

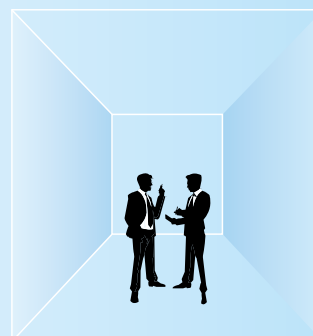


SEMIANNUAL
R E P O R T

26th Fiscal
Period

NOVEMBER 1, 2017- APRIL 30, 2018

About **KDO**



Kenedix Office Investment Corporation (KDO) is a dynamic and proven J-REIT focusing on investments in mid-sized office buildings in the Tokyo metropolitan area. Since listing on the Tokyo Stock Exchange (8972), KDO has deployed tactful property acquisition strategies in accordance with the real estate market environment. Through steady expansion, KDO's portfolio has grown from 31 properties with a total acquisition price of ¥69 billion to 97 properties with a total acquisition price of ¥407 billion in April 2018.

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



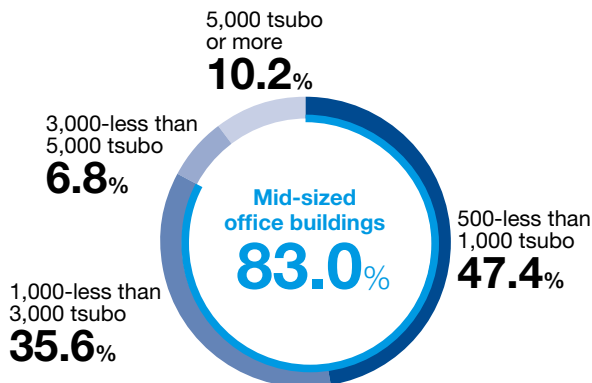
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CHARACTERISTICS OF MID-SIZED OFFICE BUILDING MARKET

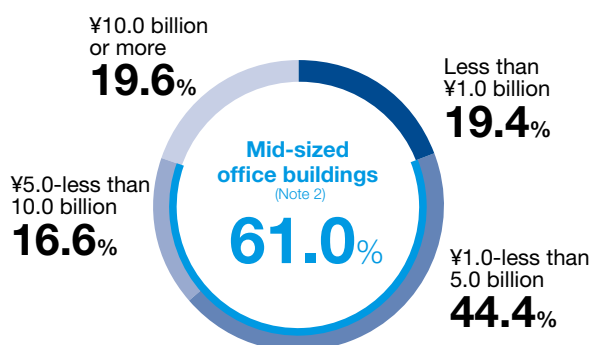
Office market by total floor area (proportion of number of buildings) (Note 1)



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

Note 1: The above data is the proportion of number of buildings based on size. It covers rental office buildings located in Tokyo central 5 wards that were surveyed by CBRE (as of the end of September 2016).

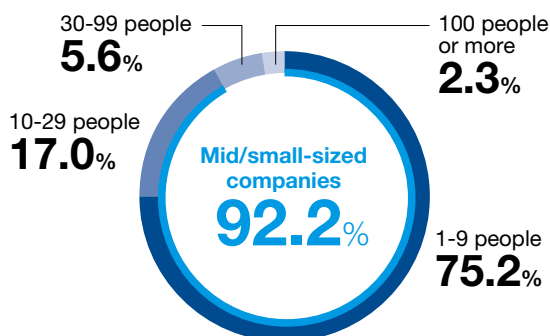
of office building transactions by transaction price



Source: Compiled by the Asset Management Company based on "the number of office building transactions by transaction size (FY2006-FY2017)" from "Real Estate Transactions Study" by Urban Research Institute Corporation, a think tank of Mizuho Trust & Banking Co., Ltd.

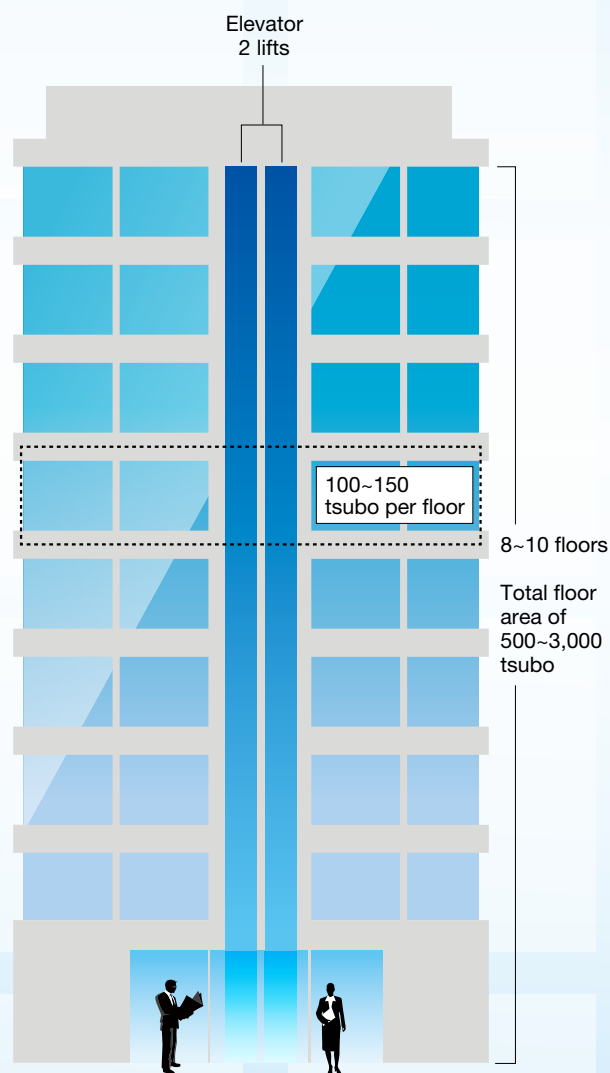
Note 2: The transaction prices of mid-sized office buildings are generally around ¥1.0 billion to ¥10.0 billion.

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)".

Image of a typical mid-sized office building



AT A GLANCE

Percent figures in brackets indicate period over period changes.

External growth

Effects of asset reshuffle through mutual transaction

Gain on sale of real estate

¥1,090 million

Increase in NOI after depreciation

+¥258 million

Rejuvenation of average building age

12.2 years

Internal growth

Increase in actual occupancy rate

End of the 26th fiscal period (owned office buildings)

98.0%
(+1.5%)

Occupancy rate (contracted area based): 99.1%

Ratio of upward rent revision (by contract)

25th fiscal period 26th fiscal period

16.9% → 24.7%

Increase by rent revision

Total monthly rent of the 26th fiscal period
(increased portion)

+¥6.8 million

Financial strategy

LTV (interest-bearing debt ratio)

End of the 26th fiscal period (Apr. 2018) Estimate after the public offering

43.9% → 42.3%

Average interest rate on interest-bearing debt

End of the 26th fiscal period

1.07%
(-0.03%)

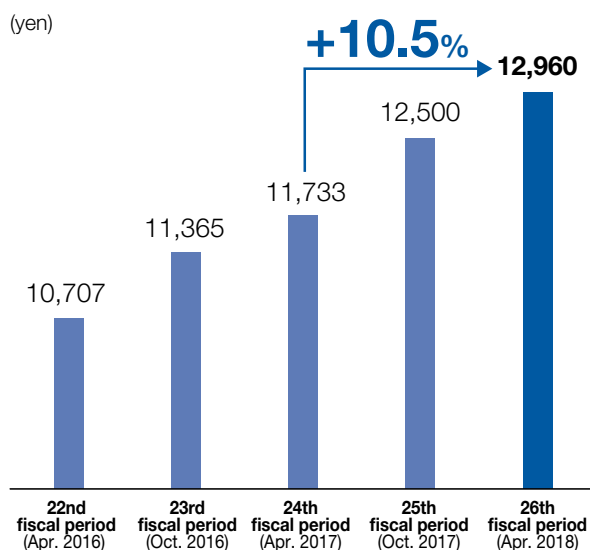
Average remaining period to maturity on interest-bearing debt

End of the 26th fiscal period

5.2 years
(+0.2 years)

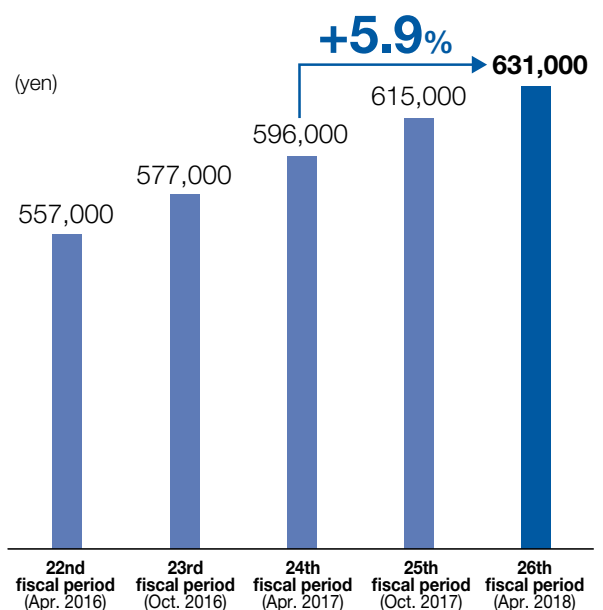
■ DPU history ^(Note 1)

Raised dividend by approx. 10% year over year in the 26th fiscal period (Apr. 2018).



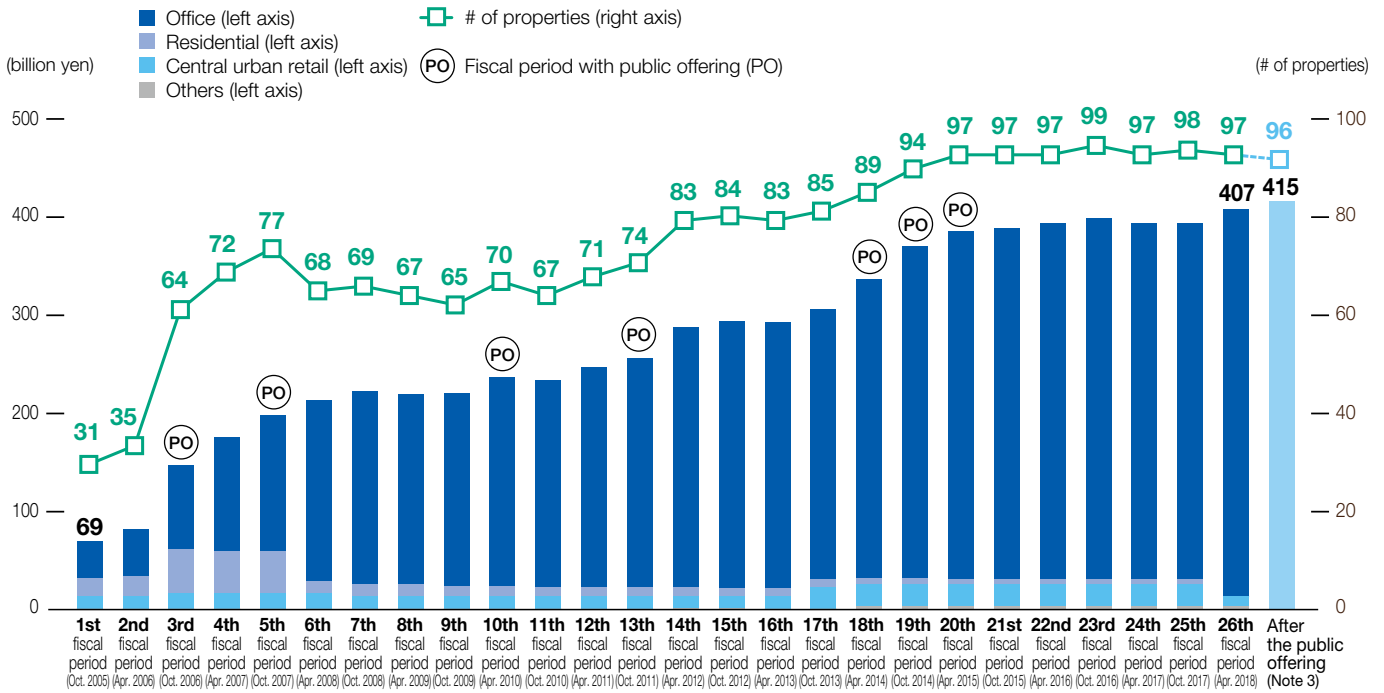
Note 1: Figures are calculated based on the number of investment units issued and outstanding as of the end of each fiscal period.

■ Changes in NAV per unit ^(Note 2)



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

Portfolio growth (based on total acquisition price) and the number of properties (Note 1) (Note 2)

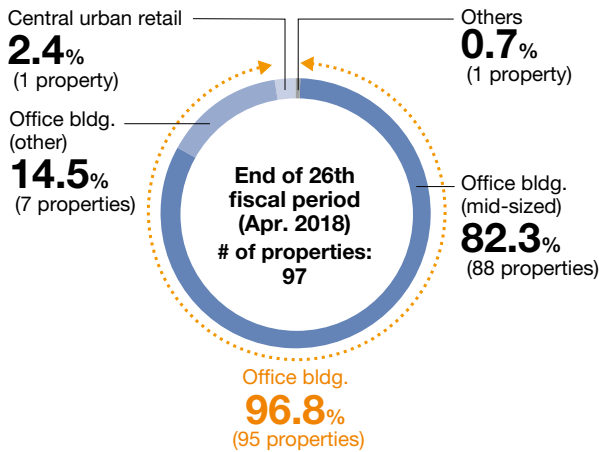


Note 1: The amount and the number of properties are shown as of the end of each fiscal period. Figures are truncated to the nearest billion yen.
 Note 2: Classification by use of owned properties has been changed from the 26th fiscal period (Apr. 2018) due to changes in the management guideline on December 1, 2017. The same applies hereinafter.
 Note 3: Calculated by adding the acquisition price of CROSS PLACE Hamamatsucho, the property acquired, and subtracting the acquisition price of KDX Hamamatsucho Dai-2 Building and Frame Jinnan-zaka, the properties (to be) sold, to/from the total acquisition price at the end of the 26th fiscal period (Apr. 2018)

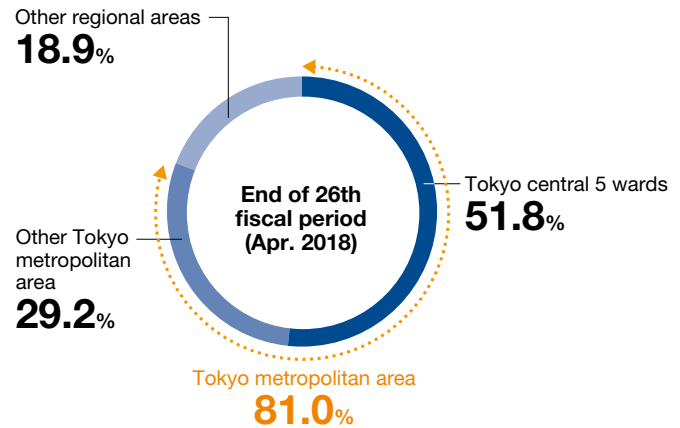
Portfolio diversification

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

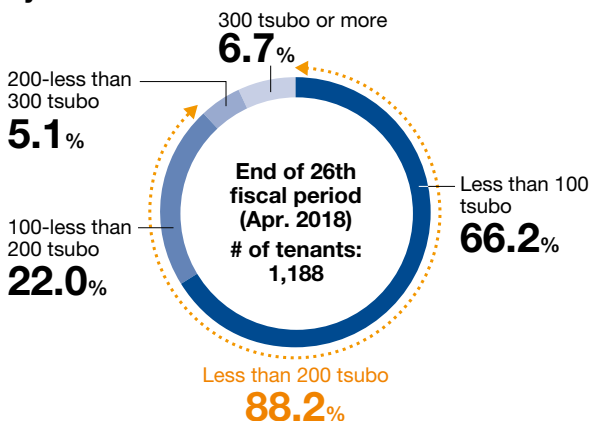
Breakdown by asset type (Note 1)



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).
 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.

The image shows a close-up, low-angle shot of a wood-paneled wall. The word "KENEDIX" is mounted on the wall in large, white, three-dimensional, serif capital letters. The wall has a vertical wood grain and is illuminated from above, creating a warm, golden glow. The background to the left shows a modern office interior with a blue ceiling and recessed lighting.

KENEDIX

We aim to realize sustainable growth by building a robust and profitable portfolio.



Jiro Takeda

Director & COO, Head of Office REIT Department,
Kenedix Real Estate Fund Management, Inc.

We continued to deliver solid results in the 26th fiscal period (Apr. 2018) as well as previous fiscal period.

In May 2018, we made our first public offering in three and a half years*.

* May 2018 public offering, which included a third-party allocation in June 2018. The same applies hereinafter.

Kenedix Office Investment Corporation (KDO) continued to perform solidly in its 26th fiscal period, the six months ended April 30, 2018, as well as previous fiscal period. Distributions per unit (DPU) for the fiscal period were ¥12,960, being higher than the initially projected ¥12,900. As in the previous term, distribution growth was roughly 10% year over year.

Due to an asset reshuffle during the fiscal period under review, we posted approximately ¥550 million in gain on sale of real estate and put the entire amount into the reserve for reduction entry. We plan to continue leveraging the reserve for reduction entry to maintain stable distributions and help realize sustainable growth.

During the fiscal period, we endeavored to drive external growth by continuing to invest selectively and reshuffle assets, thereby enhancing our portfolio profitability and quality. We dispersed and improved locations of assets by reshuffling assets in Shibuya and Yokohama and completed a sale of residential property that was a non-core asset. As a result of this process, we expect to increase net operating income (NOI) by ¥520 million, improve appraisal profit/loss by ¥560 million, and secure ¥550 million in gain on sale.

On the internal growth, we continued to increase rent revenues by boosting actual occupancy rates that exclude free rent area and by raising unit rent. With lower rates of tenants vacating properties and the gradual expiration of free rent period, the gap between office building occupancy rates and actual occupancy rates shrank to 1.1 percentage points at the end of the 26th fiscal period (April 30, 2018). Rent increases flowed over into the regional economy, with upward rent revisions continuing.

In addition, we maintained a stable financial position, and were able to cut interest rate costs while prolonging remaining period to maturity.

In May 2018, during the 27th fiscal period, the six months ending October 31, 2018, we procured approx. ¥14.7 billion in our first domestic public offering in three and a half years. We were thereby able to reshuffle assets through a mutual transaction with a general business corporation group in Japan.

We acquired CROSS PLACE Hamamatsucho through the mutual transaction. This recently constructed building in central Tokyo is less than five minutes walk from Daimon and Onarimon subway stations and is also close to JR Hamamatsucho Station. The seismically isolated building employs emergency generators that can run for 72 hours, making it very comparable to the latest large buildings. The standard floor space of just over 1,000 square meters can be divided into three zones to enable floor plans that flexibly accommodate diverse tenant needs.

There are numerous small and medium-sized buildings in the Hamamatsucho and Shibakoen areas. The proportion of office buildings supplied since the 2000s has been small. This property is comparatively larger among other mid-sized office buildings and is one of the few relatively-new ones in the area, giving us great competitiveness.

As part of the mutual transaction, we sell Frame Jinnan-zaka, a central urban retail property, and KDX Hamamatsucho Dai-2 Building, a smaller, older office building. We thereby expect to realize approx. ¥1.09 billion in gain on sales of these properties.

The mutual transaction is very significant because it increases the proportion of office buildings in our investment portfolio and our NOI while lowering the average age of our properties.

The public offering reduced our loan-to-value (LTV) ratio to an estimated 42.3% from the end of the 26th fiscal period (April 30, 2018) of 43.9%. In the case of LTV 45% limit, we would expect to secure a borrowing capacity to acquire properties of approx. ¥21.5 billion.



We will drive external growth by continuing to invest selectively and reshuffle assets while leveraging borrowing capacity to acquire properties. On the internal growth, we aim to keep increasing unit rent.

We will harness our strength as an independent entity in ongoing efforts to find new properties while identifying changing office needs to provide new office environments.

As for the external growth, we expect transaction valuations in the office building market to remain high, limiting opportunities to purchase properties at reasonable prices. We will accordingly liaise with our sponsor Kenedix, Inc. and employ our own network to identify the few attractive properties available. We will draw on borrowing capacity to acquire properties obtained from the public offering to continue investing selectively and reshuffling assets.

On the internal growth, we aim to deploy various measures to keep increasing unit rent. Occupancy levels are near full, so the revenue impact of tenant turnover would be limited. We nonetheless believe that continuous increases in market rents due to still low-level vacancy rate of office buildings in major cities will offer scope for focusing on revising rents upward.

As in the past, we will continue to boost tenant satisfaction by undertaking construction work that enhances the value and competitiveness of our properties. At the same time, we will properly explain the divergence between current and market rents to existing tenants to ensure that steady rental increases are acceptable for them.

Our financial strategy is to maintain our conservative financial management approach and lower interest costs.

These efforts shall enhance unitholder value.

In the three and a half years through to the end of the 26th fiscal period, we acquired 20 properties for a total of ¥98.7 billion. We also sold 17 properties whose initial acquisition prices totaled ¥61.4 billion.

We have been able to generate such solid results because of the independence of the Kenedix Group and due to of the professionalism of our experts from diverse career backgrounds, particularly in finance and real estate. We are proud of all of them.

We will further harness our wide-ranging network and focus on uncovering new deals. As well, we will continue to invest selectively and reshuffle assets to enhance the profitability and quality of our portfolio.

As circumstances surrounding us, work practice reforms, work-life balance, telework, thin clients, and shared and satellite offices are among the myriad developments that are rapidly transforming operational and employment landscapes. We aim to properly identify such changes and explore how office buildings can meet contemporary needs. In doing so, we will apply our insights to building management and to providing new types of office buildings.

In Hamamatsucho, where CROSS PLACE Hamamatsucho is located, there are a number of offices of companies that develop business throughout Japan and Tokyo branch offices of those headquartered in regional areas, since the area has easy access to Tokyo Station and Shinagawa Station on the Tokaido Shinkansen, and Haneda Airport, etc.



Yields are calculated as follows and 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 acquisition price
- Estimated NOI yield after depreciation: Calculated by dividing estimated NOI after depreciation (estimated NOI – estimated depreciation expenses) by 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 acquisition price
- NOI yield after depreciation (actual): Calculated by dividing the sum of the rental operating income (NOI after depreciation (actual)) for the 24th (Apr. 2017) and 25th (Oct. 2017) fiscal periods by acquisition 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


A SERIES OF INITIATIVES IN THE 26TH FISCAL PERIOD (APR. 2018)

Continuously enhanced portfolio quality and profitability through tactful disposition and selective investment. Increase in NOI after depreciation and enhancement of appraisal profit expected through a series of initiatives.

Acquisition

Acquisition of mid-sized office building through support from sponsor

- Acquired a mid-sized office building with strong competitive advantage as a part of portfolio restructuring in Yokohama area.

	Acquisition price	¥9,500 million
	Appraisal value (as of April 30, 2018)	¥9,860 million
	Estimated NOI yield	4.1%
	Estimated NOI yield after depreciation	3.0%
	Appraisal NOI yield	4.6%

Disposition


Disposition through asset reshuffle within the area

- Disposition through asset reshuffle aimed for regional diversification and locational improvement, securing gain on sale from 2 properties.

	Total disposition price	¥4,830 million
	Total book value	¥4,574 million
	Total appraisal value (as of October 31, 2017)	¥4,130 million
	Average NOI yield after depreciation (actual)	3.4%


Joint acquisition with Kenedix group

- Joint acquisition with Kenedix Private Investment Corporation and Kenedix, Inc.'s private fund.

	Acquisition price	¥14,720 million
	Appraisal value (as of April 30, 2018)	¥14,900 million
	Estimated NOI yield	4.0%
	Estimated NOI yield after depreciation	3.5%
	Appraisal NOI yield	4.4%

Disposition of a non-core asset

- Secured gain on sale through disposition of a non-core asset (residence) with low profitability.

	Disposition price	¥4,900 million
	Book value	¥4,481 million
	Appraisal value (as of October 31, 2017)	¥4,900 million
	NOI yield after depreciation (actual)	2.2%

Total acquired

Total acquisition price **¥24.2 billion**

Estimated NOI after depreciation **¥0.7 billion**

Total appraisal profit **¥0.5 billion**

Total sold

Total acquisition price **¥9.9 billion**

NOI after depreciation (actual) **¥0.2 billion**

Total appraisal loss **¥0.02 billion**

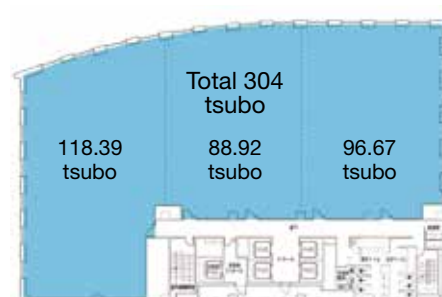
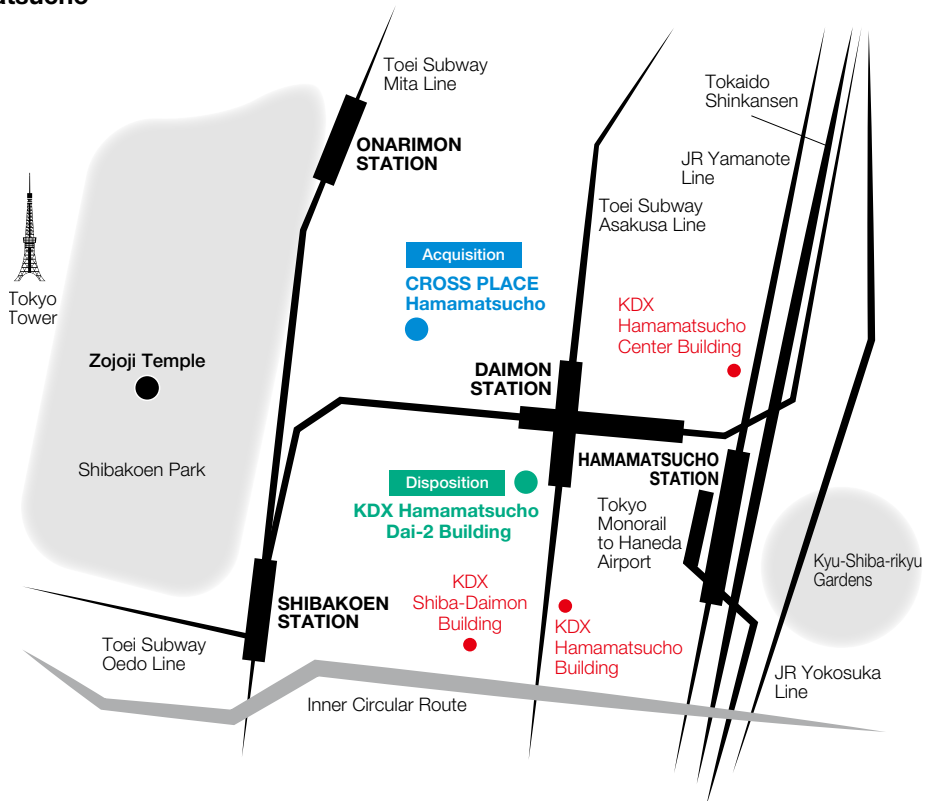
Effects through a series of initiatives

Increase in NOI after depreciation
¥0.5 billion

Enhancement of appraisal profit/loss
+¥0.5 billion

Gain on sale of real estate
¥0.5 billion

Overview of CROSS PLACE Hamamatsucho



- Accessible by multiple train routes with traffic convenience in about 3 minutes from Daimon Station, about 4 minutes from Onarimon Station and about 7 minutes from Hamamatsucho Station on foot.
- An office building with a 72-hour emergency power generator and a quake-absorbing structure that reduces shocks of an earthquake.
- Standard floor area of about 304 tsubo; flexible floor plan which can be divided into three, adjusting to various tenant needs.

Acquisition price	¥20,700 million
Appraisal value, (as of March 31, 2018)	¥22,400 million
Estimated NOI yield	3.7%
Estimated NOI yield after depreciation	3.0%

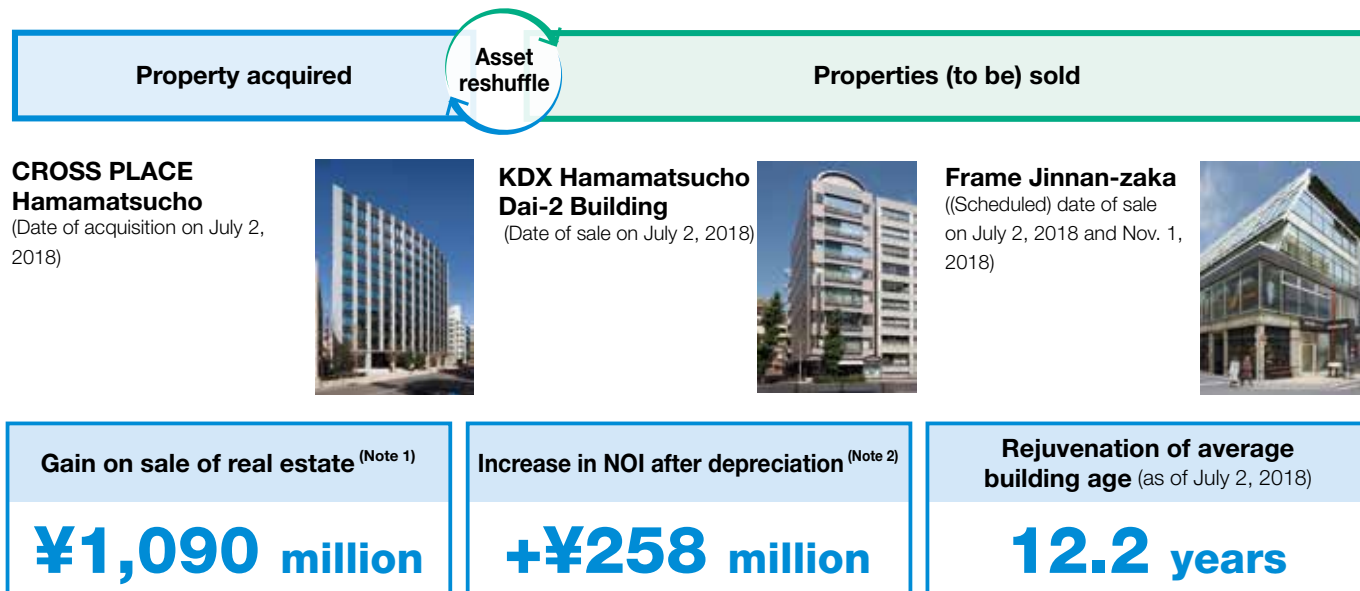
Appraisal NOI yield	3.9%
Completion date	February 2015
Occupancy rate	100%
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PLANNED ASSET RESHUFFLE IN AND AFTER THE 27TH FISCAL PERIOD (OCT. 2018)

Asset reshuffle unique to KDO with an abundant track record of mutual transactions with multiple developers, etc.

Asset reshuffle through mutual transactions

- Dispose of a central urban retail property and a relatively old small-sized office building and acquire a relatively new property in central Tokyo through mutual transaction with a domestic general business corporation group.



Note 1: The gain on sale is the estimate based on the estimated book value and expenses of the sale. With regards to Frame Jinnan-zaka, the sale of 49.0% of quasi co-ownership interest was executed on July 2, 2018 and the remaining 51.0% is to be executed on November 1, 2018. The total of the gain on sale is stated while each figure to be recognized in the 27th fiscal period (Oct. 2018) and in the 28th fiscal period (Apr. 2019), respectively.

Note 2: The difference between estimated NOI after depreciation of the property acquired and the sum of the rental operating income of the 25th fiscal period (Oct. 2017) and the 26th fiscal period (Apr. 2018) of the properties (to be) sold.

SUMMARY OF THE MAY 2018 PUBLIC OFFERING

Secured the acquisition funds through the public offering and achieved the above transaction that enhanced the quality of the portfolio.

Summary of the public offering

Offering structure	Domestic public offering	Paid-in value (issue amount)	¥625,209
Number of investment units issued and outstanding before the offering	404,885 units	Aggregate paid-in value (total issue amount)	¥14,770 million (incl. third-party allotment)
Total number of new investment units issued	23,625 units (incl. third-party allotment)	Launch date	May 14, 2018
Number of investment units issued and outstanding after the offering	428,510 units (incl. third-party allotment)	Pricing date	May 21, 2018
Issue price	¥646,425	Payment date	Public offering: May 28, 2018 Third-party allotment: June 15, 2018

Effects of the public offering

- Acquisition of a prime property in central Tokyo through mutual transaction.
- Stable growth of DPU and increase of reserve for reduction entry by utilizing gain on sale.
- Generation of borrowing capacity to acquire properties due to a decrease in LTV level and securement of flexibility for selective investment.

<p>DPU growth 25th Fiscal Period to 27th Fiscal Period</p> <p>Per unit</p> <p>+5.6%</p>	<p>Reserve for reduction entry Total of 27th / 28th Fiscal Periods</p> <p>+¥0.6 billion</p>	<p>LTV after the public offering</p> <p>42.3% (-1.6% against 26th fiscal period)</p>	<p>Borrowing capacity to acquire properties (in the case of LTV45% limit)</p> <p>Approx. ¥21.5 billion</p>
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98.0%

as of the end of the 26th fiscal period

Actual Occupancy Rate

96.5%

as of the end of the 25th fiscal period

Internal Growth

Changes in occupancy and turnover ratio for office buildings

Rent trend upon tenant turnover for office buildings

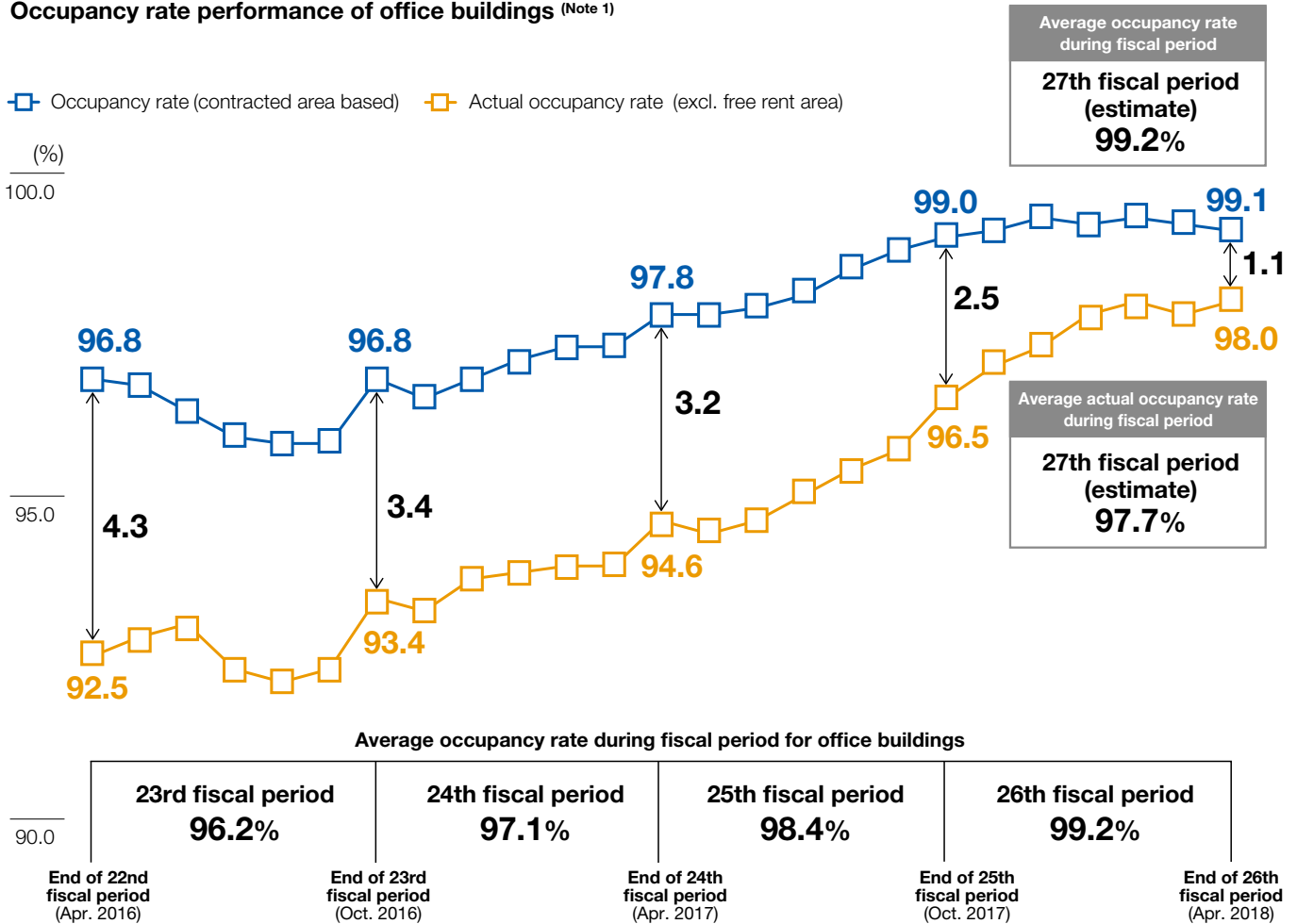
Status of rent revisions with existing tenants

Construction expense (actual/budget)

CHANGES IN OCCUPANCY AND TURNOVER RATIO FOR OFFICE BUILDINGS

Actual occupancy rate further improved due to low turnover ratio and gradual expiration of free rent periods.

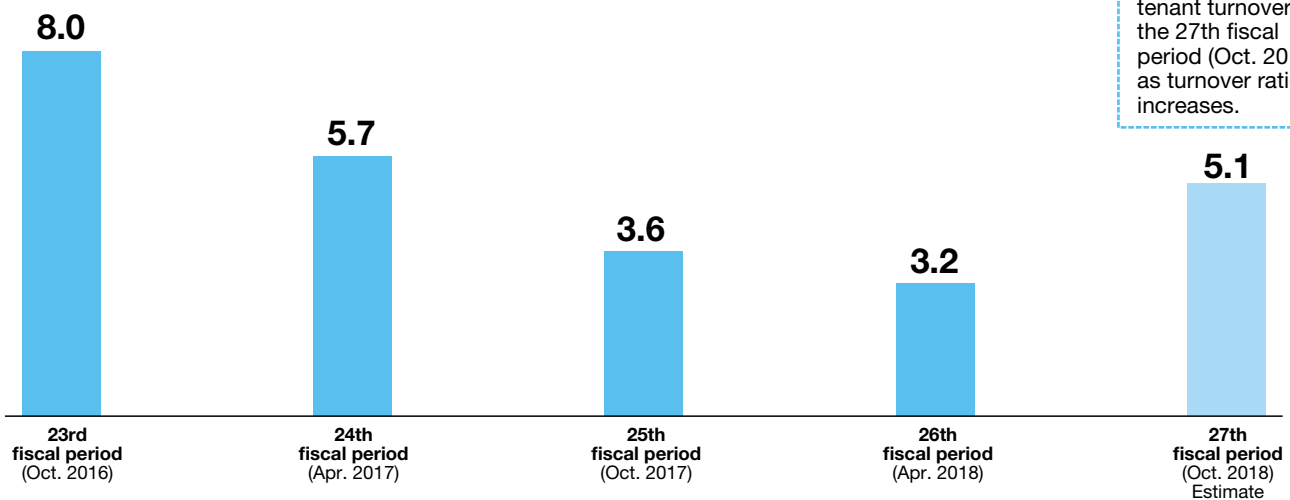
Occupancy rate performance of office buildings (Note 1)



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

- No turnover of major tenants (cancelled floor of over 1,000 tsubo) is expected for both the actual and the estimate.

(%)



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 subtracting free rent area from leased area then dividing that 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 office buildings during each period. The estimated average occupancy rate for the 27th fiscal period (Oct. 2018) 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 their lease agreements during the six-month period from the beginning to the end of each period) / (Average leasable area of all office buildings owned by KDO as of each month-end during the relevant period) x 2. Figures are rounded to the first decimal place.

Note 3: Estimate for the 27th fiscal period (Oct. 2018) is based on the cancellation notice, etc., received by May 31, 2018.

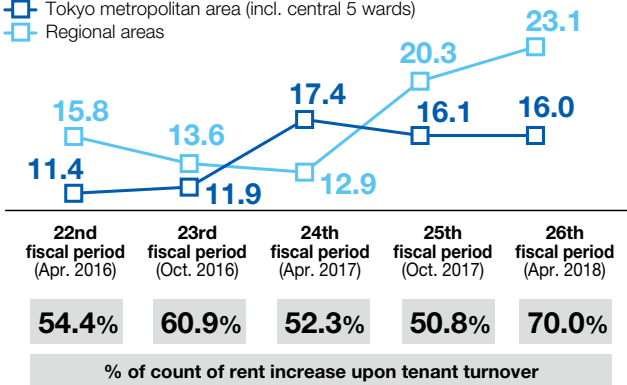
RENT TREND UPON TENANT TURNOVER FOR OFFICE BUILDINGS

Increase rate in unit rent for new lease contracts in regional areas has been on the rise backed by a favorable rental property market.

Increase rate in unit rent upon tenant turnover (Note)

(%)

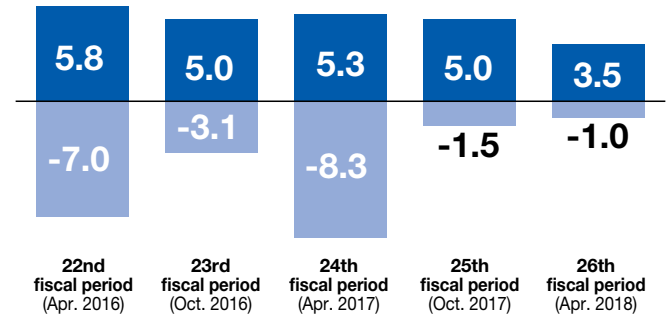
- Tokyo metropolitan area (incl. central 5 wards)
- Regional areas



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

(million yen)

- Total amount of increase in rent
- Total amount of decrease in rent



Note : Total amount of increases/decreases in monthly rent before and after rent revision for each fiscal period is respectively aggregated for the spaces where rents paid by new tenants and by previous tenants can be compared. The increase rate in unit rent is calculated by comparing previous unit rents and new unit rents paid by new tenants for the contracts of which the rent has increased.

STATUS OF RENT REVISIONS WITH EXISTING TENANTS

Increasing trend in the percentage of count of upward rent revisions due to the spread of existing tenants' awareness of upward market rent trend.

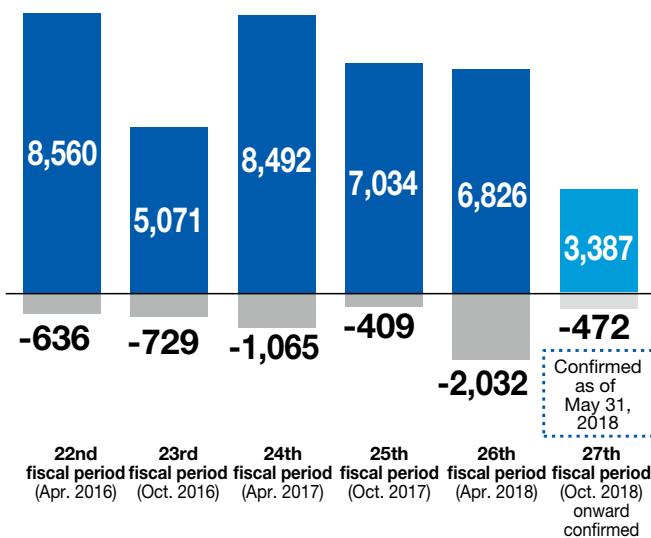
Upward rent trend seen in areas other than the Tokyo central 5 wards, with upward rent revisions on a steady increase every period.

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

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

(thousand yen)

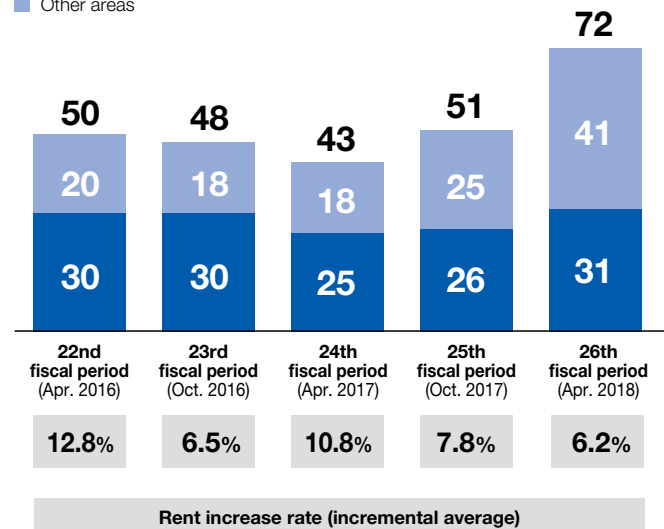
- Increase in rent
- Decrease in rent



Changes in count of rent increases and rent increase rate (Note 2)

- Count of rent increases prominently increased in areas other than the Tokyo central 5 wards.

- Tokyo central 5 wards
- Other areas



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

Note 2: 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.

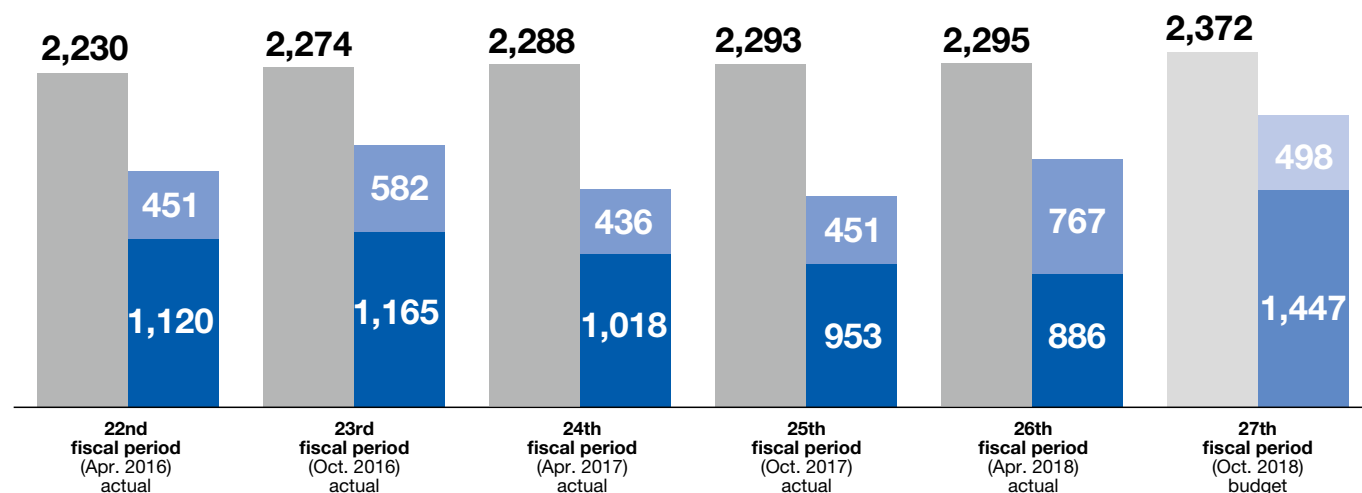
CONSTRUCTION EXPENSE (ACTUAL/BUDGET)

Reinforce property competitiveness by flexibly implementing appropriate measures to improve property value. Plan to continue to undergo repair/renovation by value-upgrading works for the 27th fiscal period (Oct. 2018).

Changes in depreciation and construction expense (actual/budget)

(million yen)

■ Repair/maintenance
■ Capex
■ Depreciation



Repair/renovation work budget for the 27th fiscal period (Oct. 2018) (Note)

Items	Estimated amount (million yen)	Percentage of total expense (%)	
Value-upgrading works (including common areas)	846	43.5	
Replacement works	Air-conditioning facilities	66	3.4
	Other major facilities	521	26.8
Eco-friendly works (Installation of LED lightings, etc.)	77	4.0	
Outer wall repair	49	2.5	
Maintenance / repair works	387	19.9	

27th fiscal period (Oct. 2018) total	Percentage to depreciation expense (%)
1,946	82.0

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

Properties to undergo major repair/renovation for the 27th fiscal period (Oct. 2018)

- **Value-upgrading works (renovation of common areas, restrooms, etc.):**
KDX Sakura-dori Building, KDX Nishi-Shinbashi Building, KDX Shinjuku Building, KDX Takadanobaba Building, Toshin 24 Building, KDX Shin-Yokohama Building, KDX Karasuma Building, KDX Takanawadai Building, Hiei Kudan-Kita Building
- **Replacement works of air-conditioning facilities:**
KDX Ikebukuro West Building, Senri Life Science Center Building, KDX Yokohama Nishiguchi Building
- **Outer wall repair:**
KDX Funabashi Building, KDX Shin-Osaka Building, KDX Hon-Atsugi Building, KDX Ebisu Building

STATUS OF DEBT FINANCING

Keep reducing financial cost and extending average remaining period to maturity.

Refinance record for the 26th fiscal period (Apr. 2018) (Total amount of ¥12.0 billion) (Note 1)

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

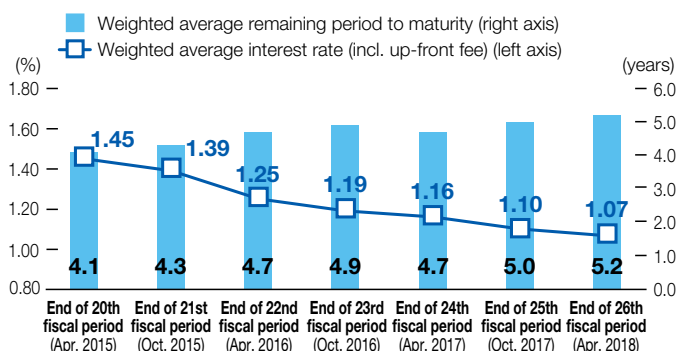
	Conditions before refinancing	Conditions after refinancing
Average interest rate	1.21%	0.78%
Average borrowing period	3.9 years	6.8 years

- Long-term borrowings account for ¥8.0 billion in the refinance (average interest rate 1.00%, average borrowing period 9.7 years)

Note 1: The 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). Total borrowings that reached maturity in the 26th fiscal period (Apr. 2018) amount to ¥12.75 billion, of which ¥0.75 billion was repaid by cash on hand.

Note 2: The 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).

Average remaining period to maturity and interest rate (Note 2)



MAJOR INDICES RELATED TO FINANCIAL STABILITY

Decreased LTV through the May 2018 Public Offering and generated borrowing capacity to acquire properties.

LTV (Interest-bearing debt ratio) <small>(Note 1)</small>			Credit rating status	Ratio of fixed interest rate <small>(Note 3)</small>
End of the 26th fiscal period (Apr. 2018)	Estimate after the public offering	Borrowing capacity to acquire properties <small>(Note 2)</small> (in the case of LTV 45% limit) Approx.	Japan Credit Rating Agency, Ltd. (JCR)	Continue to hedge against a potential rise in interest rates
43.9%	42.3%	¥21.5 billion	AA- (stable)	96.0%

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

Note 2: Estimated borrowing amount of debt which can be additionally procured from financial institutions or new issuance of investment corporation bonds for property acquisition by new debt financing, assuming that the LTV can be increased to a certain value.

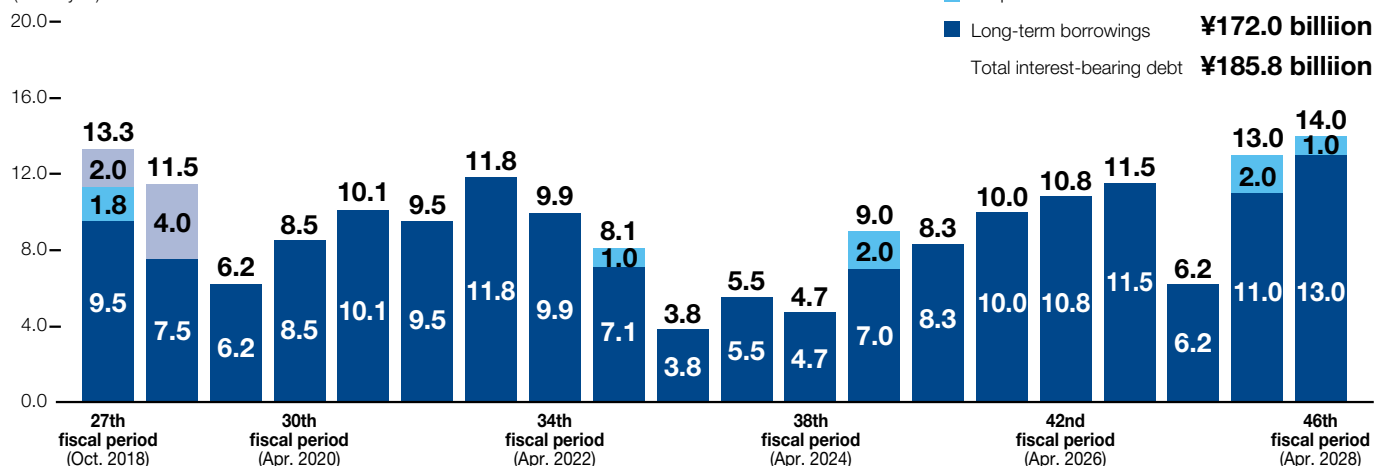
Note 3: Include borrowings with floating interest rates fixed by interest rate swaps but exclude those hedged by interest rate caps (rounded to the first decimal place).

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 as of Apr. 30, 2018

(billion yen)





Tetsushi Ichikawa

Hiroshi Sato

Hiroaki Momoi

Chisei Kaji

Jiro Takeda

MANAGEMENT TEAM

Jiro Takeda

Director & COO, Head of Office REIT Department

- Worked for Sumitomo Mitsui Trust Bank, Limited for approx. 7 years
- Joined Kenedix as Head of Fund Management Division 1 and served for approx. 3 years after working for Sanko Estate Co., Ltd., GMAC Commercial Mortgage Japan, K.K. and Hudson Japan, K.K.
- Appointed Head of Planning Division, Office REIT Department, Kenedix Real Estate Fund Management, Inc. on March 29, 2017
- Appointed Director & COO, Head of Office REIT Department on April 1, 2018

Hiroshi Sato

Asset Investment Division, Office REIT Department

- Worked for Sumitomo Mitsui Trust Bank, Limited for approx. 12 years
- Joined Kenedix, Inc. in February 2007
- Appointed Head of Private Fund Department and Head of Investment Management Division, Private Fund Department, Kenedix Real Estate Fund Management, Inc. in October 2013
- Appointed Head of Asset Investment Division, Office REIT Department on March 1, 2018

Chisei Kaji

Asset Management Division, Office REIT Department

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

Hiroaki Momoi

Planning Division, Office REIT Department

- Worked for Nippon Life Insurance Company, Real Estate Division for approx. 9 years
- Joined Kenedix, Inc. in August 2014 after working for Secured Capital Japan Co., Ltd.
- Appointed Head of Planning Division, Office REIT Department, Kenedix Real Estate Fund Management, Inc. on April 1, 2018 after having worked in Planning Division, Office REIT Department and Finance & Accounting Department for approx. 3 and a half years

Tetsushi Ichikawa

Finance & Accounting Department, Business Administration Department

- Worked for Sumitomo Mitsui Trust Bank, Limited for approx. 15 years (engaged in real estate finance, etc.)
- Joined Kenedix, Inc. 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 Department, Kenedix Real Estate Fund Management, Inc. on October 1, 2013 after serving as Head of Finance Group for Kenedix Residential Partners, Inc.
- Appointed Head of Business Administration Department on April 1, 2015 (concurrent)

PORTFOLIO (As of April 30, 2018)

The properties acquired during the 26th fiscal period are marked with a red box.

The properties (to be) sold during the 27th/28th fiscal periods are marked with a yellow box.

No.	Property Name	Location	Acquisition Price (mn yen) (Note 1)	Year Built (Note 2)	Occupancy Rate (Note 3)
A-1	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	Apr. 1974	100.0%
A-3	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	Jan. 1987	100.0%
A-4	KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	Jun. 1993	100.0%
A-5	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	Aug. 1992	100.0%
A-6	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	Nov. 1985	100.0%
A-7	KDX Minami Aoyama Building	Minato-ku, Tokyo	2,270	Nov. 1988	100.0%
A-8	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	May 1993	100.0%
A-13	KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	May 1994	100.0%
A-14	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	100.0%
A-16	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	90.4%
A-17	KDX Ebisu Building	Shibuya-ku, Tokyo	4,640	Jan. 1992	100.0%
A-19	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	Sep. 1999	100.0%
A-20	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	Oct. 1987	100.0%
A-21	KDX Shinbashi Building	Minato-ku, Tokyo	3,728	Feb. 1992	100.0%
A-22	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	100.0%
A-26	KDX Kiba Building	Koto-ku, Tokyo	1,580	Oct. 1992	100.0%
A-27	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	Mar. 1990	100.0%
A-29	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	Jan. 1990	100.0%
A-30	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	Nov. 1992	100.0%
A-31	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	Sep. 1986	100.0%
A-32	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	Jul. 1986	100.0%
A-33	KDX Okachimachi Building	Taito-ku, Tokyo	2,000	Jun. 1988	100.0%
A-34	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May 1995	84.5%
A-35	KDX Hachioji Building	Hachioji, Tokyo	1,155	Dec. 1985	100.0%
A-37	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	Aug. 1982	100.0%
A-38	KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	Oct. 1992	100.0%
A-41	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	Aug. 1989	100.0%
A-46	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	Mar. 1988	97.5%
A-48	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	Feb. 1985	100.0%
A-51	KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	Sep. 1988	100.0%
A-55	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	Jul. 1990	100.0%
A-56	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	May 1994	100.0%
A-59	KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	Mar. 2008	100.0%
A-60	KDX Harumi Building	Chuo-ku, Tokyo	10,250	Feb. 2008	100.0%
A-61	KDX Hamamatsucho Dai-2 Building	Minato-ku, Tokyo	2,200	Apr. 1992	100.0%
A-62	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	Nov. 1989	100.0%
A-63	KDX Gotanda Building	Shinagawa-ku, Tokyo	2,620	Apr. 1988	100.0%
A-64	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	Oct. 2006	100.0%
A-66	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	May 1993	98.3%
A-67	KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	Nov. 1991	100.0%
A-68	KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	Jan. 1984	100.0%
A-71	KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	Mar. 1990	100.0%
A-72	KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	Jan. 1993	100.0%
A-73	KDX Hakozaki Building	Chuo-ku, Tokyo	2,710	Nov. 1993	100.0%
A-74	KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	Nov. 2002	100.0%
A-78	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	Feb. 1990	100.0%
A-83	KDX Fuchu Building	Fuchu, Tokyo	6,120	Mar. 1996	99.1%
A-84	KDX Kasuga Building	Bunkyo-ku, Tokyo	2,800	Jun. 1992	100.0%
A-85	KDX Nakameguro Building	Meguro-ku, Tokyo	1,880	Oct. 1985	100.0%
A-86	KDX Ormiya Building	Saitama, Saitama	2,020	Apr. 1993	100.0%
A-87	Itopia Nihonbashi SA Building	Chuo-ku, Tokyo	2,200	Jul. 1995	100.0%
A-88	KDX Shinjuku 6-chome Building	Shinjuku-ku, Tokyo	1,900	Mar. 1990	100.0%
A-89	KDX Takanawadai Building	Minato-ku, Tokyo	5,250	Oct. 1985	94.0%
A-90	KDX Ikebukuro Building	Toshima-ku, Tokyo	3,900	Mar. 2009	100.0%
A-91	KDX Mita Building	Minato-ku, Tokyo	3,180	Mar. 1993	100.0%

	No.	Property Name	Location	Acquisition Price (mn yen) (Note 1)	Year Built (Note 2)	Occupancy Rate (Note 3)	
Office Buildings (Tokyo Metropolitan Area)	A-92	KDX Akihabara Building	Chiyoda-ku, Tokyo	2,600	Dec. 1973	100.0%	
	A-93	KDX Iidabashi Square	Shinjuku-ku, Tokyo	4,350	Jan. 1994	100.0%	
	A-94	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	May 2013	100.0%	
	A-95	KDX Toyosu Grand Square	Koto-ku, Tokyo	8,666	Apr. 2008	98.0%	
	A-96	KDX Takadanobaba Building	Toshima-ku, Tokyo	3,650	Oct. 1988	100.0%	
	A-99	KDX Ikebukuro West Building	Toshima-ku, Tokyo	1,934	Jul. 1988	100.0%	
	A-101	KDX Yokohama Building	Yokohama, Kanagawa	7,210	Mar. 1994	100.0%	
	A-102	KDX Yokohama Nishiguchi Building	Yokohama, Kanagawa	2,750	Oct. 1988	100.0%	
	A-107	KDX Ginza East Building	Chuo-ku, Tokyo	3,600	Aug. 1991	100.0%	
	A-108	Pentel Building	Chuo-ku, Tokyo	3,350	Nov. 1990	100.0%	
	A-109	KDX Hamamatsucho Center Building	Minato-ku, Tokyo	3,950	Dec. 1985	100.0%	
	A-112	KDX Toranomon 1chome Building	Minato-ku, Tokyo	15,550	Oct. 2013	100.0%	
	A-113	KDX Shin-Nihonbashi Ekimae Building	Chuo-ku, Tokyo	3,829	May 1992	100.0%	
	A-114	KDX Nihonbashi Edo-dori Building	Chuo-ku, Tokyo	1,350	Mar. 1985	100.0%	
	A-115	ARK Mori Building	Minato-ku, Tokyo	4,169	Mar. 1986	100.0%	
	A-116	KDX Nishi-Shinbashi Building	Minato-ku, Tokyo	8,400	Aug. 1992	100.0%	
	A-117	BR Gotanda	Shinagawa-ku, Tokyo	2,200	Sep. 1991	100.0%	
	A-119	KDX Shibuya Nanpeidai Building	Shibuya-ku, Tokyo	3,500	Dec. 2003	100.0%	
	A-120	KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	Aug. 1991	100.0%	
	A-121	Ginza 4chome Tower	Chuo-ku, Tokyo	9,800	Nov. 2008	100.0%	
		A-122	Mitsubishijuko Yokohama Building	Yokohama, Kanagawa	14,720	Feb. 1994	100.0%
		A-123	JN Building	Yokohama, Kanagawa	9,500	Sep. 2007	92.8%
	Office Buildings (Other Regional Areas)	A-12	Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	100.0%
A-42		KDX Karasuma Building	Kyoto, Kyoto	5,400	Oct. 1982	100.0%	
A-44		KDX Sendai Building	Sendai, Miyagi	2,100	Feb. 1984	100.0%	
A-53		KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun. 1973	99.5%	
A-54		KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	89.2%	
A-58		KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Apr. 2009	100.0%	
A-69		KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	Jul. 2009	100.0%	
A-70		KDX Sapporo Building	Sapporo, Hokkaido	2,005	Oct. 1989	97.8%	
A-79		KDX Nagoya Ekimae Building	Nagoya, Aichi	7,327	Apr. 1986	100.0%	
A-82		KDX Higashi Umeda Building	Osaka, Osaka	2,770	Jul. 2009	100.0%	
A-97		KDX Utsunomiya Building	Utsunomiya, Tochigi	2,350	Feb. 1999	89.0%	
A-98		KDX Hiroshima Building	Hiroshima, Hiroshima	1,300	Jan. 1990	100.0%	
A-100		Senri Life Science Center Building	Toyonaka, Osaka	13,000	Jun. 1992	99.8%	
A-104		KDX Minami-Honmachi Building	Osaka, Osaka	2,200	Dec. 2009	98.8%	
A-106		KDX Sakura-dori Building	Nagoya, Aichi	5,900	Aug. 1992	100.0%	
A-110		KDX Shin-Osaka Building	Osaka, Osaka	4,550	May 1992	100.0%	
A-111		KDX Nagoya Nichigin-mae Building	Nagoya, Aichi	3,500	Sep. 2006	96.2%	
A-118	KDX Sapporo Kitaguchi Building	Sapporo, Hokkaido	1,800	Sep. 1992	100.0%		
	Office Buildings Subtotal (95 properties)			394,455	Avg. 23.5 years	99.1%	
Central Urban Retail Property	C-1	Frame Jinnan-zaka (Note 4)	Shibuya-ku, Tokyo	9,900	Mar. 2005	95.2%	
	Central Urban Retail Property Subtotal (1 property)			9,900	Avg. 13.0 years	95.2%	
Others	D-2	Shinjuku 6chome Building (Land)	Shinjuku-ku, Tokyo	2,880	—	100.0%	
	Others Subtotal (1 property)			2,880	—	100.0%	
Total (97 properties)				407,235	Avg. 23.2 years	99.0%	
Investment Security	G.K. KRF 43 Silent Partnership Equity Interest		Shinjuku-ku, Tokyo	1,107	Dec. 1979		

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

Note 2: Year built shows the completion date recorded in the 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 April 30, 2018. Figures are truncated to the first decimal place.

Note 3: Occupancy rate is calculated by dividing leased area as of April 30, 2018 by leasable area and is rounded to the first decimal place. The subtotal and total lines show the figures calculated by dividing the subtotal (total) of the leased area for the property associated with each subtotal and total by the subtotal (total) of the leasable area. For the Pentel Building, this includes the leasable area associated with the land (land interest) specified in the lease agreement. For the Shinjuku 6chome Building (Land), the calculation is based on the leasable area of the land specified in the lease agreement.

Note 4: 49% of quasi co-ownership interest in Frame Jinnan-zaka was sold on July 2, 2018 and the remaining 51% is to be sold on November 1, 2018.

Kenedix Real Estate Fund Management, Inc. (KFM), the asset management company for KDO, contributes to society through investment management and creation of real estate value, working on sustainability-conscious investment management and various ESG initiatives.

Environment and Society

Certifications

GRESB Real Estate Assessment ^(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 19 properties in our portfolio were awarded DBJ Green Building Certification, including KDX Toranomon 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 Toranomon 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 (three stars) for the first time in history as a J-REIT owned property.
- In April 2016, KDX Iidabashi Square was awarded a BELS Certification (three stars).



Note 1: GRESB (Global Real Estate Sustainability Benchmark) is a benchmark to evaluate sustainability performance of private and listed real estate portfolios, 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".

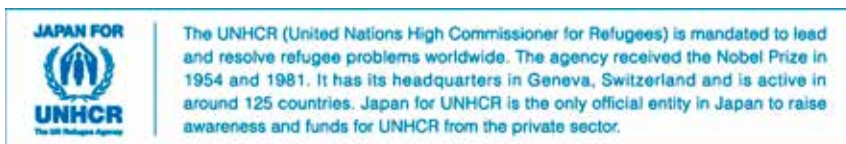
Note 3: CASBEE is an evaluation system for rating the environmental performance of buildings, developed under the auspices of the Ministry of Land, Infrastructure, Transport and Tourism. The system rates the overall environmental performance of buildings from two perspectives; the evaluation of the environmental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

Contribution to society

Cooperation to Campaign for United Nations Refugee Support

- KDO supports Japan for UNHCR that is the official support contact point in Japan on behalf of UNHCR, a refugee support organization of United Nations.
- KDO provides Japan for UNHCR with vacant space in its own properties for free for use in "Campaign for United Nations Refugee Support".



Sustainability Committee

Establishment of sustainability committee

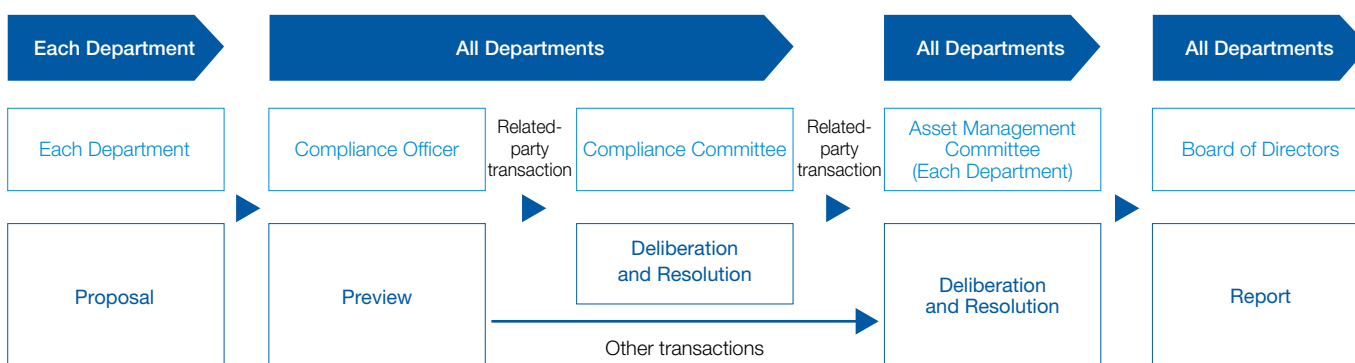
- The initiatives for sustainability are promoted under the leadership of the Sustainability Committee established in KFM.
- The Committee holds meetings to discuss policies, targets, approaches on sustainability issues and monitors the progress, in consideration of society and management status of KDO.
- What is discussed at the Sustainability Committee is reported to the Asset Management Committee at KFM, and the proposals are executed upon approval of the management.

Governance

Rules concerning conflicts of interest in transactions

KFM provides asset management services to not only KDO but also Kenedix Residential Next Investment Corporation, Kenedix Private Investment Corporation, Kenedix Retail REIT Corporation and other real estate funds, etc.

In addition to securing compliance with relevant laws and regulations among the departments in charge of respective REITs or private funds, KFM has established specific terms and conditions for each type of transaction in its internal rules for certain transactions that it or its related parties conduct with REITs or private funds. By doing so, we work to prevent ourselves from conducting transactions that may be harmful to the interests of the REITs or private funds, or from conducting unnecessary transactions. Moreover, from the perspective of governance, those transactions are fully verified by our Compliance Committee, at which external members without interests are present, in an effort to maintain transparency in our decision-making.



Note: Transactions concerning each REIT, for which the Act on Investment Trusts and Investment Corporations (the Investment Trusts Act) or the internal rules specify as requiring approval by the Board of Directors, must also be approved by the Board of Directors of the REIT (excluding transactions within the scope of insignificance criteria under the laws and regulations).

Rules concerning conflicts of interest among funds

Since KFM manages multiple REITs and private real estate funds, it has established a pipeline committee and adopted internal guidelines, in order to prevent the improper allocation of acquisition opportunities and thus, preventing conflicts of interest among funds.

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FINANCIAL SUMMARY (UNAUDITED)

Historical Operating Trends
For the 22nd–26th Fiscal Periods

Period	Unit	22nd Period (as of Apr. 30, 2016)	23rd Period (as of Oct. 31, 2016)	24th Period (as of Apr. 30, 2017)	25th Period (as of Oct. 31, 2017)	26th Period (as of Apr. 30, 2018)
Operating revenues	millions of yen	14,362	13,491	15,039	13,901	14,823
(Rental revenues)	millions of yen	12,812	13,429	13,327	13,840	14,222
Operating expenses	millions of yen	8,260	7,703	9,137	8,244	7,974
(Property-related expenses)	millions of yen	6,533	6,754	6,527	6,720	6,977
Operating income	millions of yen	6,102	5,788	5,901	5,657	6,848
Ordinary income	millions of yen	4,816	4,603	4,751	4,590	5,829
Net income (a)	millions of yen	4,815	4,601	4,750	4,588	5,828
Total assets (b)	millions of yen	408,813	413,031	410,166	414,933	422,993
(Period-on-period change)	%	(+0.4)	(+1.0)	(−0.7)	(+1.2)	(+1.9)
Interest-bearing debt (c)	millions of yen	175,100	178,100	174,600	179,600	185,850
(Period-on-period change)	%	(+0.6)	(+1.7)	(−2.0)	(+2.9)	(+3.5)
Unitholders' equity (d)	millions of yen	212,555	212,825	212,986	212,851	213,642
(Period-on-period change)	%	(+0.3)	(+0.1)	(+0.1)	(−0.1)	(+0.4)
Unitholders' capital	millions of yen	206,199	206,199	206,199	206,199	206,199
(Period-on-period change)	%	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Number of investment units issued and outstanding (e)	unit	404,885	404,885	404,885	404,885	404,885
Unitholders' equity per unit (d)/(e)	yen	524,977	525,644	526,041	525,708	527,661
Total distribution (f)	millions of yen	4,335	4,601	4,750	5,061	5,247
Distribution per unit (f)/(e)	yen	10,707	11,365	11,733	12,500	12,960
(Earnings distributed per unit)	yen	10,707	11,365	11,733	12,500	12,960
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.2 (2.4)	1.1 (2.2)	1.2 (2.3)	1.1 (2.2)	1.4 (2.8)
Return on net assets (annualized) (Notes 2 and 3)	%	2.3 (4.6)	2.2 (4.3)	2.2 (4.5)	2.2 (4.3)	2.7 (5.5)
Net assets ratio at end of period (d)/(b)	%	52.0	51.5	51.9	51.3	50.5
(Period-on-period change)	%	(−0.0)	(−0.5)	(+0.4)	(−0.6)	(−0.8)
Interest-bearing debt ratio at end of period (c)/(b)	%	42.8	43.1	42.6	43.3	43.9
(Period-on-period change)	%	(+0.1)	(+0.3)	(−0.6)	(+0.7)	(+0.7)
Payout ratio (Note 4) (f)/(a)	%	90.0	99.9	99.9	110.2	90.0
Other references						
Number of properties	properties	97	99	97	98	97
Total leasable floor area	m ²	457,774.90	462,533.92	459,567.57	456,932.16	466,031.33
Occupancy ratio at end of period	%	96.9	96.9	97.9	99.1	99.0
Depreciation expenses for the period	millions of yen	2,230	2,274	2,288	2,293	2,295
Capital expenditures for the period	millions of yen	1,120	1,165	1,018	953	886
Leasing NOI (Net Operating Income) (Note 5)	millions of yen	8,509	8,949	9,088	9,413	9,539
FFO (Funds From Operation) (Note 6)	millions of yen	6,302	6,877	7,034	7,451	7,574
FFO per unit (Note 7)	yen	15,565	16,985	17,373	18,404	18,708

Notes: 1. Return on assets = Ordinary income / ((Total assets at beginning of period + Total assets at end of period) / 2) × 100

2. Annualized values for the 22nd Fiscal Period are calculated based on a period of 182 days, 184 days for the 23rd Fiscal Period, 181 days for the 24th Fiscal Period, 184 days for the 25th Fiscal Period and 181 days for the 26th Fiscal Period.

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

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

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

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

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

Independent Auditor's Report

The Board of Directors
Kenedix Office Investment Corporation

We have audited the accompanying financial statements of Kenedix Office Investment Corporation, which comprise the balance sheet as at April 30, 2018, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Office Investment Corporation as at April 30, 2018, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

July 30, 2018
Tokyo, Japan

BALANCE SHEETS

Kenedix Office Investment Corporation
As of April 30, 2018 and October 31, 2017

	In thousands of yen	
	As of April 30, 2018	As of October 31, 2017
Assets		
Current assets:		
Cash and deposits (Notes 3 and 13)	¥ 13,033,326	¥ 19,917,133
Cash and deposits in trust (Notes 3 and 13)	10,444,809	9,808,743
Operating accounts receivable	308,217	314,766
Prepaid expenses	76,768	110,584
Consumption taxes receivable	166,118	90,895
Other (Note 8)	17,379	15,739
Total current assets	24,046,619	30,257,862
Non-current assets:		
Property, plant and equipment (Notes 4 and 15)		
Buildings	17,943,798	17,814,001
Accumulated depreciation	(5,111,557)	(4,812,998)
Buildings, net	12,832,241	13,001,003
Structures	32,618	32,618
Accumulated depreciation	(12,973)	(12,088)
Structures, net	19,645	20,529
Machinery and equipment	411,649	403,054
Accumulated depreciation	(223,927)	(212,345)
Machinery and equipment, net	187,722	190,709
Tools, furniture and fixtures	83,593	83,593
Accumulated depreciation	(51,767)	(48,941)
Tools, furniture and fixtures, net	31,825	34,651
Land	29,504,025	29,504,025
Buildings in trust (Note 6)	118,523,178	116,597,709
Accumulated depreciation	(26,581,425)	(25,841,684)
Buildings in trust, net	91,941,753	90,756,024
Structures in trust	345,717	373,778
Accumulated depreciation	(162,368)	(175,568)
Structures in trust, net	183,349	198,210
Machinery and equipment in trust	1,592,359	1,752,248
Accumulated depreciation	(719,408)	(843,233)
Machinery and equipment in trust, net	872,951	909,014
Tools, furniture and fixtures in trust	466,546	463,275
Accumulated depreciation	(278,421)	(262,396)
Tools, furniture and fixtures in trust, net	188,125	200,878
Land in trust	259,908,839	246,626,638
Construction in progress in trust	83	1,142
Total property, plant and equipment, net	395,670,563	381,442,828
Intangible assets (Note 4)		
Leasehold right (Note 15)	285,257	285,257
Leasehold right in trust (Note 15)	352,298	353,072
Other	3,501	4,114
Total intangible assets	641,057	642,444
Investments and other assets		
Investment securities (Note 13)	1,090,336	1,096,423
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	122,889	122,889
Long-term prepaid expenses	1,306,980	1,273,614
Other (Notes 13 and 14)	61,101	39,073
Total investments and other assets	2,591,308	2,542,001
Total non-current assets	398,902,929	384,627,273
Deferred assets		
Investment corporation bond issuance costs	44,019	48,526
Total deferred assets	44,019	48,526
Total assets	¥422,993,568	¥414,933,663

See accompanying notes to the financial statements.

In thousands of yen

	As of April 30, 2018	As of October 31, 2017
Liabilities		
Current liabilities:		
Operating accounts payable	¥ 1,453,036	¥ 1,231,349
Short-term loans payable (Notes 5,13 and 14)	6,000,000	6,000,000
Current portion of investment corporation bonds (Notes 5 and 13)	1,800,000	1,800,000
Current portion of long-term loans payable (Notes 5,13 and 14)	17,050,000	18,250,000
Accounts payable-other	291,560	288,179
Accrued expenses	79,639	67,417
Income taxes payable	682	760
Accrued consumption taxes	118,583	153,268
Advances received	2,340,180	2,240,535
Deposits received	2,568	31,647
Total current liabilities	29,136,251	30,063,159
Non-current liabilities:		
Investment corporation bonds (Notes 5 and 13)	6,000,000	6,000,000
Long-term loans payable (Notes 5, 13 and 14)	155,000,000	147,550,000
Tenant leasehold and security deposits	2,050,835	2,026,168
Tenant leasehold and security deposits in trust	17,164,250	16,442,929
Total non-current liabilities	180,215,086	172,019,097
Total liabilities	209,351,337	202,082,256
Net Assets		
Unitholders' equity:		
Unitholders' capital	206,199,945	206,199,945
Units authorized: 2,000,000 units		
Units issued and outstanding: 404,885 units		
As of April 30, 2018, and October 31, 2017, respectively		
Surplus:		
Voluntary retained earnings		
Reserve for reduction entry	1,552,849	2,024,673
Total voluntary retained earnings	1,552,849	2,024,673
Unappropriated retained earnings	5,828,847	4,589,238
Total surplus	7,381,696	6,613,911
Total unitholders' equity	213,581,642	212,813,857
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 13 and 14)	60,587	37,549
Total valuation and translation adjustments	60,587	37,549
Total net assets (Note 9)	213,642,230	212,851,406
Total liabilities and net assets	¥422,993,568	¥414,933,663

STATEMENTS OF INCOME AND RETAINED EARNINGS

Kenedix Office Investment Corporation

For the period from November 1, 2017 to April 30, 2018 and the period from May 1, 2017 to October 31, 2017

	In thousands of yen	
	From November 1, 2017 to April 30, 2018	From May 1, 2017 to October 31, 2017
Operating revenues		
Rent revenue - real estate (Note 11)	¥12,351,730	¥11,845,464
Other lease business revenue (Note 11)	1,870,367	1,995,021
Gain on sale of real estate property (Note 11)	550,142	—
Dividends income	50,882	61,007
Total operating revenues	14,823,123	13,901,494
Operating expenses		
Expenses related to rent business (Note 11)	6,977,998	6,720,726
Loss on sale of real estate property (Note 11)	—	568,160
Asset management fees	802,855	757,285
Directors' compensation	8,400	8,400
Asset custody fees	22,448	22,304
Administrative service fees	55,699	55,160
Audit fees	11,800	11,800
Other operating expenses	95,549	100,257
Total operating expenses	7,974,751	8,244,096
Operating income	6,848,372	5,657,398
Non-operating income		
Interest income	38	35
Dividends and redemption-prescription	481	462
Interest on refund	232	14
Total non-operating income	752	513
Non-operating expenses		
Interest expenses	818,187	829,913
Interest expenses on investment corporation bonds	32,780	40,495
Financing-related expenses	132,774	152,051
Amortization of investment corporation bond issuance costs	4,506	5,072
Amortization of investment unit issuance costs	—	19,277
Other non-operating expenses	30,930	20,973
Total non-operating expenses	1,019,178	1,067,785
Ordinary income	5,829,946	4,590,125
Income before income taxes	5,829,946	4,590,125
Income taxes (Note 8)		
Current	1,101	1,126
Deferred	(3)	5
Total income taxes	1,098	1,131
Net income	5,828,847	4,588,993
Retained earnings brought forward	—	244
Unappropriated retained earnings	¥ 5,828,847	¥ 4,589,238

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

Kenedix Office Investment Corporation

For the period from November 1, 2017 to April 30, 2018 and the period from May 1, 2017 to October 31, 2017

	In thousands of yen						
	Unitholders' equity					Valuation and translation adjustments	
	Surplus					Deferred gains or losses on hedges	Total net assets
	Unitholders' capital	Voluntary retained earnings Reserve for reduction entry	Unappropriated retained earnings	Total surplus	Total unitholders' equity		
Balance as of April 30, 2017	¥206,199,945	¥2,024,673	¥ 4,750,760	¥ 6,775,433	¥212,975,379	¥10,882	¥212,986,261
Changes during the fiscal period							
Dividends of surplus	—	—	(4,750,515)	(4,750,515)	(4,750,515)	—	(4,750,515)
Net income	—	—	4,588,993	4,588,993	4,588,993	—	4,588,993
Net changes of items other than unitholders' equity	—	—	—	—	—	26,667	26,667
Total changes during the fiscal period	—	—	(161,521)	(161,521)	(161,521)	26,667	(134,854)
Balance as of October 31, 2017	¥206,199,945	¥2,024,673	¥ 4,589,238	¥ 6,613,911	¥212,813,857	¥37,549	¥212,851,406
Changes during the fiscal period							
Reversal of reserve for reduction entry	—	(471,824)	471,824	—	—	—	—
Dividends of surplus	—	—	(5,061,062)	(5,061,062)	(5,061,062)	—	(5,061,062)
Net income	—	—	5,828,847	5,828,847	5,828,847	—	5,828,847
Net changes of items other than unitholder's equity	—	—	—	—	—	23,038	23,038
Total changes during the fiscal period	—	(471,824)	1,239,609	767,785	767,785	23,038	790,823
Balance as of April 30, 2018	¥206,199,945	¥1,552,849	¥ 5,828,847	¥ 7,381,696	¥213,581,642	¥60,587	¥213,642,230

See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS

Kenedix Office Investment Corporation

For the period from November 1, 2017 to April 30, 2018 and the period from May 1, 2017 to October 31, 2017

	In thousands of yen	
	From November 1, 2017 to April 30, 2018	From May 1, 2017 to October 31, 2017
Cash flows from operating activities:		
Income before income taxes	¥ 5,829,946	¥ 4,590,125
Depreciation	2,295,920	2,294,401
Amortization of long-term prepaid expenses	132,517	148,301
Interest income	(38)	(35)
Interest expenses	850,967	870,409
Amortization of investment unit issuance costs	—	19,277
Amortization of investment corporation bond issuance costs	4,506	5,072
Decrease (increase) in operating accounts receivable	6,548	14,663
Decrease (increase) in consumption taxes receivable	(75,223)	(90,895)
Decrease (increase) in prepaid expenses	33,815	(35,797)
Increase (decrease) in operating accounts payable	136,298	243,171
Increase (decrease) in accounts payable-other	4,491	26,455
Increase (decrease) in accrued consumption taxes	(34,684)	(444,631)
Increase (decrease) in advances received	99,644	70,473
Increase (decrease) in deposits received	(29,078)	(38,276)
Decrease in net property, plant and equipment held in trust due to sale	9,056,075	5,389,413
Decrease (increase) in long-term prepaid expenses	(165,883)	(193,833)
Other, net	3,823	(13,536)
Subtotal	18,149,649	12,863,759
Interest income received	38	35
Interest expenses paid	(837,734)	(877,086)
Income taxes paid	(766)	(799)
Net cash provided by (used in) operating activities	17,311,186	11,985,908
Cash flows from investing activities:		
Purchases of property, plant and equipment	(101,142)	(102,119)
Purchases of property, plant and equipment in trust	(25,402,604)	(6,225,422)
Repayments of tenant leasehold and security deposits	(14,666)	(112,140)
Proceeds from tenant leasehold and security deposits	29,581	114,414
Repayments of tenant leasehold and security deposits in trust	(553,418)	(664,736)
Proceeds from tenant leasehold and security deposits in trust	1,295,016	669,818
Payments of restricted deposits in trust	(686,767)	—
Proceeds from restricted deposits in trust	45,721	73,936
Net cash provided by (used in) investing activities	(25,388,281)	(6,246,248)
Cash flows from financing activities:		
Increase in short-term loans payable	4,000,000	2,000,000
Decrease in short-term loans payable	(4,000,000)	—
Proceeds from long-term loans payable	15,000,000	15,500,000
Repayments of long-term loans payable	(8,750,000)	(14,000,000)
Proceeds from issuance of investment corporation bonds	—	2,977,416
Redemption of investment corporation bonds	—	(1,500,000)
Dividends paid	(5,061,692)	(4,749,942)
Net cash provided by (used in) financing activities	1,188,307	227,473
Net increase (decrease) in cash and cash equivalents	(6,888,787)	5,967,133
Cash and cash equivalents at the beginning of period	28,635,473	22,668,339
Cash and cash equivalents at the end of period (Note 3)	¥ 21,746,685	¥ 28,635,473

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Kenedix Office Investment Corporation

For the period from November 1, 2017 to April 30, 2018 and the period from May 1, 2017 to October 31, 2017

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Kenedix Office Investment Corporation (“the Investment Corporation”) is a real estate investment corporation whose units are listed on the Tokyo Stock Exchange. The Investment Corporation is engaged in the ownership and operation of selected office buildings and retail properties in Japan, with a focus on mid-sized office buildings in the Tokyo metropolitan area. The Investment Corporation was incorporated on May 6, 2005 as an investment corporation under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. On July 21, 2005, the Investment Corporation was listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange with a total of 75,400 investment units issued and outstanding (Securities Code: 8972). Subsequently, the Investment Corporation raised funds through seven public offerings and other means including global offerings. Pursuant to the Investment Trust Law, the Investment Corporation is externally managed by a registered asset management company, Kenedix Real Estate Fund Management, Inc. (“the Asset Management Company”), a subsidiary of Kenedix, Inc. (“Kenedix”). In concert with the Asset Management Company, the Investment Corporation strives to maximize cash distribution to investors by securing stable earnings and sustainable investment growth. To this end, the Investment Corporation adopts a dynamic and flexible investment stance that accurately reflects its environment and market trends, and endeavors to ensure a timely response to each and every opportunity.

During the period ended October 31, 2017, the Investment Corporation acquired two office buildings (KDX Sapporo Kitaguchi Building (formerly named the Takeyama White Building): acquisition price of ¥1,800 million, and KDX Shibuya Nanpeidai Building (formerly named the Shibuya 1717 Building): acquisition price of ¥3,500 million) and sold one office building (KDX Shin-Yokohama 381 Building: initial acquisition price of ¥5,800 million (with a disposition price of ¥4,900 million)).

During the period ended April 30, 2018, the Investment Corporation acquired two office buildings (Mitsubishijuko Yokohama Building: acquisition price of ¥14,720 million, and JN Building: acquisition price of ¥9,500 million) and sold one residential property (Residence Charmante Tsukishima: initial acquisition price of ¥5,353 million) and two office buildings (KDX Ikejiri-Oohashi Building: initial acquisition price of ¥2,400 million, and KDX Shin-Yokohama 214 Building: initial acquisition price of ¥2,200 million) with a disposition price of ¥9,730 million.

At the end of the twenty-fifth and twenty-sixth fiscal periods, the Investment Corporation had total unitholders’ capital of ¥206,199 million with 404,885 investment units outstanding, respectively. The Investment Corporation owned a portfolio of 98 properties (consisting of 93 office buildings, one residential property, three central urban retail properties and one other property) and 97 properties (consisting of 95 office buildings, one central urban retail property and one other property) with total acquisition prices of ¥392,968 million and ¥407,235 million at the end of the twenty-fifth and twenty-sixth fiscal periods, respectively. (Note: Due to the change in the Investment Corporation’s management guidelines, the type of the two owned properties has been changed from central urban retail property to office building since December 1, 2017.) The occupancy ratios were approximately 99.1% and 99.0% at the end of the twenty-fifth and twenty-sixth fiscal periods, respectively.

Basis of Presentation

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

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

Certain amounts in the prior fiscal period’s financial statements have been reclassified to conform to the current fiscal period’s presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Securities

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. Concerning silent partnership (*tokumei kumiai*,

“TK”) interests, the method of incorporating the amount of equity equivalent to the portion that corresponds to the net gain or loss of the TK is adopted.

(B) Property, Plant and Equipment (including trust assets)

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

	From November 1, 2017 to April 30, 2018	From May 1, 2017 to October 31, 2017
Buildings	2-49 years	2-49 years
Structures	2-45 years	2-45 years
Machinery and equipment	3-17 years	3-17 years
Tools, furniture and fixtures	3-20 years	3-20 years

(C) Intangible Assets (including trust assets)

Intangible assets are amortized by the straight-line method.

Leasehold right: Fixed-term land leasehold is amortized over a contractual period of 48 years and 9 months under the straight-line method.

(D) Long-term Prepaid Expenses

Long-term prepaid expenses are amortized by the straight-line method.

(E) Investment Unit Issuance Costs

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

(F) Investment Corporation Bond Issuance Costs

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

(G) Accounting Treatment of Trust Beneficiary Interests in Real Estate

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

(H) Revenue Recognition

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

(I) Taxes on Property, Plant and Equipment

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to the said period. Under Japanese tax rules, the seller of property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is generally reimbursed by the purchaser for these accrued property-related tax liabilities.

When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥53,876 thousand and ¥26,264 thousand as of April 30, 2018 and October 31, 2017, respectively. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period to which the installments of such taxes correspond.

(J) Income Taxes

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

(K) Consumption Taxes

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

(L) Derivative Financial Instruments

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

(M) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits placed with banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of purchase.

(N) Presentation of Amounts

Amounts of less than one thousand yen have been truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan. Unless otherwise noted, amounts of the twenty-sixth and twenty-fifth fiscal periods are rounded down, respectively, and ratios are rounded off in the accompanying financial statements.

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of April 30, 2018 and October 31, 2017.

	In thousands of yen	
	As of April 30, 2018	As of October 31, 2017
Cash and deposits	¥13,033,326	¥19,917,133
Cash and deposits in trust	10,444,809	9,808,743
Restricted deposits in trust (Note)	(1,731,450)	(1,090,403)
Cash and cash equivalents in trust	¥21,746,685	¥28,635,473

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

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets consist of the following as of April 30, 2018.

Type of asset	In thousands of yen								Remarks
	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at the end of period		
					Accumulated depreciation	Depreciation for the period			
Buildings	¥ 17,814,001	¥ 129,797	¥ —	¥ 17,943,798	¥ 5,111,557	¥ 298,559	¥ 12,832,241		
Structures	32,618	—	—	32,618	12,973	884	19,645		
Machinery and equipment	403,054	8,595	—	411,649	223,927	11,581	187,722		
Tools, furniture and fixtures	83,593	—	—	83,593	51,767	2,826	31,825		
Land	29,504,025	—	—	29,504,025	—	—	29,504,025		
Subtotal	47,837,294	138,392	—	47,975,686	5,400,225	313,850	42,575,460		
Property, plant and equipment									
Buildings in trust	¥116,597,709	¥ 5,999,351	¥ 4,073,882	¥118,523,178	¥26,581,425	¥1,900,544	¥ 91,941,753	Notes 1 and 2	
Structures in trust	373,778	2,965	31,026	345,717	162,368	10,607	183,349		
Machinery and equipment in trust	1,752,248	70,522	230,411	1,592,359	719,408	51,647	872,951		
Tools, furniture and fixtures in trust	463,275	8,169	4,898	466,546	278,421	17,884	188,125		
Land in trust	246,626,638	19,360,002	6,077,802	259,908,839	—	—	259,908,839	Notes 1 and 2	
Construction in progress in trust	1,142	—	1,059	83	—	—	83		
Subtotal	365,814,792	25,441,011	10,419,079	380,836,725	27,741,622	1,980,683	353,095,102		
Total property, plant and equipment	413,652,086	25,579,404	10,419,079	428,812,411	33,141,848	2,294,534	395,670,563		
Intangible assets									
Leasehold right	¥ 290,050	¥ —	¥ —	¥ 290,050	¥ 4,792	¥ —	¥ 285,257		
Leasehold right in trust	363,784	—	—	363,784	11,486	774	352,298		
Other	6,123	—	—	6,123	2,622	612	3,501		
Total intangible assets	659,958	—	—	659,958	18,900	1,386	641,057		
Total	¥414,312,045	¥25,579,404	¥10,419,079	¥429,472,370	¥33,160,748	¥2,295,920	¥396,311,621		

Note 1: The amount of increase during the period is primarily attributable to the acquisition of the two real estate properties.

Note 2: The amount of decrease during the period is primarily attributable to the sales of the three real estate properties.

Property, plant and equipment and intangible assets consist of the following as of October 31, 2017.

		In thousands of yen							
Type of asset		Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at the end of period	Remarks
						Accumulated depreciation	Depreciation for the period		
Property, plant and equipment	Buildings	¥ 17,752,301	¥ 61,699	¥ —	¥ 17,814,001	¥ 4,812,998	¥ 296,630	¥ 13,001,003	
	Structures	32,618	—	—	32,618	12,088	884	20,529	
	Machinery and equipment	391,289	11,765	—	403,054	212,345	11,183	190,709	
	Tools, furniture and fixtures	78,896	4,697	—	83,593	48,941	2,700	34,651	
	Land	29,504,025	—	—	29,504,025	—	—	29,504,025	
	Subtotal	47,759,132	78,161	—	47,837,294	5,086,374	311,398	42,750,919	
	Buildings in trust	¥118,049,614	¥1,649,573	¥3,101,479	¥116,597,709	¥25,841,684	¥1,900,284	¥ 90,756,024	Notes 1 and 2
	Structures in trust	373,565	1,945	1,732	373,778	175,568	11,143	198,210	
	Machinery and equipment in trust	1,687,226	67,333	2,312	1,752,248	843,233	52,483	909,014	
	Tools, furniture and fixtures in trust	456,418	11,176	4,320	463,275	262,396	17,704	200,878	
	Land in trust	245,227,423	4,564,561	3,165,346	246,626,638	—	—	246,626,638	Notes 1 and 2
	Construction in progress in trust	2,183	—	1,040	1,142	—	—	1,142	
	Subtotal	365,796,432	6,294,590	6,276,230	365,814,792	27,122,883	1,981,616	338,691,908	
	Total property, plant and equipment	413,555,564	6,372,752	6,276,230	413,652,086	32,209,258	2,293,014	381,442,828	
Intangible assets	Leasehold right	¥ 290,050	¥ —	¥ —	¥ 290,050	¥ 4,792	¥ —	¥ 285,257	
	Leasehold right in trust	363,784	—	—	363,784	10,711	774	353,072	
	Other	6,123	—	—	6,123	2,009	612	4,114	
Total intangible assets	659,958	—	—	659,958	17,513	1,386	642,444		
Total	¥414,215,523	¥6,372,752	¥6,276,230	¥414,312,045	¥32,226,772	¥2,294,401	¥382,085,272		

Note 1: The amount of increase during the period is primarily attributable to the acquisition of the two real estate properties.

Note 2: The amount of decrease during the period is primarily attributable to the sales of the one real estate property.

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

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of April 30, 2018:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	July 31, 2017	July 31, 2018	0.35%	¥ 1,000,000
	August 31, 2017	August 31, 2018	0.30%	1,000,000
	November 30, 2017	November 30, 2018	0.35%	2,000,000
	January 31, 2018	January 31, 2019	0.31%	500,000
	January 31, 2018	January 31, 2019	0.36%	500,000
	March 30, 2018	March 29, 2019	0.36%	1,000,000
Subtotal				6,000,000
Current portion of long-term loans payable	July 31, 2013	July 31, 2018	0.57%	¥ 500,000
	August 19, 2013	August 19, 2018	0.95%	1,000,000
	August 19, 2013	August 19, 2018	0.95%	1,000,000
	August 19, 2013	August 19, 2018	0.95%	500,000
	August 19, 2013	August 19, 2018	0.95%	500,000
	August 19, 2013	August 19, 2018	0.97%	500,000
	August 30, 2013	August 31, 2018	1.08%	700,000
	August 30, 2013	August 31, 2018	1.08%	500,000
	August 30, 2013	August 31, 2018	1.08%	300,000
	October 31, 2012	October 31, 2018	1.25%	2,500,000
	October 31, 2013	October 31, 2018	0.89%	500,000
	October 31, 2016	October 31, 2018	0.35%	1,000,000
	November 12, 2013	November 12, 2018	0.82%	1,000,000
	November 29, 2013	November 30, 2018	0.84%	200,000
March 28, 2012	March 28, 2019	1.77%	1,400,000	
March 28, 2012	March 28, 2019	1.77%	1,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Current portion of long-term loans payable	March 12, 2014	March 31, 2019	0.78%	¥ 450,000
	March 31, 2014	March 31, 2019	0.76%	2,500,000
	March 30, 2016	March 31, 2019	0.17%	1,000,000
Subtotal				17,050,000
Long-term loans payable	August 30, 2013	August 31, 2020	1.42%	¥ 1,500,000
	September 30, 2013	September 30, 2019	1.06%	1,800,000
	September 30, 2013	September 30, 2019	1.06%	900,000
	November 12, 2013	November 12, 2020	1.07%	2,000,000
	November 12, 2013	November 12, 2020	1.07%	500,000
	November 29, 2013	November 30, 2020	1.12%	1,000,000
	November 29, 2013	November 30, 2020	1.12%	900,000
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2020	0.93%	3,700,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	March 12, 2014	March 12, 2020	0.92%	1,800,000
	March 12, 2014	March 12, 2023	1.36%	1,800,000
	March 20, 2014	March 12, 2020	0.91%	3,000,000
	March 20, 2014	September 20, 2021	1.01%	4,000,000
	March 20, 2014	March 20, 2022	1.20%	3,000,000
	March 20, 2014	March 12, 2023	1.35%	2,000,000
	April 22, 2014	October 31, 2020	0.95%	2,900,000
	July 10, 2014	July 10, 2019	0.64%	500,000
	July 10, 2014	July 10, 2021	0.90%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	500,000
	July 14, 2014	July 31, 2019	0.68%	1,000,000
	July 31, 2014	July 31, 2019	0.62%	1,000,000
	July 31, 2014	July 31, 2020	0.74%	2,700,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	July 31, 2014	July 31, 2022	1.01%	2,200,000
	August 29, 2014	July 31, 2019	0.65%	1,000,000
	September 1, 2014	August 31, 2021	0.89%	800,000
	September 1, 2014	August 31, 2021	0.89%	500,000
	September 3, 2014	August 31, 2022	0.98%	1,000,000
	September 3, 2014	August 31, 2022	0.98%	950,000
	September 22, 2014	September 30, 2020	0.80%	2,700,000
	September 30, 2014	September 30, 2021	0.89%	1,000,000
	October 31, 2014	October 31, 2021	0.80%	3,000,000
	October 31, 2014	October 31, 2023	1.07%	2,000,000
	October 31, 2014	October 31, 2023	1.13%	1,500,000
	October 31, 2014	October 31, 2023	1.07%	1,000,000
	October 31, 2014	October 31, 2024	1.26%	2,000,000
	October 31, 2014	October 31, 2024	1.26%	1,000,000
	January 30, 2015	January 31, 2021	0.71%	1,500,000
	January 30, 2015	January 31, 2025	1.16%	1,500,000
	February 18, 2015	February 28, 2022	0.91%	1,250,000
	February 18, 2015	February 28, 2022	0.91%	350,000
February 18, 2015	February 29, 2024	1.16%	1,700,000	
February 18, 2015	February 28, 2025	1.31%	1,250,000	
February 27, 2015	February 28, 2025	1.15%	2,100,000	
March 12, 2015	February 28, 2025	1.22%	1,000,000	
March 31, 2015	March 31, 2025	1.27%	2,500,000	
April 30, 2015	April 30, 2022	0.83%	2,300,000	
August 31, 2015	August 31, 2022	0.87%	500,000	
August 31, 2015	August 31, 2022	0.87%	500,000	
August 31, 2015	August 31, 2022	0.87%	500,000	
August 31, 2015	August 31, 2022	0.87%	500,000	
August 31, 2015	August 31, 2022	0.87%	500,000	
August 31, 2015	August 31, 2022	0.87%	500,000	
September 30, 2015	September 30, 2024	1.07%	2,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	October 30, 2015	October 31, 2024	0.99%	¥ 1,000,000
	October 30, 2015	October 30, 2025	1.11%	1,500,000
	October 30, 2015	October 30, 2025	1.11%	2,000,000
	October 30, 2015	October 30, 2025	1.11%	2,500,000
	October 30, 2015	October 30, 2025	1.12%	2,500,000
	November 12, 2015	November 30, 2025	1.17%	1,000,000
	January 29, 2016	January 31, 2022	0.59%	2,500,000
	January 29, 2016	January 31, 2022	0.64%	500,000
	January 29, 2016	January 29, 2026	1.07%	2,000,000
	January 29, 2016	January 29, 2026	1.02%	1,800,000
	February 18, 2016	February 18, 2026	1.00%	1,000,000
	February 18, 2016	February 18, 2026	1.00%	500,000
	March 31, 2016	March 31, 2026	0.90%	1,000,000
	April 28, 2016	April 30, 2024	0.65%	2,000,000
	April 28, 2016	April 30, 2026	0.84%	2,000,000
	April 28, 2016	April 30, 2026	0.87%	1,000,000
	July 29, 2016	July 31, 2026	0.61%	1,500,000
	August 2, 2016	July 31, 2026	0.54%	1,000,000
	October 31, 2016	October 31, 2024	0.67%	1,000,000
	October 31, 2016	October 31, 2026	0.88%	2,500,000
	October 31, 2016	October 31, 2026	0.76%	1,000,000
	October 31, 2016	October 31, 2026	0.73%	4,000,000
	October 31, 2016	October 31, 2026	0.83%	1,500,000
	December 12, 2016	November 30, 2026	0.98%	500,000
	December 28, 2016	December 28, 2026	0.95%	1,500,000
	January 16, 2017	January 31, 2027	0.86%	500,000
	January 31, 2017	January 31, 2027	0.85%	700,000
	March 28, 2017	March 31, 2027	0.85%	500,000
	June 30, 2017	June 30, 2027	0.85%	1,500,000
	August 10, 2017	July 28, 2027	0.80%	3,500,000
	August 31, 2017	August 31, 2023	0.54%	1,000,000
	September 21, 2017	March 31, 2024	0.56%	1,000,000
	September 21, 2017	September 30, 2025	0.68%	1,500,000
	September 21, 2017	March 31, 2027	0.73%	1,000,000
	September 21, 2017	September 21, 2027	0.87%	1,000,000
	September 21, 2017	September 30, 2027	0.85%	2,500,000
	October 31, 2017	October 31, 2027	0.81%	2,500,000
	November 13, 2017	November 13, 2027	0.93%	3,000,000
	December 7, 2017	November 30, 2027	0.90%	1,400,000
	December 7, 2017	November 30, 2027	0.82%	1,200,000
	December 7, 2017	November 30, 2027	0.97%	1,000,000
	December 7, 2017	November 30, 2027	0.93%	1,000,000
	December 7, 2017	November 30, 2027	0.87%	1,000,000
December 7, 2017	November 30, 2027	0.90%	800,000	
December 7, 2017	November 30, 2027	0.87%	600,000	
December 28, 2017	December 28, 2027	0.86%	500,000	
December 28, 2017	December 28, 2025	0.74%	500,000	
December 28, 2017	December 28, 2026	0.88%	500,000	
March 12, 2018	March 31, 2028	0.91%	1,500,000	
March 26, 2018	March 31, 2027	0.80%	1,000,000	
March 26, 2018	March 31, 2028	0.90%	1,000,000	
Subtotal				155,000,000
Current portion of investment corporation bonds	September 12, 2013	September 12, 2018	1.00%	¥ 1,800,000
Subtotal				1,800,000
Investment corporation bonds	July 25, 2014	July 25, 2024	1.18%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.90%	1,000,000
	July 19, 2017	July 19, 2022	0.26%	1,000,000
	July 19, 2017	July 16, 2027	0.64%	2,000,000
Subtotal				6,000,000
Total				¥185,850,000

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of October 31, 2017:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	November 30, 2016	November 30, 2017	0.33%	¥ 2,000,000
	December 28, 2016	December 28, 2017	0.33%	500,000
	January 31, 2017	January 31, 2018	0.33%	500,000
	March 31, 2017	March 31, 2018	0.33%	1,000,000
	July 31, 2017	July 31, 2018	0.33%	1,000,000
	August 31, 2017	August 31, 2018	0.28%	1,000,000
Subtotal				6,000,000
Current portion of long-term loans payable	November 12, 2010	November 12, 2017	2.02%	¥ 2,300,000
	December 1, 2010	November 12, 2017	2.21%	700,000
	December 28, 2012	December 28, 2017	1.09%	500,000
	December 28, 2012	December 29, 2017	1.09%	500,000
	January 16, 2017	January 31, 2018	0.28%	500,000
	March 12, 2014	March 12, 2018	0.75%	2,250,000
	March 26, 2013	March 26, 2018	1.04%	1,000,000
	March 26, 2013	March 26, 2018	1.04%	1,000,000
	July 31, 2013	July 31, 2018	0.56%	500,000
	August 19, 2013	August 19, 2018	0.95%	1,000,000
	August 19, 2013	August 19, 2018	0.95%	1,000,000
	August 19, 2013	August 19, 2018	0.95%	500,000
	August 19, 2013	August 19, 2018	0.95%	500,000
	August 19, 2013	August 19, 2018	0.97%	500,000
	August 30, 2013	August 31, 2018	1.08%	700,000
	August 30, 2013	August 31, 2018	1.08%	500,000
	August 30, 2013	August 31, 2018	1.08%	300,000
	October 31, 2012	October 31, 2018	1.25%	2,500,000
	October 31, 2013	October 31, 2018	0.89%	500,000
	October 31, 2016	October 31, 2018	0.33%	1,000,000
Subtotal				18,250,000
Long-term loans payable	March 28, 2012	March 28, 2019	1.77%	¥ 1,400,000
	March 28, 2012	March 28, 2019	1.77%	1,000,000
	August 30, 2013	August 31, 2020	1.42%	1,500,000
	September 30, 2013	September 30, 2019	1.06%	1,800,000
	September 30, 2013	September 30, 2019	1.06%	900,000
	November 12, 2013	November 12, 2018	0.82%	1,000,000
	November 12, 2013	November 12, 2020	1.07%	2,000,000
	November 12, 2013	November 12, 2020	1.07%	500,000
	November 29, 2013	November 30, 2018	0.84%	200,000
	November 29, 2013	November 30, 2020	1.12%	1,000,000
	November 29, 2013	November 30, 2020	1.12%	900,000
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2020	0.93%	3,700,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	March 12, 2014	March 31, 2019	0.78%	450,000
	March 12, 2014	March 12, 2020	0.92%	1,800,000
	March 12, 2014	March 12, 2023	1.36%	1,800,000
	March 20, 2014	March 12, 2020	0.91%	3,000,000
	March 20, 2014	September 20, 2021	1.01%	4,000,000
	March 20, 2014	March 20, 2022	1.20%	3,000,000
	March 20, 2014	March 12, 2023	1.35%	2,000,000
	March 31, 2014	March 31, 2019	0.76%	2,500,000
	April 22, 2014	October 31, 2020	0.95%	2,900,000
	July 10, 2014	July 10, 2019	0.64%	500,000
	July 10, 2014	July 10, 2021	0.90%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	500,000
	July 14, 2014	July 31, 2019	0.68%	1,000,000
July 31, 2014	July 31, 2019	0.62%	1,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	July 31, 2014	July 31, 2020	0.74%	¥ 2,700,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	July 31, 2014	July 31, 2022	1.01%	2,200,000
	August 29, 2014	July 31, 2019	0.65%	1,000,000
	September 1, 2014	August 31, 2021	0.89%	800,000
	September 1, 2014	August 31, 2021	0.89%	500,000
	September 3, 2014	August 31, 2022	0.98%	1,000,000
	September 3, 2014	August 31, 2022	0.98%	950,000
	September 22, 2014	September 30, 2020	0.80%	2,700,000
	September 30, 2014	September 30, 2021	0.89%	1,000,000
	October 31, 2014	October 31, 2021	0.80%	3,000,000
	October 31, 2014	October 31, 2023	1.07%	2,000,000
	October 31, 2014	October 31, 2023	1.13%	1,500,000
	October 31, 2014	October 31, 2023	1.07%	1,000,000
	October 31, 2014	October 31, 2024	1.26%	2,000,000
	October 31, 2014	October 31, 2024	1.26%	1,000,000
	January 30, 2015	January 31, 2021	0.71%	1,500,000
	January 30, 2015	January 31, 2025	1.16%	1,500,000
	February 18, 2015	February 28, 2022	0.91%	1,250,000
	February 18, 2015	February 28, 2022	0.91%	350,000
	February 18, 2015	February 29, 2024	1.16%	1,700,000
	February 18, 2015	February 28, 2025	1.31%	1,250,000
	February 27, 2015	February 28, 2025	1.15%	2,100,000
	March 12, 2015	February 28, 2025	1.22%	1,000,000
	March 31, 2015	March 31, 2025	1.27%	2,500,000
	April 30, 2015	April 30, 2022	0.83%	2,300,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	September 30, 2015	September 30, 2024	1.07%	2,000,000
	October 30, 2015	October 31, 2024	0.99%	1,000,000
	October 30, 2015	October 30, 2025	1.11%	1,500,000
	October 30, 2015	October 30, 2025	1.11%	2,000,000
	October 30, 2015	October 30, 2025	1.11%	2,500,000
	October 30, 2015	October 30, 2025	1.12%	2,500,000
	November 12, 2015	November 30, 2025	1.17%	1,000,000
	January 29, 2016	January 31, 2022	0.59%	2,500,000
	January 29, 2016	January 31, 2022	0.64%	500,000
	January 29, 2016	January 29, 2026	1.07%	2,000,000
	January 29, 2016	January 29, 2026	1.02%	1,800,000
	February 18, 2016	February 18, 2026	1.00%	1,000,000
	February 18, 2016	February 18, 2026	1.00%	500,000
	March 30, 2016	March 31, 2019	0.17%	1,000,000
	March 31, 2016	March 31, 2026	0.90%	1,000,000
	April 28, 2016	April 30, 2024	0.65%	2,000,000
	April 28, 2016	April 30, 2026	0.84%	2,000,000
	April 28, 2016	April 30, 2026	0.87%	1,000,000
	July 29, 2016	July 31, 2026	0.61%	1,500,000
August 2, 2016	July 31, 2026	0.54%	1,000,000	
October 31, 2016	October 31, 2024	0.67%	1,000,000	
October 31, 2016	October 31, 2026	0.88%	2,500,000	
October 31, 2016	October 31, 2026	0.76%	1,000,000	
October 31, 2016	October 31, 2026	0.73%	4,000,000	
October 31, 2016	October 31, 2026	0.83%	1,500,000	
December 12, 2016	November 30, 2026	0.98%	500,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	December 28, 2016	December 28, 2026	0.95%	¥ 1,500,000
	January 16, 2017	January 31, 2027	0.86%	500,000
	January 31, 2017	January 31, 2027	0.85%	700,000
	March 28, 2017	March 31, 2027	0.85%	500,000
	June 30, 2017	June 30, 2027	0.85%	1,500,000
	August 10, 2017	July 28, 2027	0.80%	3,500,000
	August 31, 2017	August 31, 2023	0.54%	1,000,000
	September 21, 2017	March 31, 2024	0.56%	1,000,000
	September 21, 2017	September 30, 2025	0.68%	1,500,000
	September 21, 2017	March 31, 2027	0.73%	1,000,000
	September 21, 2017	September 21, 2027	0.87%	1,000,000
	September 21, 2017	September 30, 2027	0.85%	2,500,000
	October 31, 2017	October 31, 2027	0.81%	2,500,000
Subtotal				147,550,000
Current portion of investment corporation bonds	September 12, 2013	September 12, 2018	1.00%	¥ 1,800,000
Subtotal				1,800,000
Investment corporation bonds	July 25, 2014	July 25, 2024	1.18%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.90%	1,000,000
	July 19, 2017	July 19, 2022	0.26%	1,000,000
	July 19, 2017	July 16, 2027	0.64%	2,000,000
Subtotal				6,000,000
Total				¥179,600,000

6. REDUCTION ENTRY

The amount of reduction entry of property, plant and equipment acquired by government subsidy is as follows:

	In thousands of yen	
	As of April 30, 2018	As of October 31, 2017
Buildings in trust	¥26,230	¥26,230

7. PER UNIT INFORMATION

	Yen	
	From November 1, 2017 to April 30, 2018	From May 1, 2017 to October 31, 2017
Net asset value per unit	¥527,661	¥525,708
Net income per unit	¥ 14,396	¥ 11,334
Weighted-average number of units (units)	404,885	404,885

The weighted-average number of units outstanding of 404,885 as of April 30, 2018 and October 31, 2017, respectively, was used for the computation of the amount of net income per unit. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

8. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement that it currently distribute in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate

income taxes. The Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥5,247 million and ¥5,061 million for the periods ended April 30, 2018 and October 31, 2017, respectively. Therefore, such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.02% for the fiscal periods ended April 30, 2018 and October 31, 2017, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

	From November 1, 2017 to April 30, 2018	From May 1, 2017 to October 31, 2017
Statutory tax rate	31.74%	31.74%
Deductible cash distributions	(28.57)	(35.00)
Reversal of reserve for reduction entry	—	3.26
Provision of reserve for reduction entry	(3.17)	—
Others	0.02	0.02
Effective tax rate	0.02%	0.02%

The significant components of deferred tax assets and liabilities as of April 30, 2018 and October 31, 2017 are as follows:

	In thousands of yen	
	As of April 30, 2018	As of October 31, 2017
Deferred tax assets:		
Enterprise tax payable	¥ 29	¥ 25
Amortization of leasehold right	3,628	3,383
Subtotal	3,657	3,409
Valuation allowance	(3,628)	(3,383)
Total deferred tax assets	¥ 29	¥ 25

9. NET ASSETS

The Investment Corporation issues only non-par value units in accordance with the Investment Trust Act. The entire amount of the issue price of new units is designated as stated capital. The Investment Corporation is required to maintain net assets of at least ¥50 million as required by the Investment Trust Act.

10. RELATED-PARTY TRANSACTIONS

(A) Parent Company, Major Corporate Unitholders and Other

Twenty-sixth fiscal period (November 1, 2017 to April 30, 2018) and Twenty-fifth fiscal period (May 1, 2017 to October 31, 2017):
Not applicable

(B) Affiliated Companies and Other

Twenty-sixth fiscal period (November 1, 2017 to April 30, 2018) and Twenty-fifth fiscal period (May 1, 2017 to October 31, 2017):
Not applicable

(C) Fellow Subsidiary Companies and Other

Twenty-sixth fiscal period (November 1, 2017 to April 30, 2018) and Twenty-fifth fiscal period (May 1, 2017 to October 31, 2017):
Not applicable

(D) Directors, Major Individual Unitholders and Other

Twenty-sixth fiscal period (November 1, 2017 to April 30, 2018) and Twenty-fifth fiscal period (May 1, 2017 to October 31, 2017):
Not applicable

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

Rent revenue - real estate, expenses related to rent business, and gain and loss on sale of real estate property for the periods from November 1, 2017 to April 30, 2018 and from May 1, 2017 to October 31, 2017 consist of the following:

	In thousands of yen	
	From November 1, 2017 to April 30, 2018	From May 1, 2017 to October 31, 2017
Rental and other operating revenues:		
Rent revenue - real estate:		
Rental revenues	¥10,509,225	¥ 9,997,791
Common area charges	1,842,504	1,847,673
Subtotal	12,351,730	11,845,464
Others:		
Parking space rental revenues	513,392	520,035
Utility charge reimbursement	1,054,416	1,176,012
Miscellaneous	302,558	298,973
Subtotal	1,870,367	1,995,021
Total rent revenue - real estate	¥14,222,098	¥13,840,486
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	¥ 1,355,289	¥ 1,325,156
Depreciation	2,295,308	2,293,789
Utilities	1,102,668	1,176,914
Taxes	1,148,754	1,141,603
Insurance	19,318	18,785
Repairs and maintenance	767,074	451,239
Trust fees	32,748	33,580
Others	256,837	279,656
Total expenses related to rent business	¥ 6,977,998	¥ 6,720,726
Gain on sale of real estate property:		
Revenue from sale of investment property	¥ 9,730,000	—
Cost of investment property	9,056,075	—
Other sales expenses	123,782	—
Gain on sale of real estate property	¥ 550,142	—
Loss on sale of real estate property:		
Revenue from sale of investment property	—	¥ 4,900,000
Cost of investment property	—	5,419,438
Other sales expenses	—	48,722
Loss on sale of real estate property	—	¥ 568,160

12. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease terms of generally two years for office buildings and residential properties and with lease terms ranging from two to ten years for retail properties. The future minimum rental revenues under existing non-cancelable operating leases as of April 30, 2018 and October 31, 2017 are as follows:

	In thousands of yen	
	As of April 30, 2018	As of October 31, 2017
Due within one year	¥1,446,246	¥ 1,794,970
Due after one year	5,943,183	9,036,969
Total	¥7,389,430	¥10,831,939

13. FINANCIAL INSTRUMENTS

Twenty-sixth fiscal period (from November 1, 2017 to April 30, 2018)

(A) Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 10 years following the accounting date. Although a certain portion of said liabilities are subject to interest rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap and interest-rate cap transactions) in order to reduce such risk.

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

(3) Risk management for financial instruments

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

The Investment Corporation uses interest-rate swap and interest-rate cap transactions in order to minimize risk arising from fluctuations in interest rates on funds procured. The Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to investment securities.

(b) Monitoring of liquidity risk (the risk that the Investment Corporation may not be able to meet its obligations on scheduled due dates) associated with procurement of funds

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

(4) Supplementary explanation of the estimated fair value of financial instruments

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

(B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of April 30, 2018 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
(1) Cash and deposits	¥ 13,033,326	¥ 13,033,326	¥ —
(2) Cash and deposits in trust	10,444,809	10,444,809	—
Subtotal	23,478,136	23,478,136	—
(1) Short-term loans payable	6,000,000	6,000,000	—
(2) Current portion of investment corporation bonds	1,800,000	1,804,644	4,644
(3) Current portion of long-term loans payable	17,050,000	17,088,337	38,337
(4) Investment corporation bonds	6,000,000	6,057,000	57,000
(5) Long-term loans payable	155,000,000	155,280,513	280,513
Subtotal	¥185,850,000	¥186,230,495	¥380,495
Derivative transactions (*)	60,587	60,587	—

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

*1 Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

(1) Cash and deposits and (2) Cash and deposits in trust

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

Liabilities

(1) Short-term loans payable

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

(2) Current portion of investment corporation bonds and (4) Investment corporation bonds

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

(3) Current portion of long-term loans payable and (5) Long-term loans payable

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

Derivative Transactions

Please refer to Note 14 "DERIVATIVE TRANSACTIONS."

*2 Financial instruments for which it is extremely difficult to determine the fair value

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,090,336

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

*3 Redemption schedule for receivables

	Due within 1 year or less (In thousands of yen)
Cash and deposits	¥13,033,326
Cash and deposits in trust	10,444,809
Total	¥23,478,136

*4 Redemption schedule for loans payable and investment corporation bonds

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 6,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	1,800,000	—	—	—	1,000,000	5,000,000
Long-term loans payable	17,050,000	14,700,000	19,600,000	21,700,000	10,950,000	88,050,000
Total	¥24,850,000	¥14,700,000	¥19,600,000	¥21,700,000	¥11,950,000	¥93,050,000

Twenty-fifth fiscal period (from May 1, 2017 to October 31, 2017)

(A) Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 10 years and 6 months following the accounting date. Although a certain portion of said liabilities are subject to interest rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap and interest-rate cap transactions) in order to reduce such risk.

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

(3) Risk management for financial instruments

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

The Investment Corporation uses interest-rate swap and interest-rate cap transactions in order to minimize risk arising from fluctuations in interest rates on funds procured. The Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to investment securities.

(b) Monitoring of liquidity risk (the risk that the Investment Corporation may not be able to meet its obligations on scheduled due dates) associated with procurement of funds

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

(B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of October 31, 2017 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
(1) Cash and deposits	¥ 19,917,133	¥ 19,917,133	¥ —
(2) Cash and deposits in trust	9,808,743	9,808,743	—
Subtotal	29,725,877	29,725,877	—
(1) Short-term loans payable	6,000,000	6,000,000	—
(2) Current portion of investment corporation bonds	1,800,000	1,810,728	10,728
(3) Current portion of long-term loans payable	18,250,000	18,283,972	33,972
(4) Investment corporation bonds	6,000,000	6,048,100	48,100
(5) Long-term loans payable	147,550,000	148,148,063	598,063
Subtotal	¥179,600,000	¥180,290,864	¥690,864
Derivative transactions (*)	37,549	37,549	—

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

*1 Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

(1) Cash and deposits and (2) Cash and deposits in trust

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

Liabilities

(1) Short-term loans payable

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

(2) Current portion of investment corporation bonds and (4) Investment corporation bonds

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

(3) Current portion of long-term loans payable and (5) Long-term loans payable

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

Derivative Transactions

Please refer to Note 14 "DERIVATIVE TRANSACTIONS."

(4) Supplementary explanation of the estimated fair value of financial instruments

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

*2 Financial instruments for which it is extremely difficult to determine the fair value

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,096,423

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

*3 Redemption schedule for receivables

	Due within 1 year or less (In thousands of yen)
Cash and deposits	¥19,917,133
Cash and deposits in trust	9,808,743
Total	¥29,725,877

*4 Redemption schedule for loans payable and investment corporation bonds

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 6,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	1,800,000	—	—	—	1,000,000	5,000,000
Long-term loans payable	18,250,000	13,750,000	18,600,000	21,300,000	17,050,000	76,850,000
Total	¥26,050,000	¥13,750,000	¥18,600,000	¥21,300,000	¥18,050,000	¥81,850,000

14. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap and interest-rate cap contracts as of April 30, 2018:

(1) Hedge accounting not applied

Not applicable

(2) Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 17,900,000	¥ 17,900,000	¥60,587	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	97,400,000	88,750,000	*	
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term loans payable	500,000	—	*	
Total			¥115,800,000	¥106,650,000	¥60,587	

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

The following summarizes the contracted amount and the fair value of interest-rate swap and interest-rate cap contracts as of October 31, 2017:

(1) Hedge accounting not applied

Not applicable

(2) Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 12,200,000	¥ 12,200,000	¥37,549	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	99,650,000	93,900,000	*	
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term loans payable	500,000	—	*	
Total			¥112,350,000	¥106,100,000	¥37,549	

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

15. INVESTMENT AND RENTAL PROPERTIES

Twenty-sixth fiscal period (from November 1, 2017 to April 30, 2018)

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

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

As of October 31, 2017	Carrying value (In thousands of yen)		As of April 30, 2018	Fair value As of April 30, 2018 (In thousands of yen)
		Net change		
¥382,081,158		¥14,226,960	¥396,308,119	¥442,773,000

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

*2: Fair value at the end of the fiscal period is the appraisal value determined by outside appraisers. Fair value at the end of the fiscal period under review of KDX Hamamatsucho Dai-2 Building and Frame Jinnan-zaka (49.0% of quasi co-ownership interest) that were sold on July 2, 2018 and Frame Jinnan-zaka (51.0% of quasi co-ownership interest) that is scheduled to be sold on November 1, 2018 are calculated based on the sale price (¥12,550,000 thousand) in the transaction agreement on May 14, 2018.

*3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increase/decrease factors were the acquisition of two properties totaling ¥24,692,691 thousand, the sales of three properties totaling ¥9,056,075 thousand and depreciation amounting to ¥2,295,308 thousand.

Income and loss in the fiscal period ended April 30, 2018 for real estate for rental purposes is listed in Note 11 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY."

Twenty-fifth fiscal period (from May 1, 2017 to October 31, 2017)

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

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

As of April 30, 2017	Carrying value (In thousands of yen)		As of October 31, 2017	Fair value As of October 31, 2017 (In thousands of yen)
		Net change		
¥383,401,649		¥(1,320,490)	¥382,081,158	¥424,323,000

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

*2: Fair value at the end of the fiscal period is the appraisal value determined by outside appraisers. Fair value at the end of the fiscal period under review of Residence Charmante Tsukishima that was sold on December 1, 2017 is calculated based on the sale price (¥4,900,000 thousand) in the transaction agreement on October 30, 2017. Those of KDX Ikejiri-Ohashi Building and KDX Shin-Yokohama 214 Building that were sold on December 28, 2017 are calculated based on the anticipated sale price (KDX Ikejiri-Ohashi Building: ¥2,400,000 thousand and KDX Shin-Yokohama 214 Building: ¥2,430,000 thousand) in the transaction agreements on December 14, 2017.

*3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increase/decrease factors were the acquisition of two properties totaling ¥5,405,572 thousand, the sales of one property totaling ¥5,419,438 thousand and depreciation amounting to ¥2,293,789 thousand.

Income and loss in the fiscal period ended October 31, 2017 for real estate for rental purposes is listed in Note 11 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY."

16. SEGMENT AND RELATED INFORMATION

Twenty-sixth fiscal period (from November 1, 2017 to April 30, 2018)

(A) Segment Information

Disclosure is omitted because the real estate leasing business is the Investment Corporation's sole business and it has no reportable segment subject to disclosure.

(B) Related Information

(1) Information about each product and service

Disclosure is omitted because net sales to external customers for a single product/service category account for over 90% of the operating revenues on the statement of income and retained earnings.

(2) Information about each geographic area

(a) Net sales

Disclosure is omitted because net sales to external customers in Japan account for over 90% of the operating revenues on the statement of income and retained earnings.

(b) Property, plant and equipment

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

(3) Information about each major customer

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

Twenty-fifth fiscal period (from May 1, 2017 to October 31, 2017)

(A) Segment Information

Disclosure is omitted because the real estate leasing business is the Investment Corporation's sole business and it has no reportable segment subject to disclosure.

(B) Related Information

(1) Information about each product and service

Disclosure is omitted because net sales to external customers for a single product/service category account for over 90% of the operating revenues on the statement of income and retained earnings.

(2) Information about each geographic area

(a) Net sales

Disclosure is omitted because net sales to external customers in Japan account for over 90% of the operating revenues on the statement of income and retained earnings.

(b) Property, plant and equipment

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

(3) Information about each major customer

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

17. SIGNIFICANT SUBSEQUENT EVENTS

ISSUANCE OF NEW INVESTMENT UNITS

On May 14, 2018 and May 21, 2018, the Board of Directors of the Investment Corporation resolved to issue new investment units as detailed below. Payments for the issuance of new investment units through public offering and through third-party allotment have been completed on May 28, 2018 and June 15, 2018, respectively. As a result of the issuance of new investment units, the Investment Corporation had total unitholders' capital of ¥220,970,508,345 with 428,510 investment units outstanding as of June 15, 2018.

(Issuance of New Investment Units through Public Offering)	
Issuance of new investment units:	22,500 units
Issue price (Offer price):	¥646,425 per unit
Aggregate issue price (Total offer price):	¥14,544,562,500
Issue amount (Paid-in value):	¥625,209 per unit
Total issue amount (Aggregate paid-in value):	¥14,067,202,500
Payment date:	May 28, 2018

(Issuance of New Investment Units through Third-Party Allotment)	
Issuance of new investment units:	1,125 units
Issue amount (Paid-in value):	¥625,209 per unit
Total issue amount (Aggregate paid-in value):	¥703,360,125
Payment date:	June 15, 2018
Allottee:	Nomura Securities Co., Ltd.

(Use of Proceeds)

The proceeds from the public offering, amounting to ¥14,067,202,500, were allocated as a part of the funds for the acquisition of the property to be acquired, along with the proceeds from the third-party allotment resolved on the same date as the public offering, amounting to ¥703,360,125.

18. DISTRIBUTIONS

	Yen	
	Twenty-sixth fiscal period (From November 1, 2017 to April 30, 2018)	Twenty-fifth fiscal period (From May 1, 2017 to October 31, 2017)
I. Retained earnings at the end of period	¥5,828,847,806	¥4,589,238,332
II. Voluntary reserve (reversal)		
Reversal of reserve for reduction entry	—	¥ 471,824,168
III. Total distributions	¥5,247,309,600	¥5,061,062,500
Distributions per unit	¥ 12,960	¥ 12,500
IV. Voluntary reserve (provision)		
Provision of reserve for reduction entry	¥ 581,538,206	—
V. Retained earnings brought forward to the next period	—	—
Method of calculating distribution amount	<p>In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation has decided that, of the amount remaining after the provision of reserve for reduction entry as stipulated in Article 66-2 of the Act on Special Measures Concerning Taxation is deducted from unappropriated retained earnings, it shall distribute the outstanding ¥5,247,309,600 as profit distribution.</p> <p>In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.</p>	<p>In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation decided to distribute ¥5,061,062,500, the maximum integral multiple amounts of investment units issued and outstanding of 404,885 units, based on the amount of the unappropriated retained earnings added the reversal of reserve for reduction entry.</p> <p>In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.</p>

Kenedix Office Investment Corporation

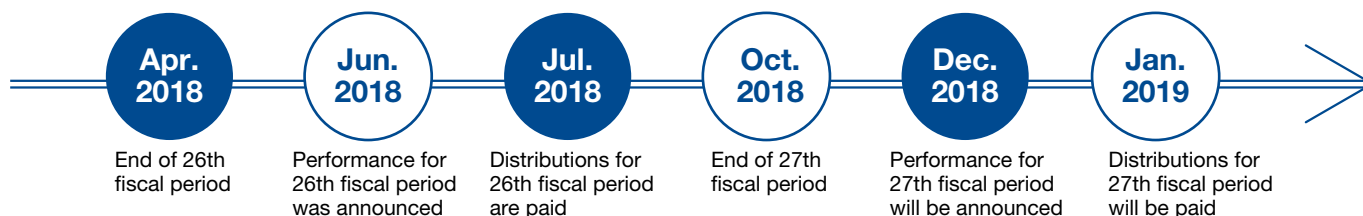
Fiscal Periods: Six months ending April 30 and October 31

Stock Listing: Real Estate Investment Trust Market of the Tokyo Stock Exchange (Securities Code: 8972)

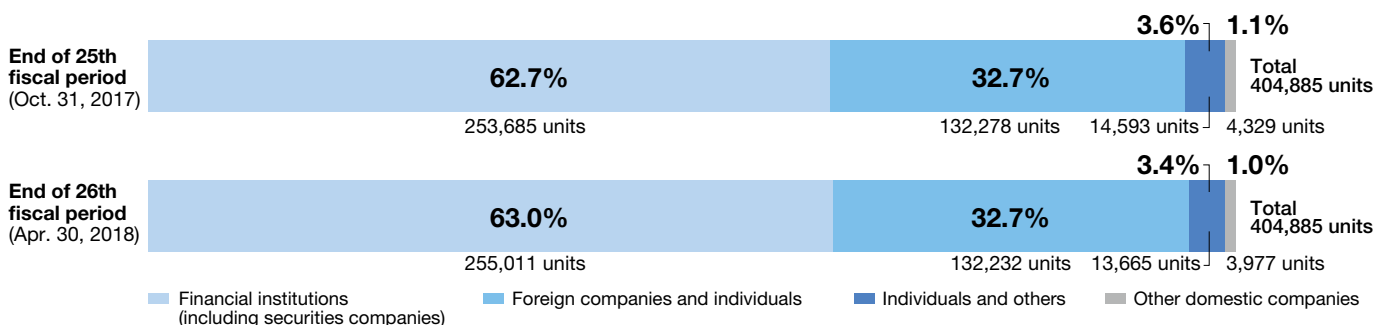
Transfer Agent: Sumitomo Mitsui Trust Bank, Limited

Auditor: Ernst & Young ShinNihon LLC

IR Schedule (26th and 27th fiscal periods)



General Breakdown of Unitholders ^(Note)



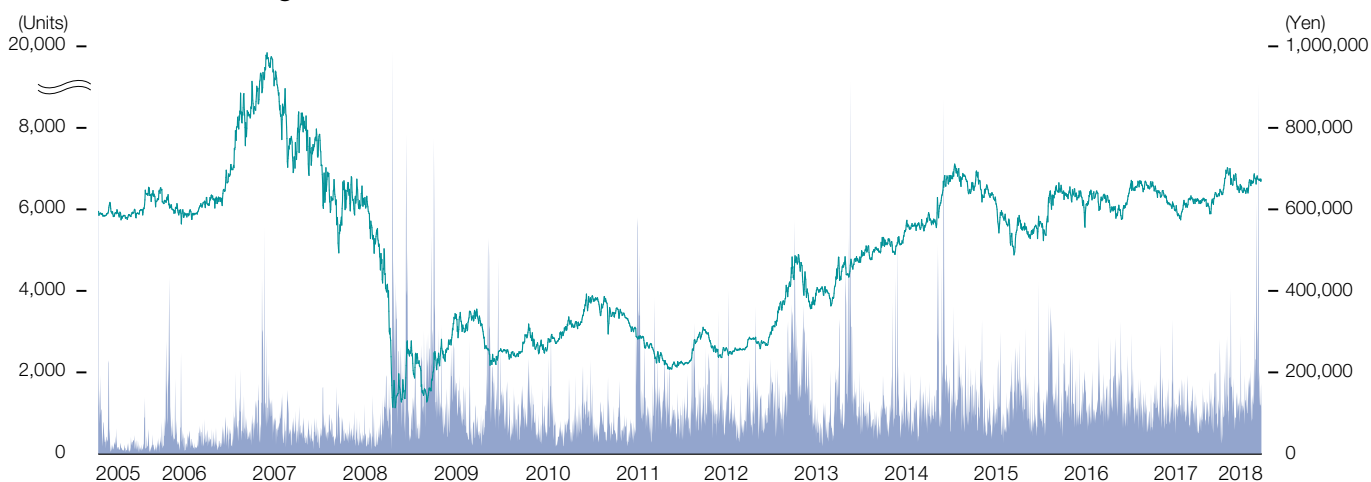
Note: Ratios are rounded to the first decimal place.

Top 10 Unitholders (As of Apr. 30, 2018)

Name	Number of Units Held	Percentage Share ^(Note)
The Master Trust Bank of Japan, Ltd. (Trust Acct.)	79,985	19.8%
Japan Trustee Services Bank, Ltd. (Trust Acct.)	76,151	18.8%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	26,729	6.6%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Acct.)	23,187	5.7%
JP Morgan Chase Bank 385628	11,610	2.9%
State Street Bank and Trust Company 505012	7,942	2.0%
State Street Bank and Trust Company 505001	6,315	1.6%
Nomura Bank (Luxembourg) S.A.	5,285	1.3%
Barclays Capital Securities Limited	5,150	1.3%
State Street Bank West Client – Treaty 505234	4,791	1.2%
Total	247,145	61.0%

Note: Ratios are rounded to the first decimal place.

Unit Price and Trading Volume



KENEDIX

Office Investment Corporation

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