div., Office REIT Dept.		●
Head of Planning Div., Office REIT Dept.		●
Head of Finance & Accounting Dept.		●
External member (lawyer)	●	
External member (real estate appraiser) ^(Note)		●

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

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

- KDO plans to submit proposals on changes to its Articles of Incorporation to its Ninth General Meeting of Unitholders to be held on January 23, 2018 in order to introduce a new asset management fee structure to further enhance the linkage with unitholder profits

	Current	After the changes ^(Note) (from the 27th fiscal period (2018/10))
Management fee I	0.15% of total assets	Total assets × 0.13%
Management fee II	3.0% of distributable amount each fiscal period	Distribution per unit each fiscal period × 23,000
Management fee III	—	Increase in distribution per unit × Number of outstanding investment units × 10%
Acquisition fee	0.5% of acquisition price (0.25% for related party transaction)	
Disposition fee	Capped at 0.5% of disposition price	

Note: It is assumed that an approval will be obtained at the Ninth General Meeting of Unitholders to be held on January 23, 2017

Outline of the Changes to the Asset Management Fee Structure

Highlight of the changes in the fee structure

- Reduce the rate to calculate the fee linked to total assets, and raise the rate to calculate the fee linked to earnings
- Introduce the fee structure based on distribution per unit to prevent dilution of investment units
- Newly establish incentives for stable growth of distribution per unit

	Current		After the changes ^(Note 1) (from the 27th fiscal period (2018/10))
Fee linked to total assets	<p>Asset Management Fee I</p> <p>Total assets × 0.15%</p>	Reduce the rate	<p>Asset Management Fee I</p> <p>Total assets × 0.13%</p>
Fee linked to earnings (dividends)	<p>Asset Management Fee II</p> <p>Distributable amount × 3.0%</p>	Enhance the linkage with unitholder profits	<p>Asset Management Fee II</p> <p>Distribution per unit ^(Note 2) × 23,000</p>
		Provide incentives (newly established)	<p>Asset Management Fee III</p> <p>Increase in distribution per unit ^(Note 3) × Number of outstanding investment units × 10%</p>

Note 1: It is assumed that an approval will be obtained at the Ninth General Meeting of Unitholders to be held on January 23, 2017

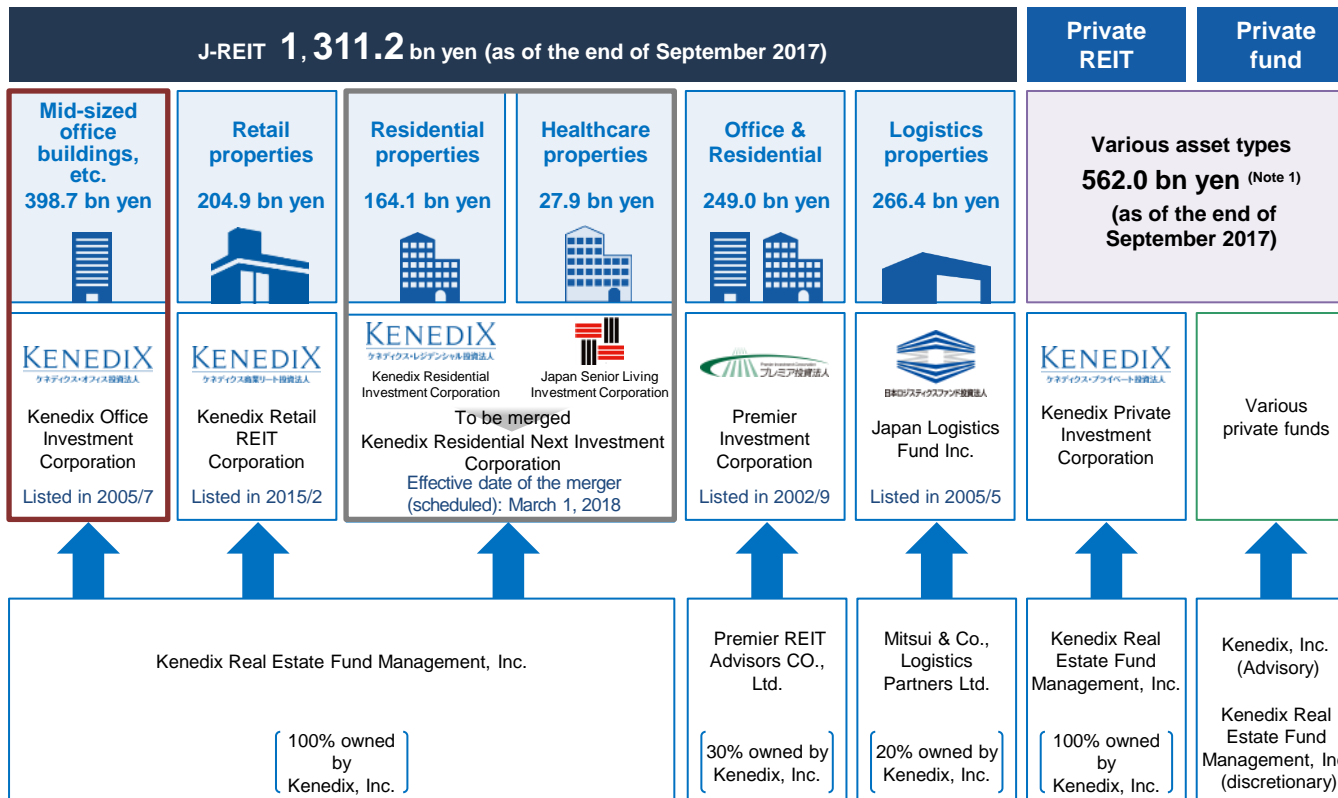
Note 2: Calculated by dividing the pre-tax income before deducting Asset Management Fees II and III by the number of outstanding investment units as of the end of the relevant fiscal period. In case there is a loss carried forward, the loss is deducted from the pre-tax income

Note 3: Obtained by subtracting simple average of DPU for the most recent four fiscal periods from DPU. If the amount subtracted does not exceed zero, the Asset Management Fee III shall be zero

Our sponsor

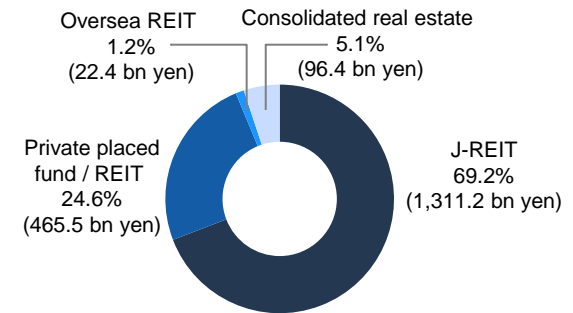
Total AUM of 1,895.7 billion yen, with more than 12 years in J-REIT management experience
One of major independent real estate investment companies in Japan, managing multiple J-REITs

Fund management by Kenedix Group



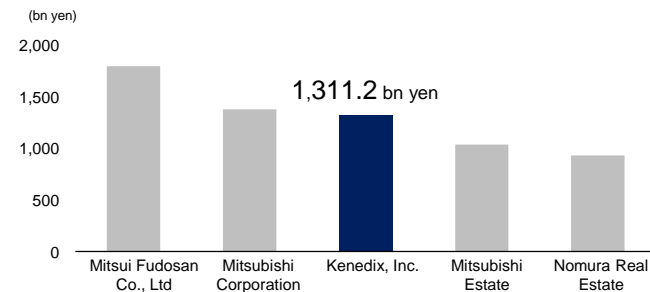
Kenedix Group's assets under management

Total **1,895.7 bn yen**
(as of the end of September 2017)



Source: Kenedix, Inc.

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

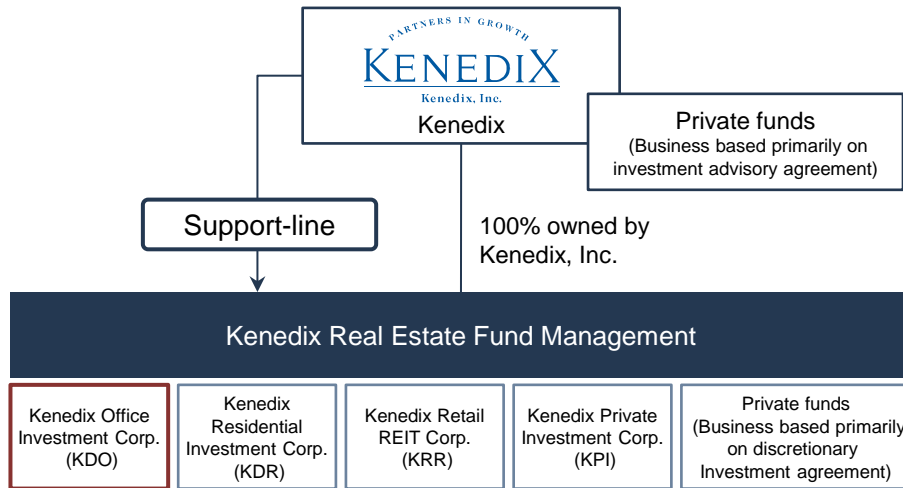


Note 1: Include consolidated real estate of 96.4 billion yen and exclude an overseas REIT of 22.4 billion yen
Note 2: AUM by major J-REIT sponsors is based on the asset size of each J-REIT (based on acquisition price) as of the end of September 2017
Note 3: "Major J-REIT sponsors" refer to the shareholders of J-REIT's asset manager, excluding trust banks, other financial institutions and the shareholders whose ownership ratio is less than 20%

Source: Compiled by the Asset Management Company based on the disclosure materials of each J-REIT as of the end of September 2017

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

Kenedix Group's fund management structure



KDO management guidelines (revised on December 1, 2017)

Targeting portfolio		Target investment ratio
Office buildings	Of office buildings, rental office buildings whose main use under the Building Standards Act is office and whose total floor area ^(Note 1) of the entire building fulfills the following: •Tokyo 23 wards: Total floor area 13,000 m ² or less •Outside Tokyo 23 wards: Total floor area 20,000 m ² or less	80%~100%
	Of office buildings, those that do not fall under the category of the above	
Central urban retail properties	Retail properties with high tenant substitutability located in highly bustling districts ^(Note 2)	0%~20%
Others	Land with third-party leasehold (limited proprietary right of land) or buildings with floor area whose use under the Building Standards Act is not subject to investment ^(Note 3) that are not office buildings or central urban retail properties	

Note 1: Total floor area of the entire building stated in the certificate of all registered matters

Note 2: Tokyo central 5 wards (Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku and Shibuya-ku in Tokyo 23 wards) or central parts of government-designated cities

Note 3: Residential properties, logistics and warehouse facilities, amusement parks, medical, nursing and health care-related facilities and golf courses

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	Total floor area per building (m ²)
Tokyo 23 wards	2,000 or more, 13,000 or less
Outside Tokyo 23 wards	3,000 or more, 20,000 or less

	Office REIT Dept. Kenedix Office Investment Corp.	Residential REIT Dept. Kenedix Residential Investment Corp.	Retail REIT Dept. Kenedix Retail REIT Corp.	Private REIT Dept. Kenedix Private Investment Corp.	Private Fund Dept. 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	-	2nd	-	1st	3rd

Note 1: Office building refers to a property or an asset backed by that 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 total floor area below 20,000 m² for Tokyo 23 wards and below 30,000 m² 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 December 14, 2017)

Organization chart



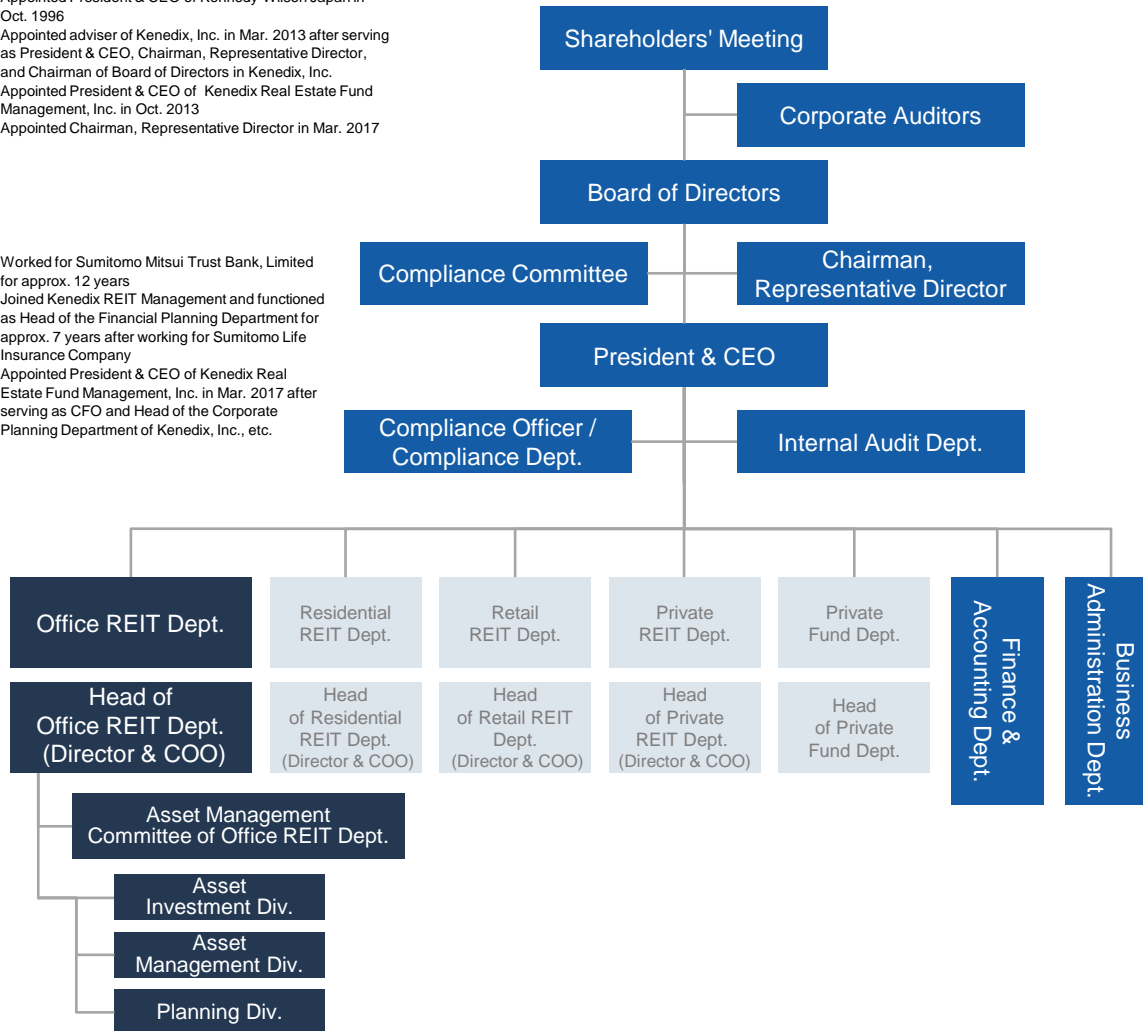
Ryosuke Homma
Chairman,
Representative Director

- Worked for Mitsubishi Corporation for approx. 26 years
- Appointed President & CEO of Kennedy-Wilson Japan in Oct. 1996
- Appointed adviser of Kenedix, Inc. in Mar. 2013 after serving as President & CEO, Chairman, Representative Director, and Chairman of Board of Directors in Kenedix, Inc.
- Appointed President & CEO of Kenedix Real Estate Fund Management, Inc. in Oct. 2013
- Appointed Chairman, Representative Director in Mar. 2017



Masahiko Tajima
President & CEO

- Worked for Sumitomo Mitsui Trust Bank, Limited for approx. 12 years
- Joined Kenedix REIT Management and functioned as Head of the Financial Planning Department for approx. 7 years after working for Sumitomo Life Insurance Company
- Appointed President & CEO of Kenedix Real Estate Fund Management, Inc. in Mar. 2017 after serving as CFO and Head of the Corporate Planning Department of Kenedix, Inc., etc.



Office REIT Division: Key members



Naokatsu Uchida
Director & COO,
Head of
Office REIT Dept.

- Worked for Mitsubishi UFJ Trust and Banking Corporation for approx. 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 Dept. for approx. 2 years
- Appointed Executive Officer of Kenedix Office Investment Corp. (to the present) after serving as President & CEO of Kenedix Office Partners, Inc.
- Appointed Director & COO, Head of Office REIT Dept. on Oct. 1, 2013



Akimitsu Uezu
Head of
Asset Investment Div.,
Office REIT Dept.

- Joined Investment Management Div., 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 Head of Asset Investment Div., Office REIT Dept. on Mar. 1, 2016 after having worked as Head of Asset Investment Div., Kenedix Residential Partners and Director of Space Design



Chisei Kajii
Head of
Asset Management Div.,
Office REIT Dept.

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



Jiro Takeda
Head of
Planning Div.,
Office REIT Dept.

- Worked for Sumitomo Mitsui Trust Bank, Limited for approx. 7 years
- Joined Kenedix as Head of Fund Management Div. 1 and functioned for approx. 3 years in that position after working for Sanko Estate Co., Ltd., GMAC Commercial Mortgage Japan, K.K. and Hudson Japan, K.K.
- Appointed Head of Planning Div., Office REIT Dept. on Mar. 29, 2017



Tetsushi Ichikawa
Head of
Finance & Accounting Dept.,
Business Administration Dept.

- Worked for Sumitomo Mitsui Trust Bank, Limited. for approx. 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 Co., Ltd.
- Appointed Head of Finance & Accounting Dept. on Oct. 1, 2013 after serving as Head of Finance Group for Kenedix Residential Partners, Inc.
- Appointed Head of Business Administration Dept. on Apr. 1, 2015 (concurrent)

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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.

KENEDIX

Office Investment Corporation