

# Kenedix Office Investment Corporation

23rd Period Results (Ended October 2016)

December 15, 2016

Ticker Symbol: 8972



**KENEDIX**  
Office Investment Corporation

Kenedix Real Estate Fund Management, Inc.

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## Section 1

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Executive summary / highlights



# Highlights of 23rd fiscal period (2016/10) and future initiatives

## Highlights

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

23rd fiscal period (2016/10)

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

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

24th fiscal period (2017/4)

- Mutual transactions with 2 real estate developers
  - Improved portfolio quality by acquiring prime properties
  - Achieved gain on sales (1.6 bn yen) and increased cash on hand (1.8 bn yen)

Improvement in profitability (NOI yield after depreciation)		Increase in DPU
Properties sold (actual)	Properties acquired (estimate)	Mid-long term estimate +180 yen/period
2.4%	3.6%	

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

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

Increase in actual occupancy rate	Percentage of the number of new contracts signed with higher rents at tenant turnover	Increasing change in rent upon rent revisions
End of 23rd fiscal period 93.4% (+0.9% period over period) ※Occupancy rate (contracted area based): 96.8%	22nd fiscal period 54.4% → 23rd fiscal period 60.9%	Total monthly amount for 23rd fiscal period +4.3 mn yen

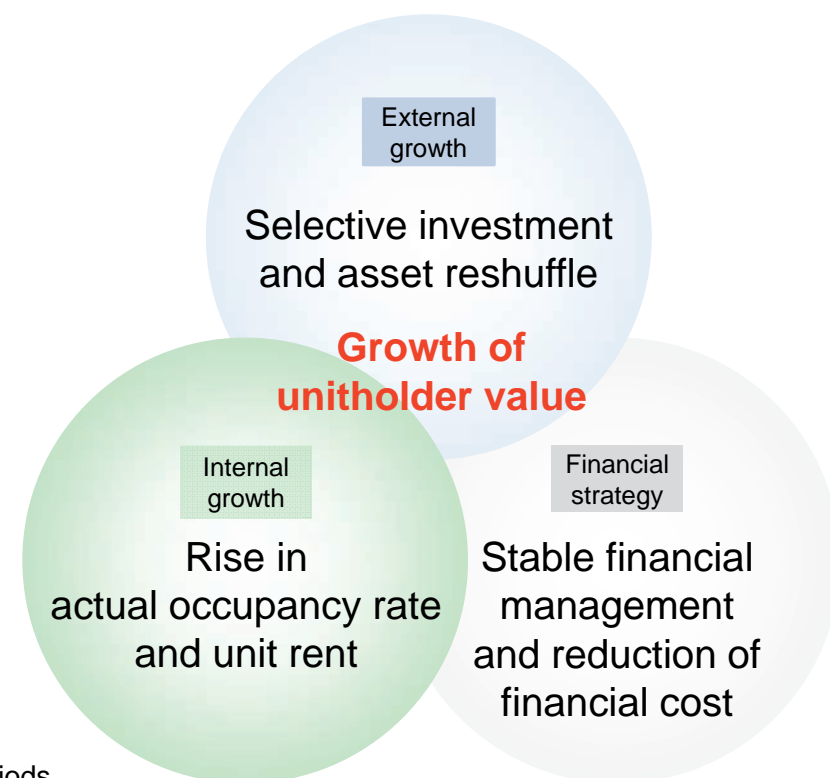
### Financial strategy Maintain stable financial base and continue reducing financial cost

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

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

## Future initiatives

- Continue with ongoing initiatives and policies

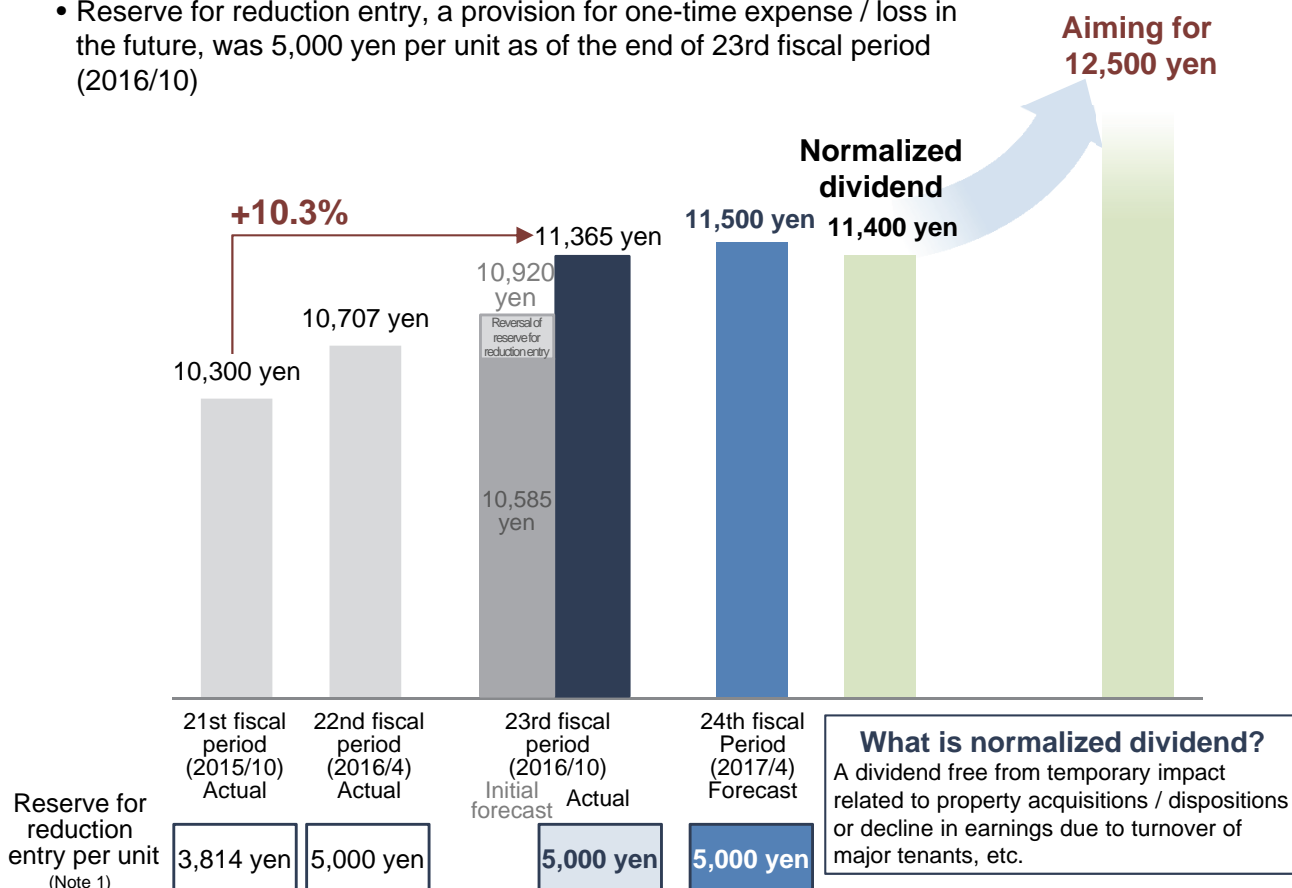


# Dividend and NAV per unit

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

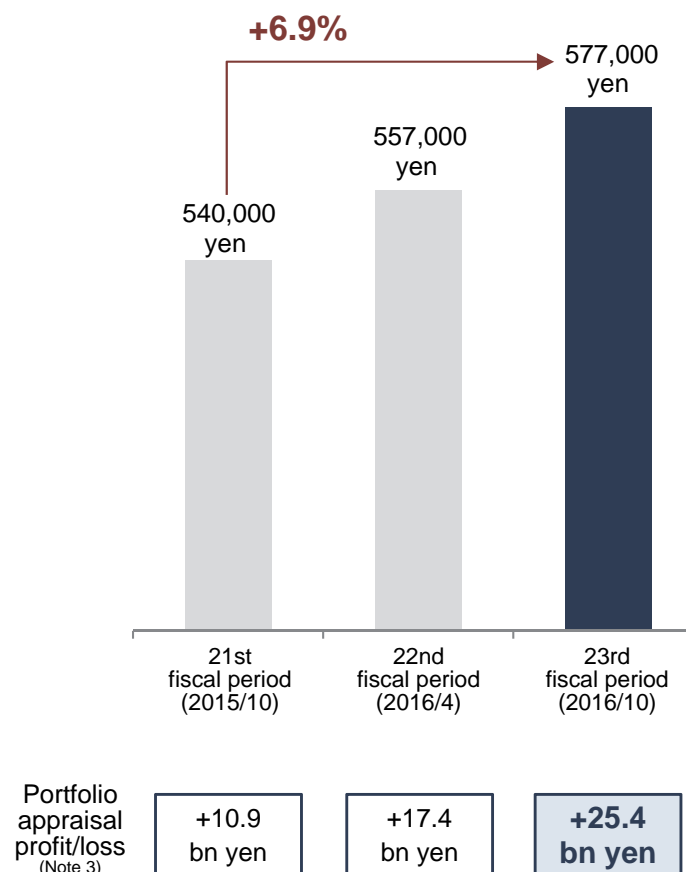
## Historical changes in dividend

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



## NAV per unit: Historical performance (Note 2)

- Achieved 6.9% increase over the past year



Note 1: The balance of reserve for reduction entry is calculated by either adding provision of reserve for reduction entry or subtracting reversal of reserve for reduction entry to / from the balance of reserve for reduction entry on the balance sheet as of the end of relevant fiscal period

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

Note 3: Appraisal profit/loss is calculated by subtracting book values from appraisal values for all properties owned as of the end of relevant fiscal period

## Section 2

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23rd fiscal period results (2016/10)  
and 24th fiscal period earning forecasts (2017/4)

# 23rd fiscal period (2016/10) financial results

Achieved 4.1% dividend increase against the forecast, in addition to avoiding expected reversal of reserve for reduction entry

## 23rd fiscal period (2016/10) actual

(Unit: mn yen)

	22nd fiscal period (2016/4)	23rd fiscal period (2016/10)	23rd fiscal period (2016/10)	23rd (actual) vs 22nd (actual)	23rd (actual) vs 23rd (forecast)
	Actual	Forecast (announced on Jun. 13)	Actual	Difference	Difference
	A	B	C	C-A	C-B
Operating revenue	14,362	13,280	<b>13,491</b>	① -870	① +211
Operating expense	8,260	7,788	<b>7,703</b>	② -556	② -85
Operating income	6,102	5,491	<b>5,788</b>	③ -313	③ +296
Ordinary income	4,816	4,286	<b>4,603</b>	-213	+316
Net income	4,815	4,285	<b>4,601</b>	-213	+316
DPU (yen)	10,707	10,920	<b>11,365</b>	+658	④ +445
Provision (+) / reversal (-) of reserve for reduction entry	+480	-136	-	-480	④ +136
Gain / loss on sale of real estate	744	-	-	③ -744	-
Rental NOI	8,509	8,672	<b>8,949</b>	③ +440	③ +276
Interest expense, etc.	1,177	1,128	<b>1,117</b>	-60	-10

## Comparison against 22nd fiscal period (2016/4) actual (see page 29 for details)

① Disappearance of gain on sale of real estate	-1,510 mn yen
② Disappearance of loss on sale of real estate	-766 mn yen
③ Disappearance of (total) gain / loss on sale of real estate	-744 mn yen
<b>Increase in rental NOI</b>	<b>+440 mn yen</b>
Increase in revenues from existing properties	+193 mn yen
(Total) Revenues from properties acquired/sold in and after 22nd fiscal period (2016/4)	+121 mn yen
Restoration related revenue of Senri LSC Bldg., etc.	+145 mn yen
Improvement in balance of utilities revenue / expense	+108 mn yen
Increase in repair/maintenance expense	-131 mn yen

## Comparison against 23rd fiscal period (2016/10) forecast (see page 29 for details)

① <b>Increase in rent revenue</b>	<b>+211 mn yen</b>
Increase in rent / common area charge	+67 mn yen
Restoration related revenue of Senri LSC Bldg., etc.	+145 mn yen
② <b>Decrease in utilities expense</b>	<b>-170 mn yen</b>
<b>Increase in repair / maintenance expense</b>	<b>+98 mn yen</b>
③ <b>Increase in rental NOI</b>	<b>+276 mn yen</b>
Increase in revenues from existing properties	+29 mn yen
Revenues from properties acquired in 23rd fiscal period (2016/10)	+38 mn yen
Restoration related revenue of Senri LSC Bldg., etc.	+145 mn yen
Improvement in balance of utilities revenue/expense	+129 mn yen
Increase in repair / maintenance expense	-98 mn yen
④ <b>Avoiding reversal of reserve for reduction entry and increase in DPU</b>	

# 24th fiscal period (2017/4) earning forecasts

Expect to increase dividend by 135 yen from 23rd fiscal period (2016/10) mainly due to an increase in rental NOI for existing properties and a reduction in financial cost

## 24th fiscal period (2017/4) forecast

(Unit: mn yen)

	23rd fiscal period (2016/10) Actual A	24th fiscal period (2017/4) Forecast B	24th (forecast) vs 23rd (actual) Difference B-A
Operating revenue	13,491	<b>14,978</b>	<b>①</b> +1,486
Operating expense	7,703	<b>9,169</b>	<b>②</b> +1,465
Operating income	5,788	<b>5,809</b>	<b>③</b> +20
Ordinary income	4,603	<b>4,657</b>	+54
Net income	4,601	<b>4,656</b>	+54
DPU (yen)	11,365	<b>11,500</b>	+135
Provision (+) / reversal (-) of reserve for reduction entry	-	-	-
Gain / loss on sale of real estate	-	<b>0</b>	+0
Rental NOI	8,949	<b>9,041</b>	<b>③</b> +91
Interest expense, etc.	1,117	<b>1,061</b>	<b>④</b> -55

## Comparison against 23rd fiscal period (2016/10) actual (see page 30 for details)

<b>① Gain on sale of real estate</b>	<b>+1,660 mn yen</b>
<b>② Loss on sale of real estate</b>	<b>+1,659 mn yen</b>
<b>③ Increase in rental NOI</b>	<b>+91 mn yen</b>
Increase in revenues from existing properties (of which, KDX Iidabashi Square (Total) Revenues from properties (to be) acquired / sold in and after 23rd fiscal period	+169 mn yen +95 mn yen -9 mn yen
Disappearance of restoration related revenue	-145 mn yen
Balance of utilities revenue / expense	-35 mn yen
Increase in taxes	-10 mn yen
Decrease in repair / maintenance expense	+156 mn yen
<b>④ Reduction in interest expense, etc.</b>	



## Section 3

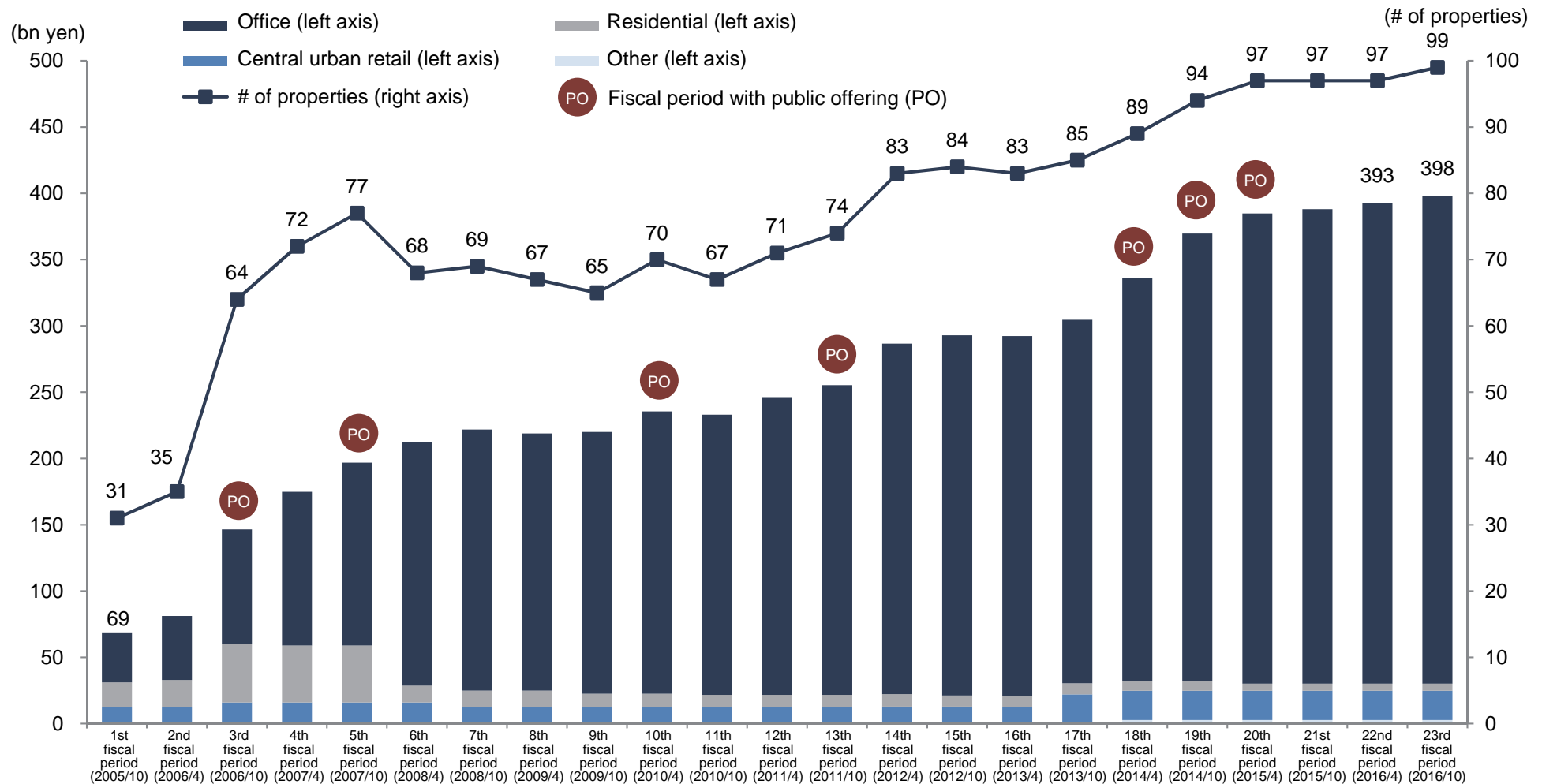
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### Portfolio overview

# Portfolio growth and change in number of properties

Expanded portfolio to the scale of 99 properties with asset size amounting to approx. 400 billion yen throughout 7 public offerings  
Deploy tactful property acquisition strategies in accordance with the real estate market environment

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

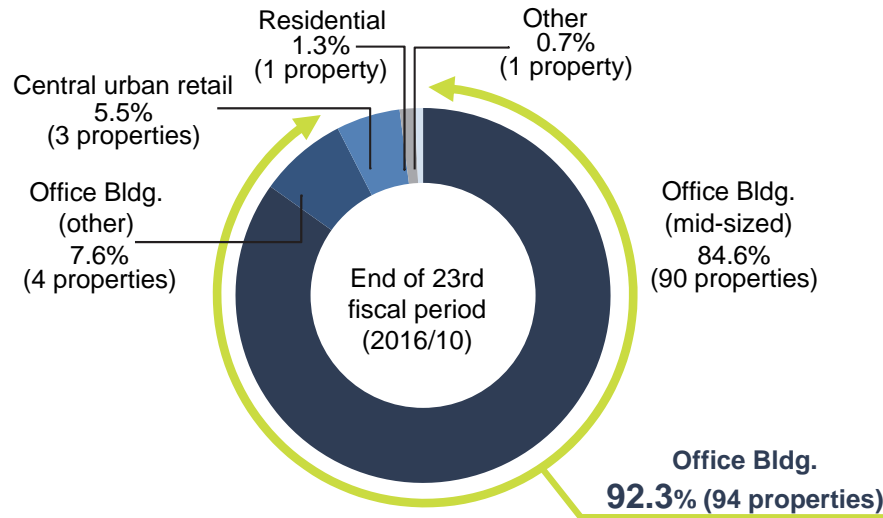


Note: The amount and the number of properties are shown as of the end of each fiscal period.  
Figures are truncated to the nearest billion yen. Figures in this material are truncated to the nearest unit unless otherwise stated

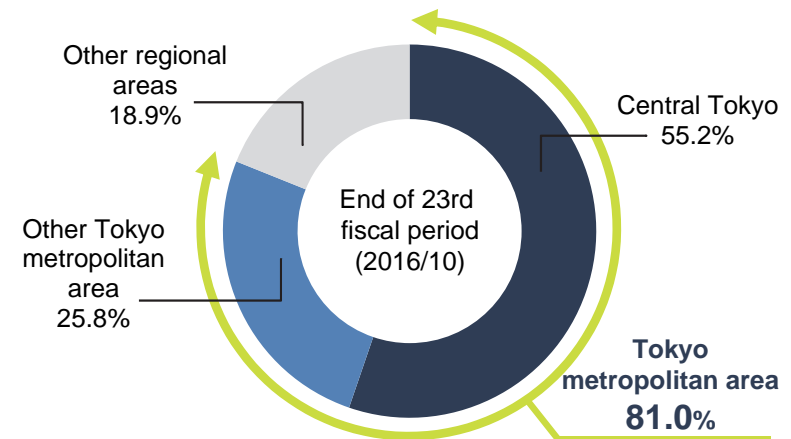
# Portfolio diversification

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

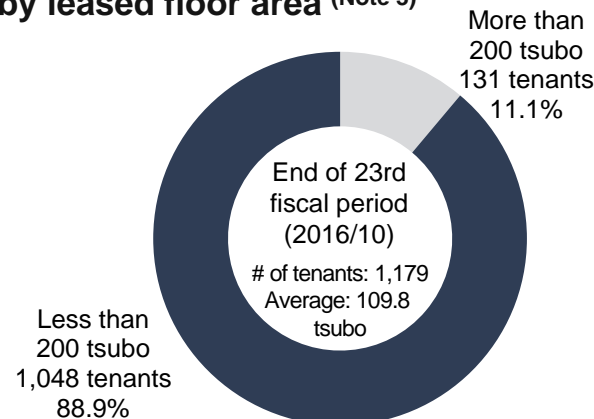
## Breakdown by asset type (Note 1)



## 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

## Section 4

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### External growth

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

Acquired 2 office buildings located within the central 5 wards of Tokyo

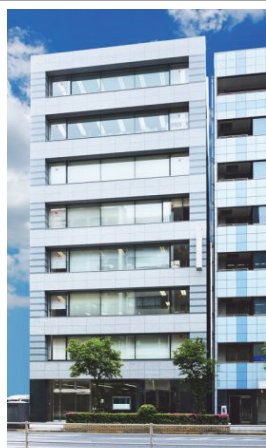
Properties sourced through corporate acquisition by our sponsor, a unique approach leveraging Kenedix Group's strength

## 1 KDX Shin-Nihonbashi Ekimae Bldg.



Acquisition date	August 2, 2016
Acquisition price	3,829 mn yen
Appraisal value at the time of acquisition	3,930 mn yen
Estimated NOI yield <sup>(Note 1)</sup>	4.1%
Estimated NOI yield after depreciation <sup>(Note 1)</sup>	3.8%
Appraisal NOI yield <sup>(Note 2)</sup>	4.5%
Gross floor area	4,254.07m <sup>2</sup>
Completion date	May 1992
Occupancy rate <sup>(Note 3)</sup>	67.2%
# of tenants <sup>(Note 3)</sup>	8

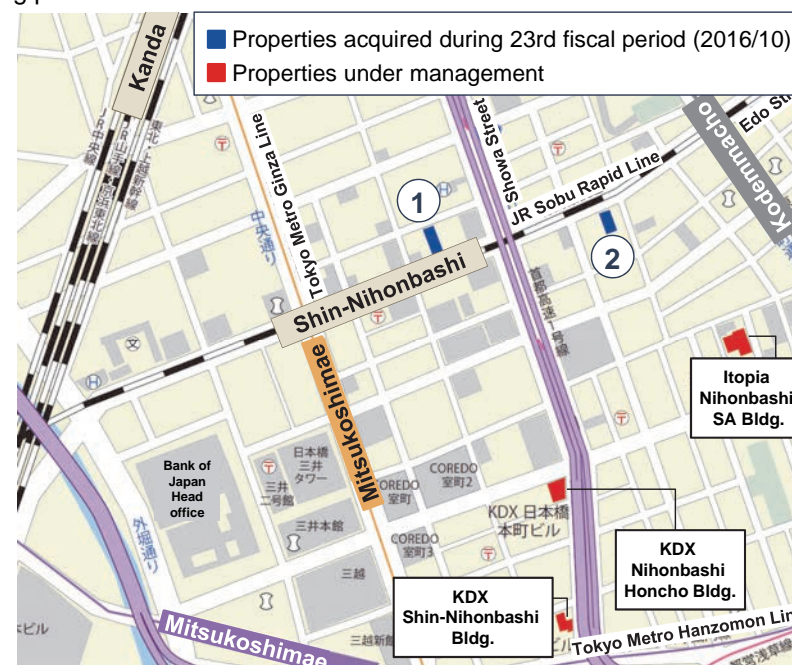
## 2 KDX Nihonbashi Edo-dori Bldg.



Acquisition date	August 2, 2016
Acquisition price	1,350 mn yen
Appraisal value at the time of acquisition	1,410 mn yen
Estimated NOI yield <sup>(Note 1)</sup>	4.4%
Estimated NOI yield after depreciation <sup>(Note 1)</sup>	4.0%
Appraisal NOI yield <sup>(Note 2)</sup>	5.1%
Gross floor area	1,722.17m <sup>2</sup>
Completion date	March 1985
Occupancy rate <sup>(Note 3)</sup>	73.7%
# of tenants <sup>(Note 3)</sup>	6

## Transaction highlights

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



Note 1: Estimated NOI yield and estimated NOI yield after depreciation are calculated by dividing net operating income after excluding extraordinary factors for the year of the acquisition estimated by the Asset Management Company by the acquisition price (rounded to the first decimal place)

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

Note 3: Occupancy rate and number of tenants are shown as of October 31, 2016. Occupancy rate is rounded to the first decimal place



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

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

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

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

Property acquired

① ARK Mori Bldg.  
(compartmentalized ownership) (Note)



Property sold

② BUREX Toranomon



Asset reshuffle



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

- Redevelopment projects have gained momentum in Kabutocho area and the property to be sold, which has been built for more than 18 years, may lose its competitiveness due to the environmental changes accompanied by the progress of redevelopment
- The property to be acquired is located in Toranomon area which has a significant growth potential arising from the planned opening of a new subway station and several redevelopment projects underway; a property which is expected to deepen its competitiveness due to the appropriate renovation and improvement of convenience

Property to be acquired

③ Nishi-Shinbashi TS Bldg.



Property to be sold

④ KDX Nihonbashi Kabutocho Bldg.



Asset reshuffle



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

# Effect of asset reshuffle in 24th fiscal period (2017/4)

Expected to increase distributions without raising LTV

Utilize capital gains to improve portfolio quality and proceeds to finance future acquisitions

## Overview of asset reshuffle in 24th fiscal period (2017/4) (Note1)

Properties (to be) acquired		Properties (to be) sold	
<b>ARK Mori Bldg.</b> (compartmentalized ownership) (Note 2)		<b>BUREX Toranomon</b>	
	Acquisition price 4,169 mn yen Appraisal value 4,310 mn yen Estimated NOI yield 4.0% Estimated NOI yield after depreciation 3.8% Appraisal NOI yield 4.3% Completion date March 1986 Occupancy rate 100%		Disposition price 2,440 mn yen Assumed book value (at the time of sale) 1,734 mn yen Appraisal value 2,440 mn yen NOI yield (actual) 4.8% NOI yield after depreciation (actual) 3.4% Disposition price NOI yield 3.4% Completion date July 2011 Occupancy rate 100%
<b>Nishi-Shinbashi TS Bldg.</b>		<b>KDX Nihonbashi Kabutocho Bldg.</b>	
	Acquisition price 8,400 mn yen Appraisal value 8,480 mn yen Estimated NOI yield 3.9% Estimated NOI yield after depreciation 3.6% Appraisal NOI yield 4.1% Completion date August 1992 Occupancy rate 100%		Disposition price 12,400 mn yen Assumed book value (at the time of sale) 11,104 mn yen Appraisal value 12,400 mn yen NOI yield (actual) 3.4% NOI yield after depreciation (actual) 2.2% Disposition price NOI yield 3.1% Completion date November 1998 Occupancy rate 100%

Note 1: Yields are calculated using the following formulas (rounded to the first decimal place):  
 Estimated NOI yield: Calculated by dividing "NOI after excluding extraordinary factors for the year of the acquisition estimated by the Asset Management Company" by the acquisition price  
 Estimated NOI yield after depreciation: Calculated by dividing estimated NOI after depreciation (estimated NOI – estimated depreciation expenses) by the acquisition price  
 Appraisal NOI yield: Calculated by dividing "NOI calculated based on the direct capitalization method described in the relevant appraisal report (with the base date for appraisal on October 31, 2016)" by the acquisition price  
 NOI yield (actual): Calculated by dividing the sum of the actual NOI for 21st (2015/10) and 22nd (2016/4) fiscal periods by the acquisition price  
 NOI yield after depreciation (actual): Calculated by dividing the sum of the rental operating income (NOI after depreciation (actual)) for 21st (2015/10) and 22nd (2016/10) fiscal period by the acquisition price  
 Disposition price NOI yield: Calculated by dividing sum of actual NOI above by the disposition price  
 Occupancy rates: Figures are shown as of December 1, 2016

## Effect of asset reshuffle

<b>NOI yield after depreciation</b> Properties sold (actual) 2.4% Properties acquired (estimate) 3.6% ※NOI yield after depreciation for portfolio of 23rd fiscal period: 3.3% (Note 5)	<b>Distributions per unit (Note 3)</b> Mid-long term estimate <b>+180 yen/period</b>
<b>Gain on sale of real estate (Note 4)</b> <b>1.6 bn yen</b>	<b>Achieved cash on hand (Note 4)</b> <b>+1.8 bn yen</b>

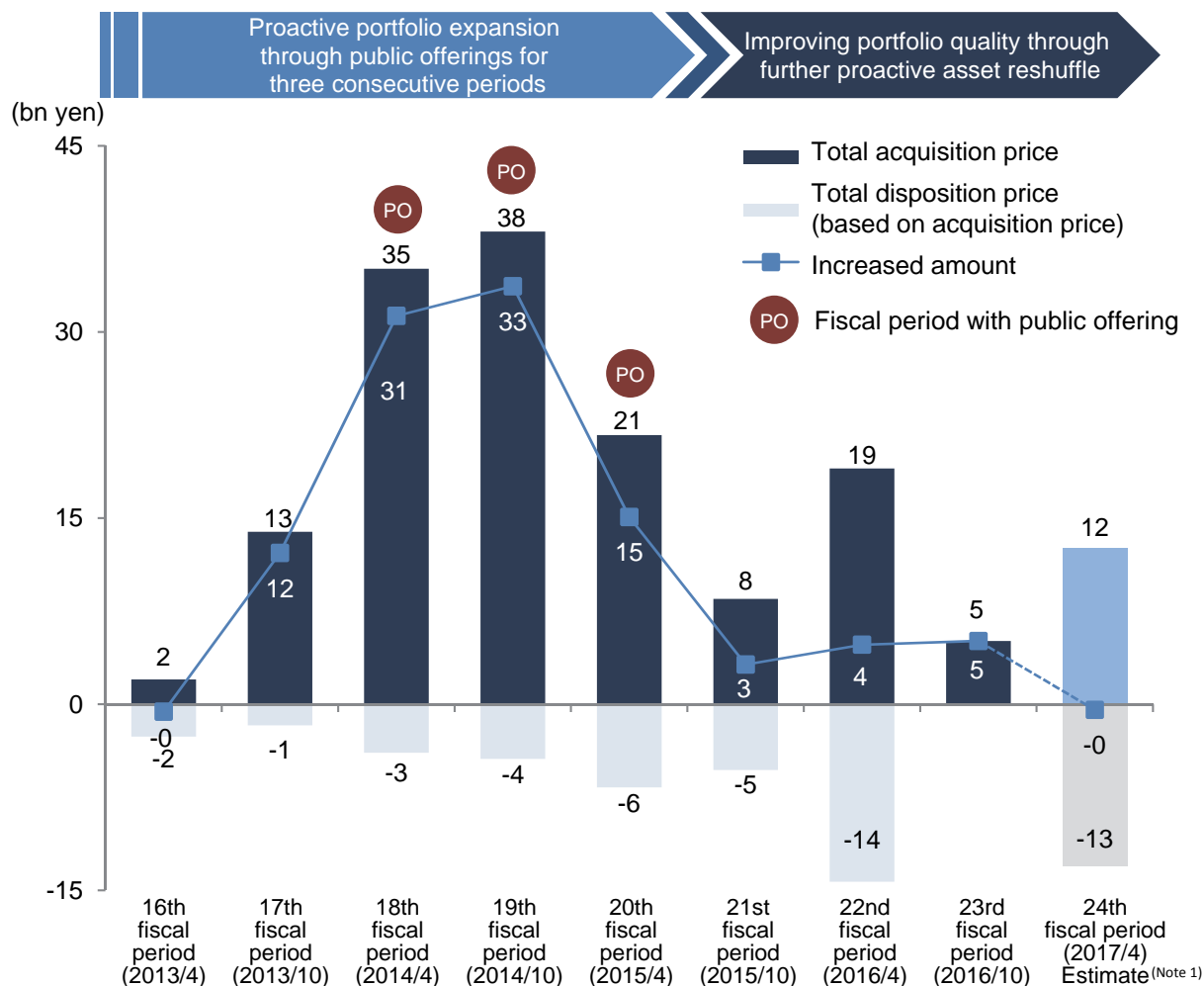
- Contribute to distribution via improved portfolio profitability
- Aim to improve portfolio quality by utilizing the gain on sale and accomplish further growth with achieved cash

Note 2: Acquiring the trust beneficiary interest in 40% quasi co-ownership of compartmentalized ownership for the 34th and 35th floors of ARK Mori Bldg.  
 Note 3: Deducting the sum of NOI after depreciation (actual) for the properties sold from the sum of estimated NOI after depreciation for the properties acquired calculated in Note 1, then semi-annualize the said full-year amount and divide by the total number of investment units issued (as of the end of 23rd fiscal period (2016/10)) to calculate the difference in DPU  
 Note 4: The amount of gain on sale of real estate is the estimate based on the assumed book value and disposition related expenses. Cash on hand are calculated by deducting the acquisition and disposition related expenses (estimated amounts) from the total of acquisition and disposition price  
 Note 5: NOI yield after depreciation calculation for the properties acquired during each fiscal period without property taxes are assumed as if the taxes are imposed. For the properties acquired / sold during each fiscal period, they are calculated by multiplying ratio of actual operating days corresponding to each fiscal period's operating days against NOI and acquisition price (rounded to the first decimal place)

# Track record and effect of property acquisitions and dispositions

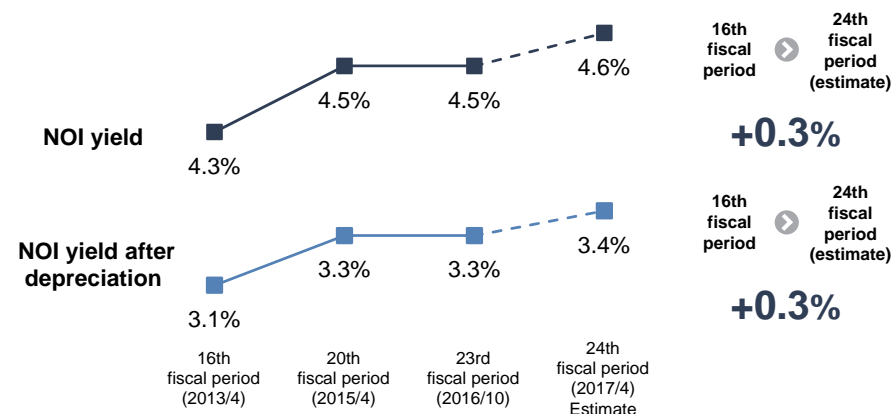
Actualized enhancement of financial base and improvement in portfolio profitability through flexible and timely acquisitions / dispositions with the view to market conditions

## Track record of property acquisitions / dispositions

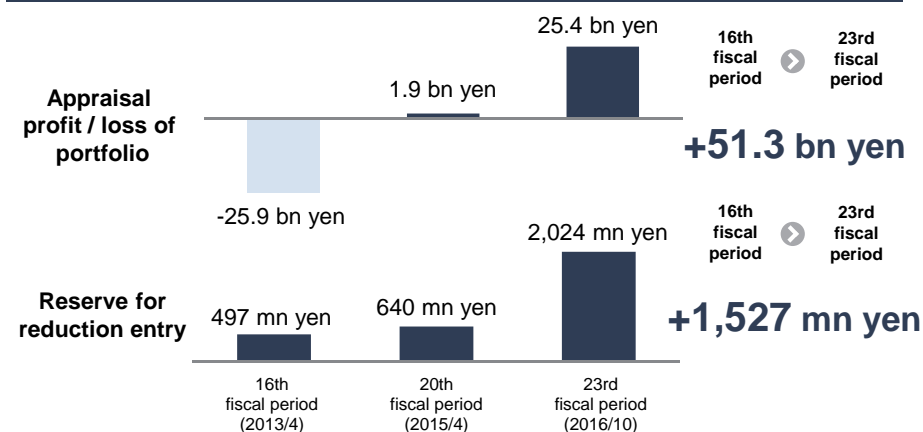


## Changes in related indices

### Improvement in portfolio profitability (Note 2)



### Enhancement of financial base



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

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

## Section 5

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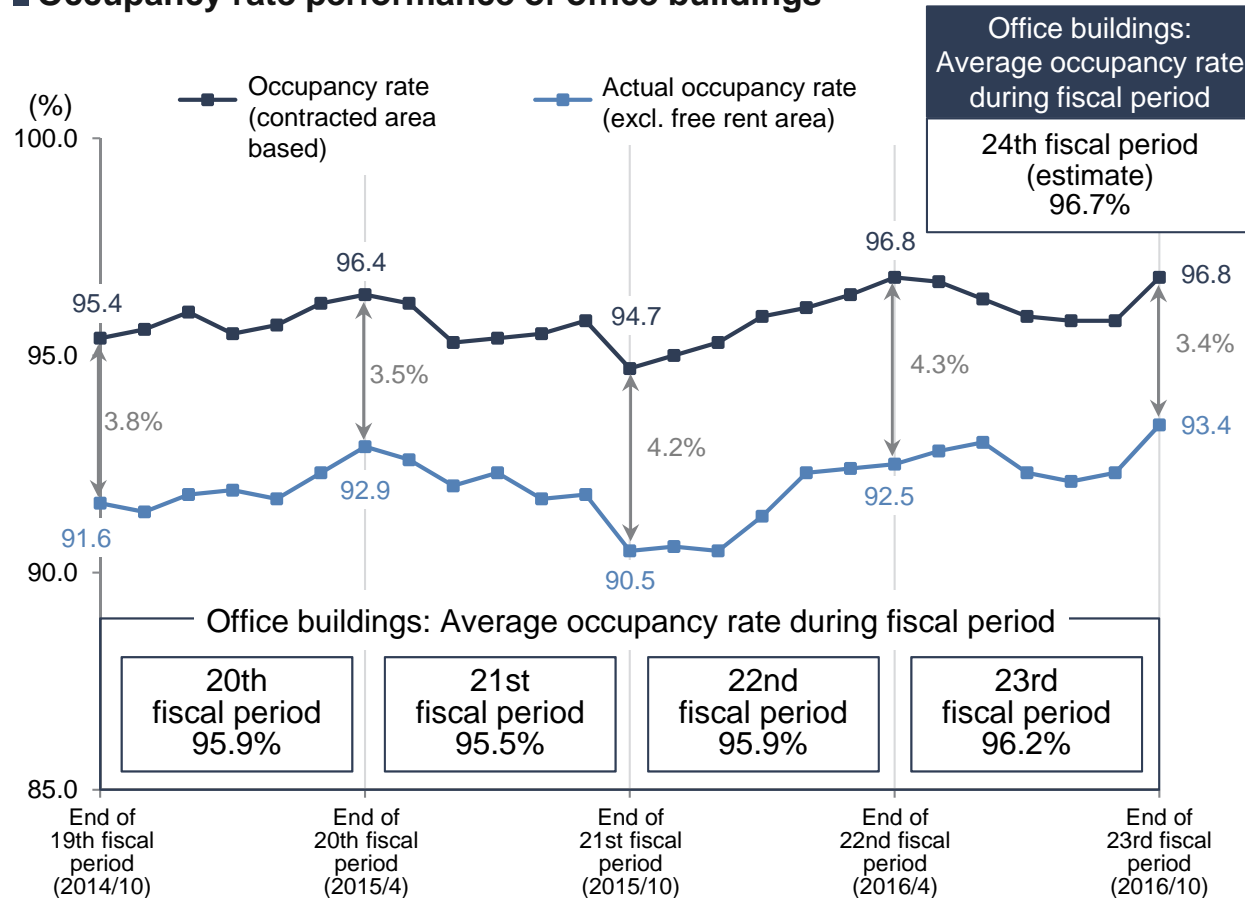
### Internal growth



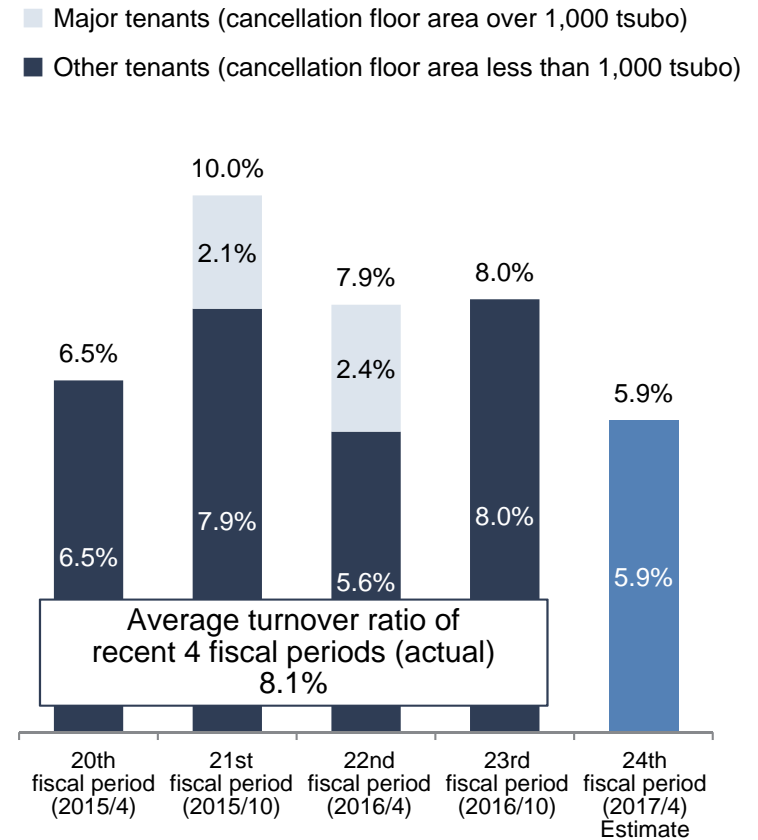
# Changes in occupancy and turnover ratio for office buildings

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

## Occupancy rate performance of office buildings (Note 1)



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



Note 1: Occupancy rate (contracted area based) is calculated by dividing contract based leased area by leasable area and actual occupancy rate (excluding free rent area) is calculated by dividing leased area subtracting free rent area by leasable area. The figures are rounded to the first decimal place. Average occupancy rate of office buildings during fiscal period is a simple average of month-end occupancy rates of owned office buildings during each period. The estimated average occupancy rate for 24th fiscal period (2017/4) is the figure that is used as one of the assumptions in the earnings forecast

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

Note 3: The estimate for 24th fiscal period (2017/4) is based on the cancellation notice and etc. received prior to the end of 23rd fiscal period (2016/10)

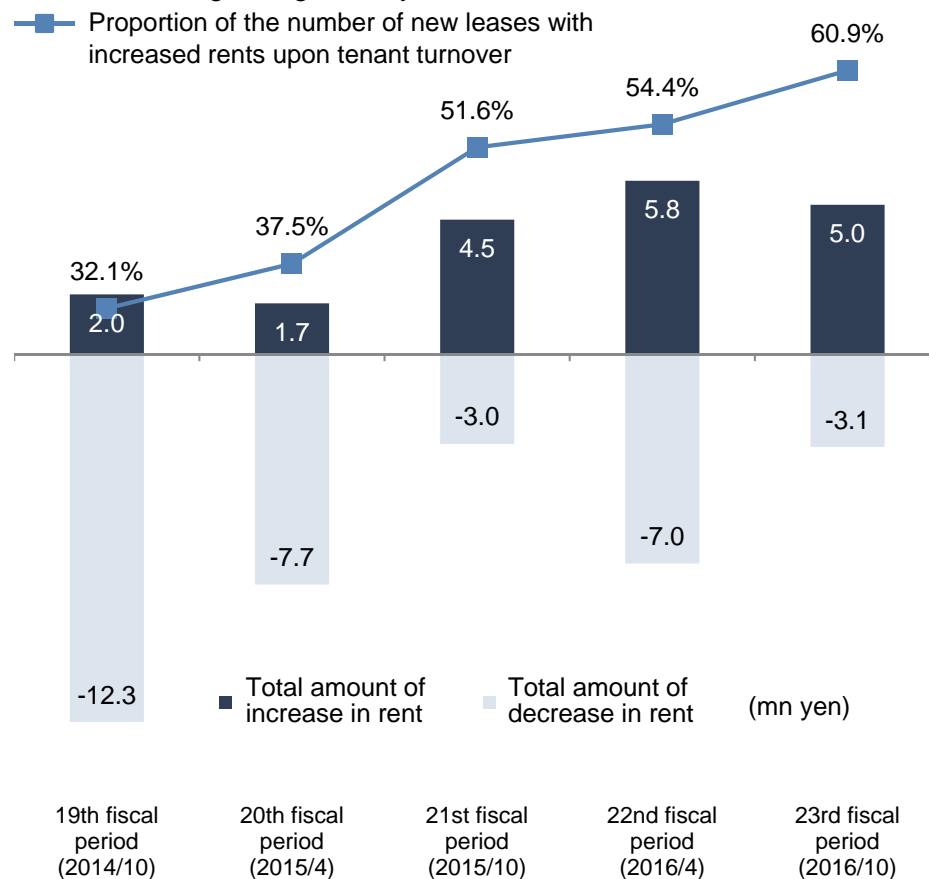


# Rent trend upon tenant turnover and reasons for move-ins / outs

Rents for new lease contracts have been on the rise backed by favorable rental property market  
 Recognized stable needs for floor expansion by strongly performing mid / small-sized companies

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

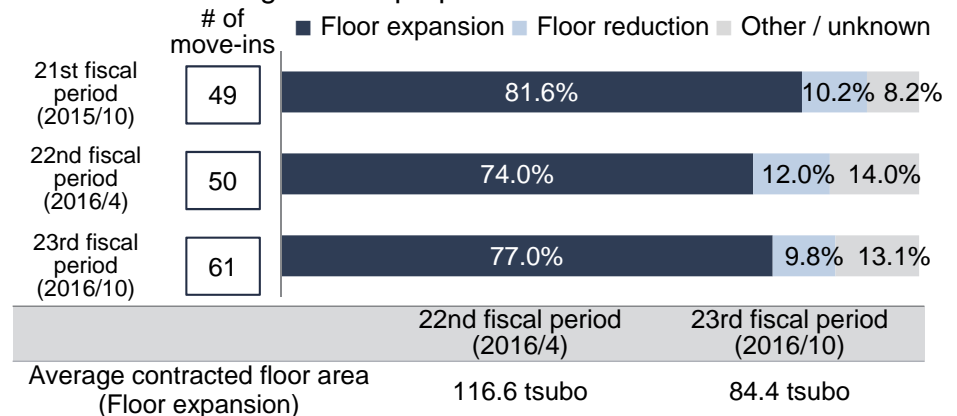
- The proportion of the number of new leases signed with increased rent post move-out has been growing steadily



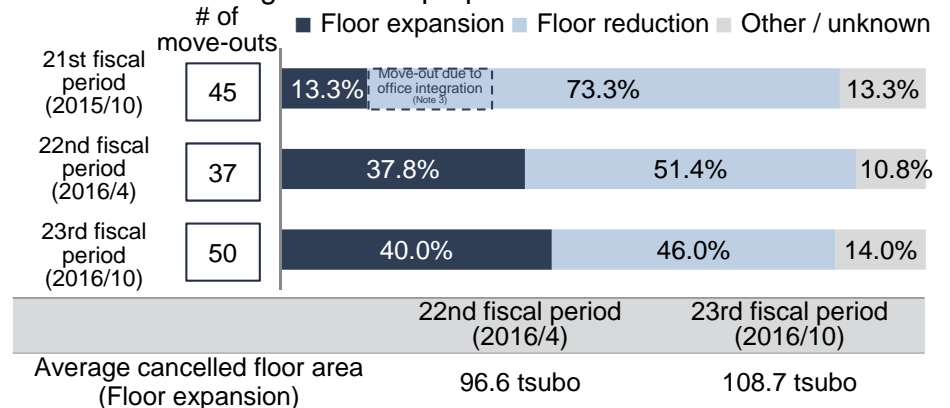
## Changes in reasons for moving in / out (Note 2)

- The portion of move-outs due to floor expansion has reached record high

### Reasons for moving into our properties



### Reasons for moving out of our properties



Note 1: Total amount of increase / decrease in rent is the total of positive / negative gaps between the new and the previous rent for the same areas in each period where the new and previous rents can be compared, the positive gaps are counted in to the amount of increase in rent and the negative gaps are counted as decrease

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

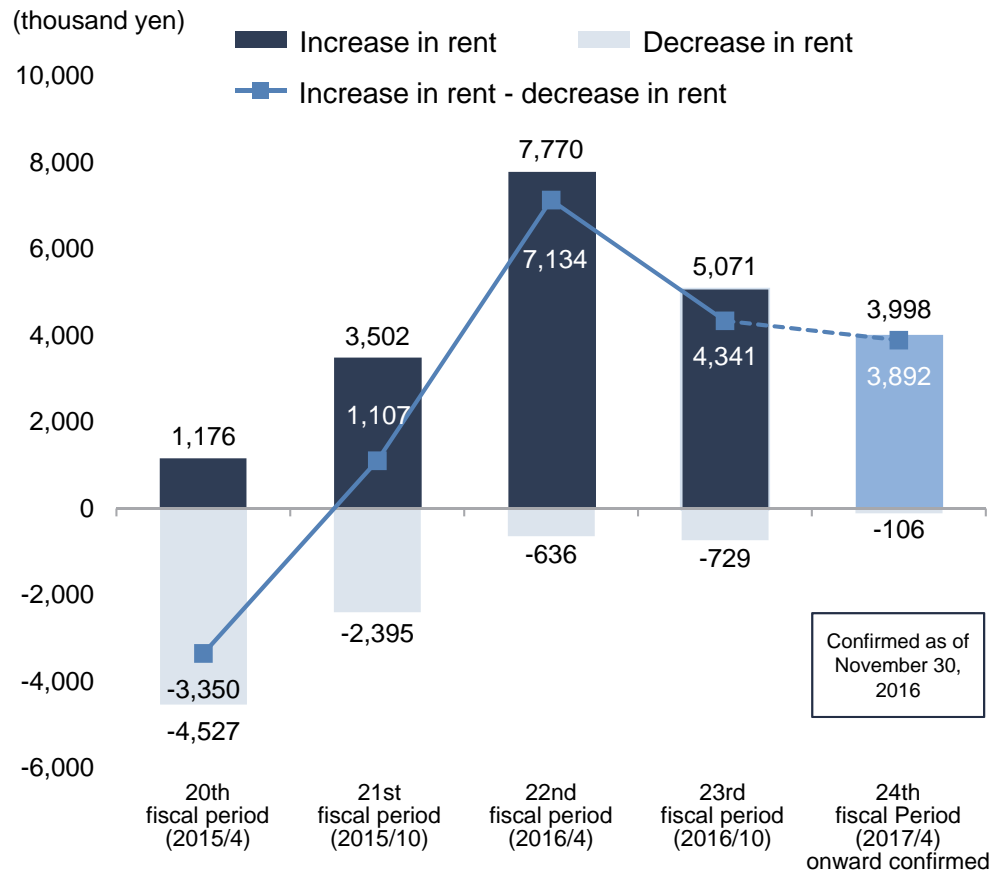
Note 3: Among 73.3% of tenants who answered "Floor reduction" as the reason for moving out during the 21st fiscal period (2015/10), about 20.0% of them moved out to integrate / consolidate their offices targeting optimization of office functions

# Status of rent revisions with existing tenants for office buildings

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

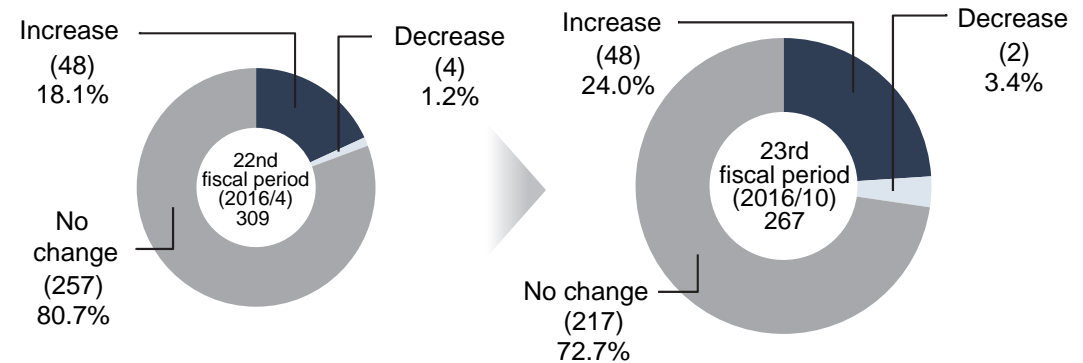
## Change in rent upon rent revisions (based on monthly rent) (Note 1)

- Upward revisions have been rising steadily while downward rent revisions have leveled off



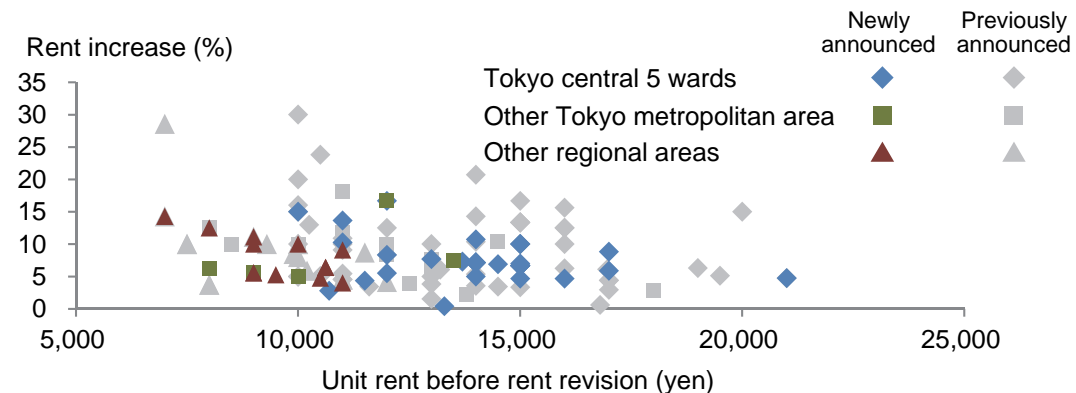
## Status of rent revisions (based on leased area)

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



## Distribution of rent increase (%) based on unit rent before rent revision (Note 2)

- Rents have been revised upward for many of the contracts with a unit rent of less than 15,000 yen



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

Note 2: Of all the contracts renewed with increased rents, those already signed or committed in the 21st fiscal period (2015/10) and later (excluding the upward rent revisions pre-committed or for retail stores) as of June 1, 2016 are recognized as "previously announced", while the contract committed to be renewed with increased rents by November 30, 2016 and excluding the "previously announced" contracts are recognized as "newly announced"

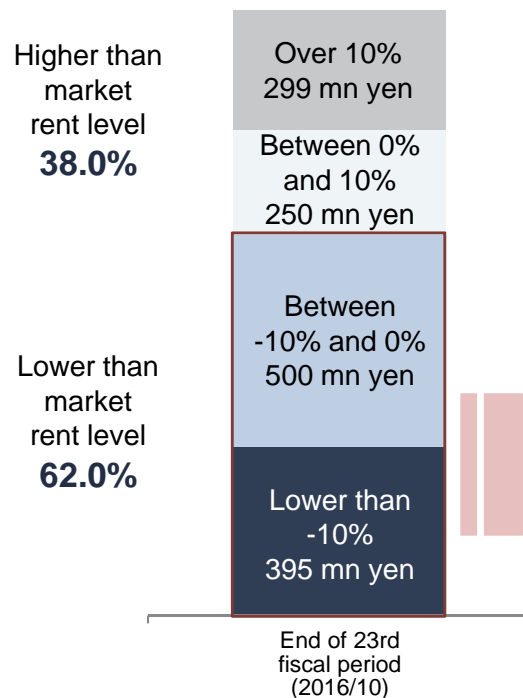
# Rent gap of KDO office buildings

Proactively negotiated with tenants whose rents were below the market level to achieve rent growth

The value of contracts toward upward rent revision in the 24th fiscal period (2017/4) is expected to increase nearly 1.5 times from the previous volume

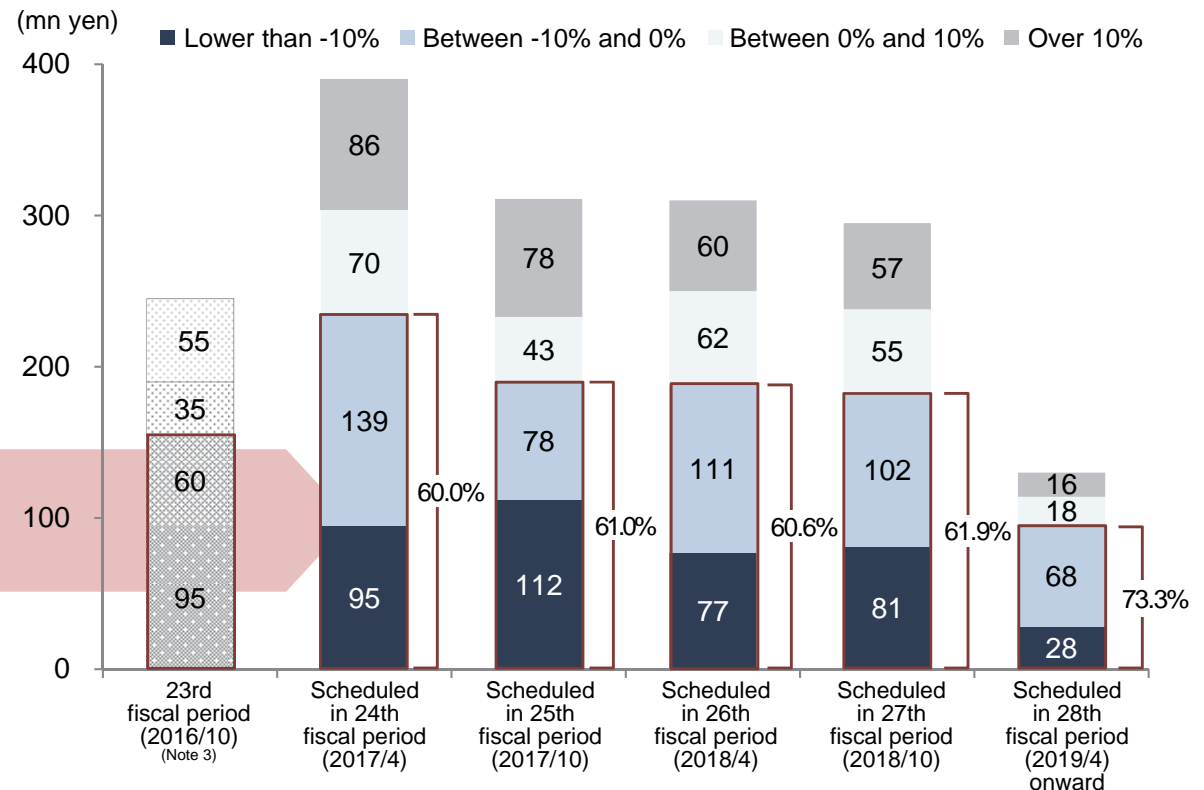
## Breakdown of rent gap (based on monthly rent) <sup>(Note 1)</sup>

- The contracted rents for office buildings are **2.1% lower** than the market rent on average



## Breakdown of rent gap by rent revision schedule (as of the end of 23rd fiscal period (2016/10), based on monthly rent) <sup>(Note 2)</sup>

- The contracts toward upward rent revision will account for nearly 60% of the contracts expiring in each fiscal period over the next two years



Note 1: A new contracted rent (standard floor) for each property estimated by CBRE as of the end of the 23rd fiscal period (2016/10) is deemed the market rent; the gap between the contracted rent for each tenant and the market rent is recognized as a rent gap. No gap is classified into "Between 0% and 10%". Calculated as the weighted average based on leasable floor area, of the gap between the average contracted rent of the standard floor for the office buildings held by KDO as of the end of the 23rd fiscal period (2016/10) (excluding properties (to be) sold) and the market rent for each property estimated by CBRE at the time of appraisal

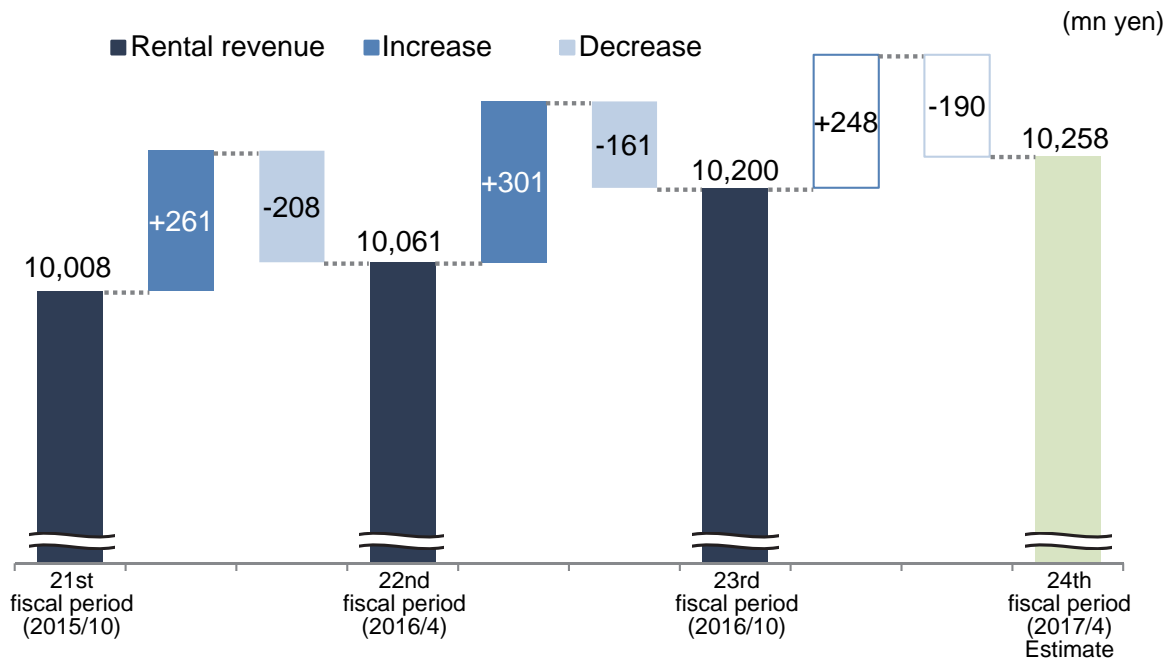
Note 2: Regarding the office buildings held by KDO as of the end of the 23rd fiscal period (excluding properties (to be) sold), distribution of the rent gaps between the contracted rent for each tenant and the market rent estimated by CBRE as of the end of the 23rd fiscal period (2016/10) by the timing of rent revisions for each tenant. The rents equal to the market rents are classified into "Between 0% and 10%"

Note 3: The breakdown of rent gaps for the contracts which planned to expire in 23rd fiscal period (2016/10) as of the end of 22nd fiscal period (2016/4)

# Rental revenues of existing 87 properties

Increasing trend for rent has continued backed by the synergies from rises in actual occupancy rate and unit rent

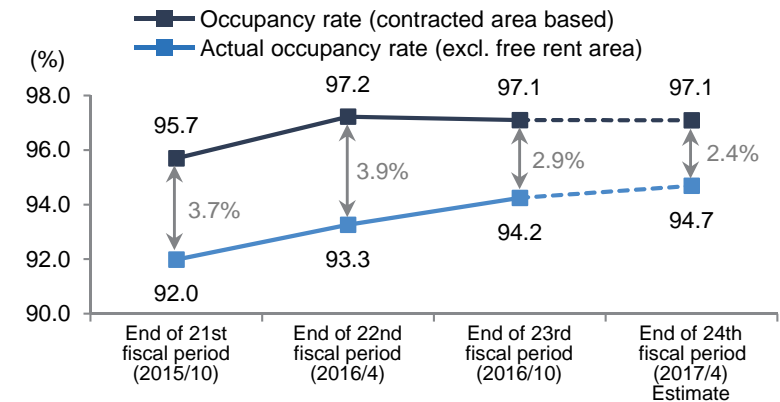
## Change in rental revenues from existing properties (excl. KDX Iidabashi Square and the properties (to be) sold) (Note 1)



(mn yen)	21st fiscal period > 22nd fiscal period	22nd fiscal period > 23rd fiscal period	23rd fiscal period > 24th fiscal period
Main properties with increased revenue	KDX Ochanomizu Bldg. (+37) KDX Shinjuku Bldg. (+29) KDX Higashi-Shinjuku Bldg. (+18)	KDX Higashi-Shinagawa Bldg. (+43) Frame Jinnan-zaka (+38) KDX Toyosu Grand Square (+32)	KDX Nagoya Ekimae Bldg. (+39) KDX Toyosu Grand Square (+26) KDX Ebisu Bldg. (+17)
Main properties with decreased revenue	KDX Nishi-Gotanda Bldg. (-72) KDX Ginza 1chome Bldg. (-33) KDX Toyosu Grand Square (-30)	Senri LSC Bldg. (-38) KDX Nagoya Ekimae Bldg. (-30) KDX Yokohama Bldg. (-15)	Ginza 4chome Tower (-39) Senri LSC Bldg. (-24) KDX Fuchu Bldg. (-22)

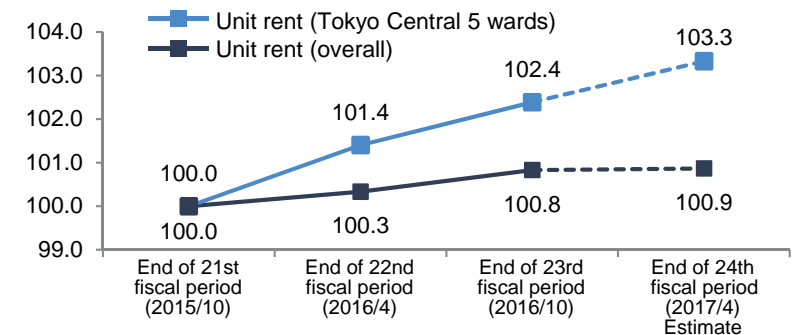
## Change in occupancy rate of existing properties (Note 1) (Note 2)

- Steady increase in actual occupancy rate with gradual expiration of free rent periods



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

- Massive increase in unit rent among Tokyo Central 5 wards



Note 1: 87 properties (all asset types, excluding KDX Iidabashi Square and properties (to be) sold) owned as of the beginning of the 21st fiscal period (2015/10). Rental revenues include common area charge

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

Note 3: Unit rent index is an index with the unit rent as of the end of 21st fiscal period (2015/10) given a value of 100

# End-tenants of KDO office buildings

Proportion which largest tenant occupies among total leased floor area is 1.1% while other than the top 5 tenants each occupying less than 1.0%  
The proportion of the total floor area occupied by top 10 tenants is at the lowest level among office J-REITs (Note 1)

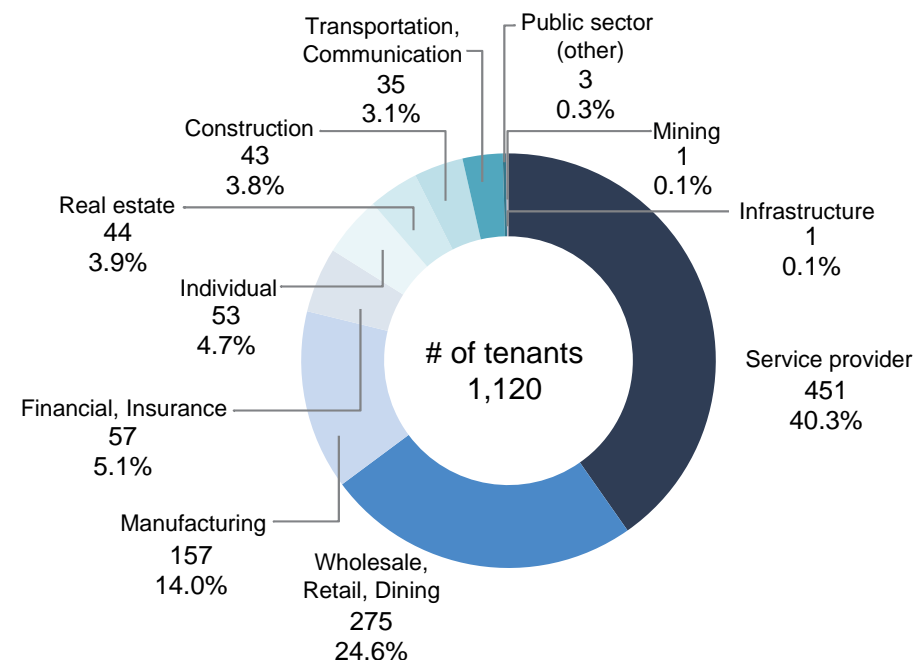
## List of top end-tenants for office buildings (as of the end of 23rd fiscal period (2016/10))

	Tenant name	Leased area (tsubo)	% share of leased floor area (Note 2)	Name of property
1	Tenant A (wholesale, retail and dining)	1,550.8	1.1	KDX Kawasaki-Ekimae Hon-cho Bldg.
2	Tenant B (service provider)	1,469.2	1.1	KDX Musashi-Kosugi Bldg. KDX Hiroshima Bldg.
3	ADK Arts Inc.	1,427.8	1.1	Nittochi Toranomom Bldg.
4	JASTEC Co., Ltd.	1,304.6	1.0	KDX Takanawadai Bldg.
5	Tenant C (service provider)	1,080.1	0.8	KDX Musashi-Kosugi Bldg.
6	Customer relation telemarketing, CO,LTD	1,052.8	0.8	KDX Higashi Umeda Bldg.
7	Medical Corporation DOYUKAI	1,022.4	0.8	Koishikawa TG Bldg.
8	Tenant D (wholesale, retail and dining)	912.2	0.7	Harajuku F.F. Bldg.
9	Kenedix, Inc.	826.6	0.6	KDX Nihonbashi Kabutocho Bldg.
10	Space Design, Inc.	798.7	0.6	KDX Shinbashi Bldg. BUREX Toranomom
	<b>Total</b>	<b>11,445.2</b>	<b>8.4</b>	

## Average rent for office buildings by area (as of the end of 23rd fiscal period (2016/10)) (Note 3)

	# of properties	Average rent (yen/tsubo)
Tokyo metropolitan area	77	15,000
Japan	94	14,300

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



Note 1: Estimated by the Asset Management Company based on the disclosure materials of the J-REITs classified as office in TSE REIT Property Sector Index as of November 30, 2016

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

Note 3: Average rent is calculated by dividing total amount of contracted rents of office buildings for each area by the total leased floor area, rounded down to the nearest hundred

Note 4: The chart shows the breakdown of tenants by type of business based on the total number of tenants in office portfolio (aggregated by name-base) as of the end of 23rd fiscal period (2016/10). Figures are rounded to the first decimal place



# Initiatives for enhancing competitiveness of properties and leasing situation for the properties with low occupancy

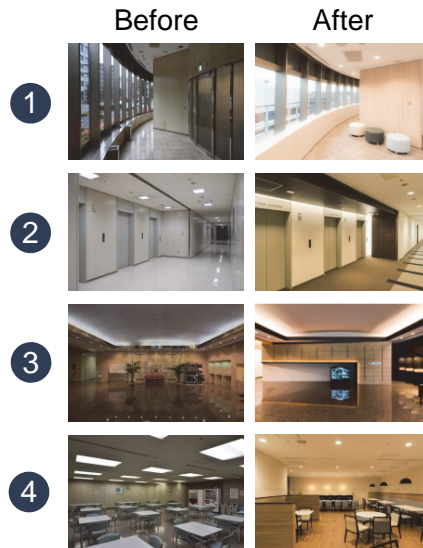
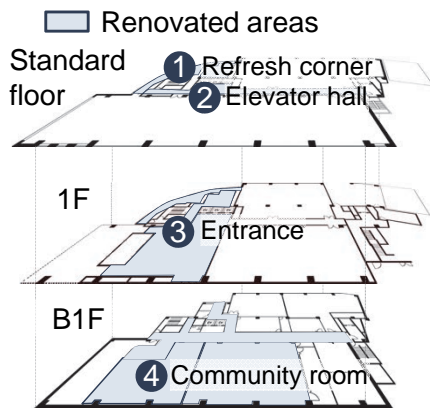
## Renovation of KDX Yokohama Bldg.



### Enhancing competitiveness by renovation of common areas

- Problems with the building
  - Diminishing competitiveness due to aging deterioration of the building and obsolescence of the design
- Rise in competitiveness through renovation
  - Common areas and the service facilities for tenants were fully renovated

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



KDX Yokohama Bldg., virtual property tour with a 360-degree view



## Leasing of KDX Iidabashi Square

### Renovation contributing to full occupancy

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

Changes in occupancy rate

End of Apr. 2016	End of Oct. 2016	Dec. 1 2016
47.7%	93.6%	<b>100%</b>



## Leasing of KDX Nishi-Gotanda Bldg.

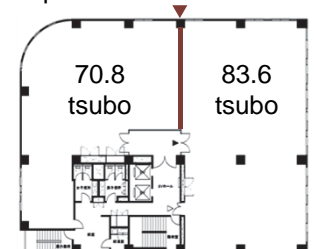
### Leasing strategy tailored to market needs

- 2 tenants which occupied a total of 5.5 floors / about 825 tsubo moved out in the 22nd fiscal period (2016/4)
- Leasing under flexible condition to meet the needs of the rental property market including split of the standard floor
- Succeeded leasing to 7 tenants / approx. 683 tsubo as a result

Changes in occupancy rate

End of Apr. 2016	End of Oct. 2016	Dec. 1 2016
47.4%	74.8%	<b>87.9%</b>

Example of 7F:  
Split 154.4 tsubo into two



## Section 6

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### Financial strategy

# Status of debt financing

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

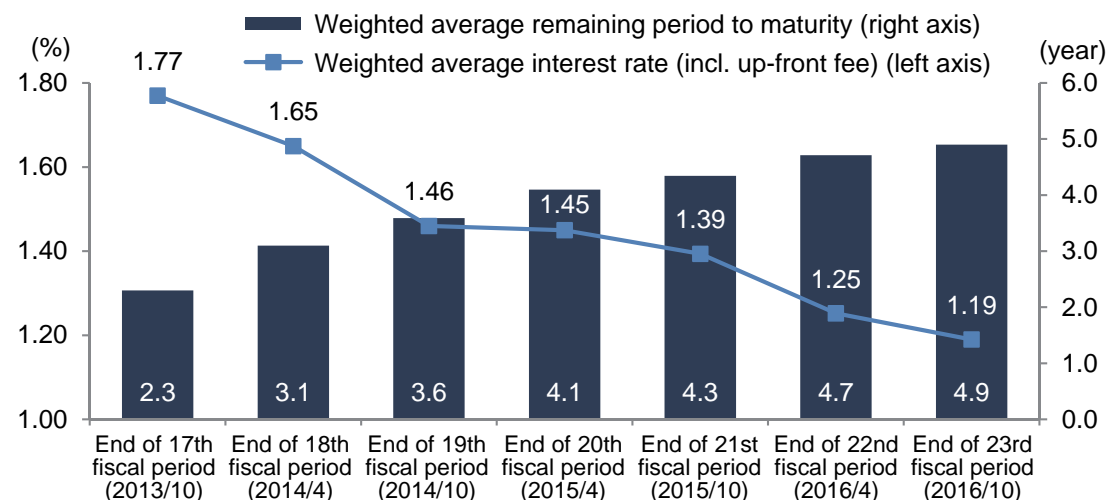
Maintained stable financial base by keeping LTV at a conservative level and high ratio of fixed interest rate

## Refinance record for 23rd fiscal period (2016/10)

(Total amount of 13.5 bn yen) (Note 1)

	Conditions before refinancing		Conditions after refinancing
Average interest rate	1.49%	➤	<b>0.83%</b>
Average borrowing period	4.1 years	➤	<b>8.6 years</b>

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



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

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

Conservative financial management with a target LTV of 45%

**43.1%**

※LTV based on appraisal: 40.6%

Ratio of fixed interest rate (Note 4)

Continue to hedge against a potential rise in interest rates

**95.5%**

Status of credit rating

Rating outlook revised in March 2016

JCR **A+ (Positive)**

Note 1: Average interest rate and borrowing period are the weighted average of the interest rate (including up-front fee) and borrowing period based on the balance of borrowings, respectively (with the average interest rate rounded to the second decimal place and the average borrowing period rounded to the first decimal place)

Note 2: Average remaining period to maturity and interest rate are the weighted average based on the balance of debt outstanding as of the end of each fiscal period (with the average remaining period to maturity rounded to the first decimal place and the average interest rate rounded to the second decimal place)

Note 3: LTV is calculated by dividing balance of interest-bearing debt by the amount of total assets as of the end of the fiscal period (rounded to the first decimal place)

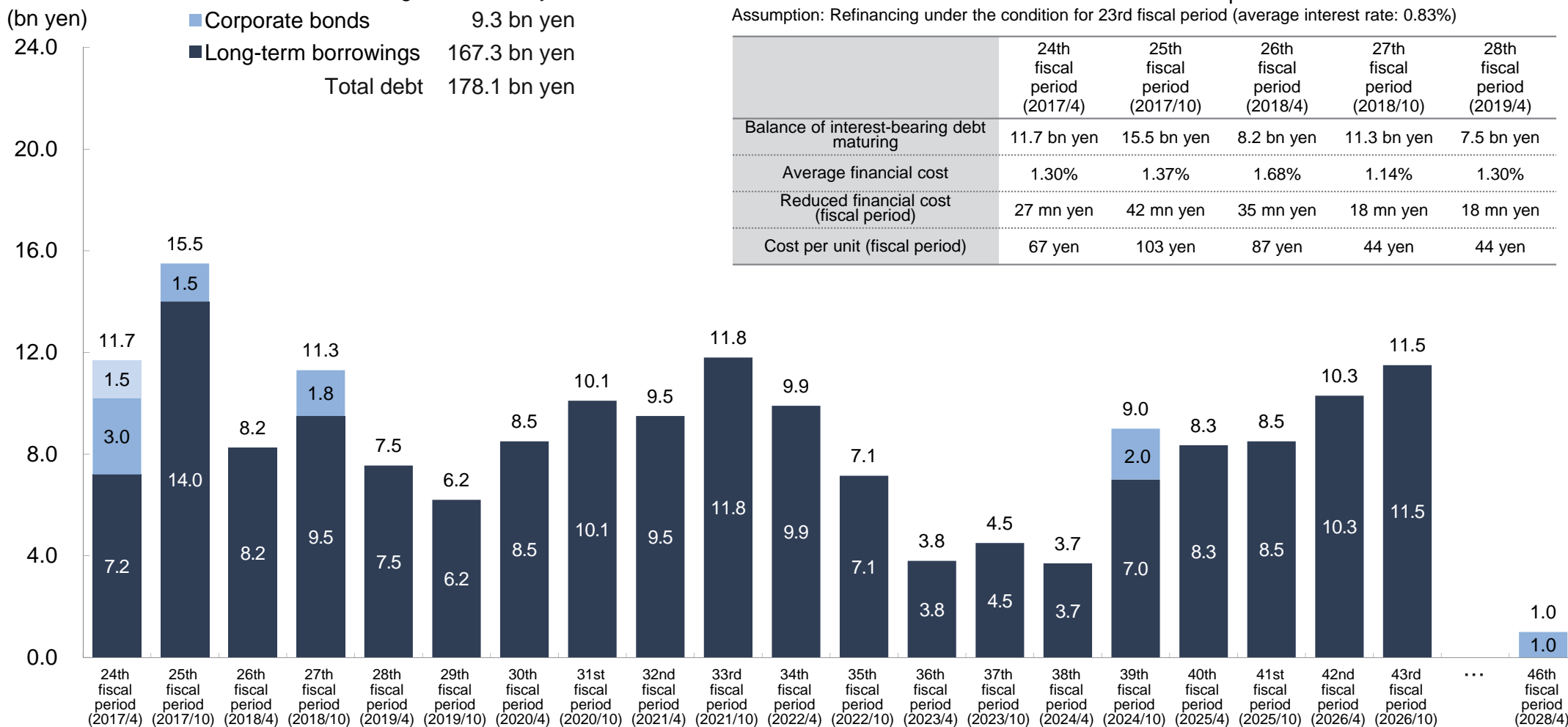
Note 4: Includes the borrowings with floating interest rate fixed by interest rate swap but excludes those hedged by interest rate cap (rounded to the first decimal place)

# Diversification of debt maturities

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

## Balance of interest-bearing debt by maturity

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



• Estimated reductions in financial costs for each fiscal period <sup>(Note)</sup>  
 Assumption: Refinancing under the condition for 23rd fiscal period (average interest rate: 0.83%)

	24th fiscal period (2017/4)	25th fiscal period (2017/10)	26th fiscal period (2018/4)	27th fiscal period (2018/10)	28th fiscal period (2019/4)
Balance of interest-bearing debt maturing	11.7 bn yen	15.5 bn yen	8.2 bn yen	11.3 bn yen	7.5 bn yen
Average financial cost	1.30%	1.37%	1.68%	1.14%	1.30%
Reduced financial cost (fiscal period)	27 mn yen	42 mn yen	35 mn yen	18 mn yen	18 mn yen
Cost per unit (fiscal period)	67 yen	103 yen	87 yen	44 yen	44 yen

Note: The figures are estimates made by the Asset Management Company under certain assumptions and their realization are not guaranteed

Memo



## Appendix 1

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Supplemental material / data

# 23rd fiscal period (2016/10) financial results

(Unit: mn yen)

Items	22nd Fiscal Period	23rd Fiscal Period	23rd Fiscal Period	23rd (actual) vs 22nd (actual)	23rd (actual) vs 23rd (forecast)
	2016/4	2016/10	2016/10	Difference	Difference
	Actual	Forecast (announced on Jun.13, 2016)	Actual	C-A	C-B
	A	B	C		
<b>Operating revenue</b>	14,362	13,280	13,491	-870	211
Gain on sale of real estate	1,510	-	-	-1,510	-
Dividend income	40	48	61	21	13
<b>Operating expense</b>	8,260	7,788	7,703	-556	-85
Loss on sale of real estate	766	-	-	-766	-
<b>Operating income</b>	6,102	5,491	5,788	-313	296
<b>Non-operating income</b>	1	2	1	-0	-0
<b>Non-operating expense</b>	1,287	1,206	1,186	-100	-20
<b>Ordinary income</b>	4,816	4,286	4,603	-213	316
<b>Net income</b>	4,815	4,285	4,601	-213	316
<b>Provision (+) / reversal (-) of reserve for reduction entry</b>	+480	-136	-	-480	+136
<b>Total distributions</b>	4,335	4,421	4,601	266	180
<b>DPU (yen)</b>	10,707	10,920	11,365	658	445
<b># of total units outstanding</b>	404,885	404,885	404,885	0	0
<b>Rental NOI (Note 1)</b>	8,509	8,672	8,949	440	276
<b>FFO (Note 2)</b>	6,302	6,554	6,877	575	322
<b>Depreciation</b>	2,230	2,268	2,274	44	6
<b># of properties</b>	97	97	99	2	2
<b>Total interest-bearing debt</b>	175,100	-	178,100	3,000	
<b>LTV</b>	42.8%	-	43.1%	0.3%	
<b>Book value (Period-end)</b>	385,085	-	389,197	4,111	
<b>Appraisal value (Period-end)</b>	402,555	-	414,605	12,050	
<b>Net assets</b>	212,555	-	212,825	270	

## Comparison against 22nd fiscal period (2016/4) actual

<b>Operating revenue</b>	<b>-870 mn yen</b>	
•Rent / common area charge	+314 mn yen	(Properties acquired: +38 (23rd), +387 (22nd), Existing properties: +193, Properties sold: -304 (22nd))
•Utilities	+146 mn yen	
•Other revenues	+159 mn yen	(23rd: Restoration related revenue of Senri LSC Bldg. etc.: +145)
•Gain on sale of real estate	-1,510 mn yen	(22nd: Disappearance of gain on sale of Toranomom Toyo Bldg.: -1,510)
•Dividend income	+21 mn yen	(TK Dividend: KRF43 Shinjuku Sanei Bldg.)
<b>Operating expense</b>	<b>-556 mn yen</b>	
•Depreciation	+44 mn yen	(Properties acquired: +5 (23rd), +49 (22nd), Properties sold: -24 (22nd), Other: +14)
•Property / facility management fee	+29 mn yen	(Properties acquired: +5 (23rd), +34 (22nd), Existing properties: +11, Properties sold: -21 (22nd))
•Taxes	-1 mn yen	(Property and city planning taxes for the properties acquired after KDX Sakura-dori Bldg. in 2015: +55, Properties sold: -56 (22nd))
•Repair / maintenance cost	+131 mn yen	
•Utilities	+38 mn yen	
•Loss on sale of real estate	-766 mn yen	(22nd: Disappearance of loss on sale of KDX Toranomom Bldg.: -766)
•Asset management fee	-4 mn yen	
•Other expenses	-27 mn yen	(KDX Kawasaki-Ekimae Hon-cho Bldg. brokerage commission: -15, etc.)
<b>Non-operating expense</b>	<b>-100 mn yen</b>	
•Interest expense / financing-related expense	-60 mn yen	
•Non-deductible consumption taxes, etc.	-40 mn yen	

## Comparison against 23rd fiscal period (2016/10) forecast (announced on Jun. 13, 2016)

<b>Operating revenue</b>	<b>+211 mn yen</b>	
•Rent / common area charge	+67 mn yen	(Properties acquired: +38 (23rd), Accelerated leasing of existing properties, etc.: +29)
•Utilities	-41 mn yen	
•Restoration related revenue	+145 mn yen	(Senri LSC Bldg., etc.)
•Dividend income	+13 mn yen	(TK Dividend: KRF43 Shinjuku Sanei Bldg.)
•Other revenues	+27 mn yen	
<b>Operating expense</b>	<b>-85 mn yen</b>	
•Utilities	-170 mn yen	
•Repair / maintenance cost	+98 mn yen	
•Other expenses	-13 mn yen	
<b>Non-operating expense</b>	<b>-20 mn yen</b>	
•Interest expense / financing-related expense	-11 mn yen	
•Non-deductible consumption taxes, etc.	-9 mn yen	

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

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

# 24th fiscal period (2017/4) earning forecast

(Unit: mn yen)

	Items	23rd Fiscal Period	24th Fiscal Period	24th (forecast) vs 23rd (actual)
		2016/10	2017/4	Difference
		Actual A	Forecast B	B-A
P/L	<b>Operating revenue</b>	13,491	14,978	1,486
	Gain on sale of real estate	-	1,660	1,660
	Dividend income	61	46	-14
	<b>Operating expense</b>	7,703	9,169	1,465
	Loss on sale of real estate	-	1,659	1,659
	<b>Operating income</b>	5,788	5,809	20
	<b>Non-operating income</b>	1	1	-0
	<b>Non-operating expense</b>	1,186	1,152	-34
	<b>Ordinary income</b>	4,603	4,657	54
	<b>Net income</b>	4,601	4,656	54
	Provision (+) / reversal (-) of reserve for reduction entry	-	-	-
	<b>Total distributions</b>	4,601	4,656	54
<b>DPU (yen)</b>	11,365	11,500	135	
<b># of total units outstanding</b>	404,885	404,885	0	
Related Information	<b>Rental NOI (Note 1)</b>	8,949	9,041	91
	<b>FFO (Note 2)</b>	6,877	6,956	79
	<b>Depreciation</b>	2,274	2,299	25
	<b># of properties</b>	99	96	-3
	<b>(Reference) Estimated property and city planning taxes</b>	-	1,122	

## Comparison against 23rd fiscal period (2016/10) actual

<b>■ Operating revenue</b>	<b>+1,486 mn yen</b>	
• Rent / common area charge	+160 mn yen	(Properties (to be) acquired: +31 (23rd), +186 (24th), Properties (to be) sold: -227 (24th), Existing properties: +170 (KDX Iidabashi Square: +95, etc.))
• Parking space rental revenue	+6 mn yen	
• Utilities	-146 mn yen	
• Other revenues	-180 mn yen	(23rd: Disappearance of restoration related revenue of Senri LSC Bldg., etc.: -145)
• Gain on sale of real estate	+1,660 mn yen	(24th: BUREX Toranomom, KDX Nihonbashi Kabutocho Bldg., etc.)
• Dividend income	-14 mn yen	(TK Dividend: KRF43 Shinjuku Sanei Bldg.)
<b>■ Operating expense</b>	<b>+1,465 mn yen</b>	
• Depreciation	+25 mn yen	(Properties (to be) acquired: +5 (23rd), +14 (24th), Properties (to be) sold: -20 (24th), Other: +26)
• Utilities	-110 mn yen	
• Taxes	+11 mn yen	(Property and city planning taxes for the properties acquired after Nichigin-mae KD Bldg. in 2016: +4, Other: +7)
• Repair / maintenance cost	-156 mn yen	
• Property / facility management fee	+36 mn yen	(Properties acquired: +27 (23rd), +4 (22nd), Properties (to be) sold: -20 (24th), Other: +25)
• Loss on sale of real estate	+1,659 mn yen	(24th: Property disposition expected)
<b>■ Non-operating expense</b>	<b>-34 mn yen</b>	
• Interest expense / financing-related expense	-55 mn yen	
• Non-deductible consumption taxes, etc.	+21 mn yen	

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

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

# Portfolio overview (1) (as of the end of 23rd fiscal period (2016/10))

## Office Buildings (94 properties)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Year built (Note 2)	End of 23rd fiscal period occupancy rate (%) (Note 3)	Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Year built (Note 2)	End of 23rd fiscal period occupancy rate (%) (Note 3)
Office Buildings	Tokyo Metropolitan Area	A001	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	1974/4	94.6	Office Buildings	Tokyo Metropolitan Area	A057	KDX Gobancho Building	Chiyoda-ku, Tokyo	1,951	2000/8	100.0
		A003	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	1987/1	100.0			A059	KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	2008/3	100.0
		A004	KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	1993/6	100.0			A060	KDX Harumi Building	Chuo-ku, Tokyo	10,250	2008/2	93.2
		A005	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	1992/8	94.8			A061	KDX Hamamatsucho Dai-2 Building	Minato-ku, Tokyo	2,200	1992/4	100.0
		A006	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	1985/11	100.0			A062	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	1989/11	100.0
		A007	KDX Minami Aoyama Building	Minato-ku, Tokyo	2,270	1988/11	100.0			A063	Gotanda TG Building	Shinagawa-ku, Tokyo	2,620	1988/4	100.0
		A008	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	1993/5	100.0			A064	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	2006/10	100.0
		A013	KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	1994/5	100.0			A066	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	1993/5	100.0
		A014	KDX Funabashi Building	Funabashi, Chiba	2,252	1989/4	100.0			A067	KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	1991/11	98.2
		A016	Toshin 24 Building	Yokohama, Kanagawa	5,300	1984/9	100.0			A068	KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	1984/1	100.0
		A017	KDX Ebisu Building	Shibuya-ku, Tokyo	4,640	1992/1	100.0			A071	KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	1990/3	100.0
		A019	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	1999/9	100.0			A072	KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	1993/1	100.0
		A020	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	1987/10	100.0			A073	KDX Hakozaki Building	Chuo-ku, Tokyo	2,710	1993/11	100.0
		A021	KDX Shinbashi Building	Minato-ku, Tokyo	3,728	1992/2	100.0			A074	KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	2002/11	100.0
		A022	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	1990/9	89.1			A075	KDX Nihonbashi Kabutocho Building	Chuo-ku, Tokyo	11,270	1998/11	100.0
		A026	KDX Kiba Building	Koto-ku, Tokyo	1,580	1992/10	88.1			A078	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	1990/2	100.0
		A027	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	1990/3	100.0			A083	KDX Fuchu Building	Fuchu, Tokyo	6,120	1996/3	85.2
		A029	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	1990/1	100.0			A084	KDX Kasuga Building	Bunkyo-ku, Tokyo	2,800	1992/6	100.0
		A030	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	1992/11	74.8			A085	KDX Nakameguro Building	Meguro-ku, Tokyo	1,880	1985/10	100.0
		A031	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	1986/9	100.0			A086	KDX Omiya Building	Saitama, Saitama	2,020	1993/4	100.0
		A032	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	1986/7	100.0			A087	Itopia Nihonbashi SA Building	Chuo-ku, Tokyo	2,200	1995/7	97.0
		A033	KDX Okachimachi Building	Taito-ku, Tokyo	2,000	1988/6	100.0			A088	KDX Shinjuku 6-chome Building	Shinjuku-ku, Tokyo	1,900	1990/3	100.0
		A034	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	1995/5	96.7			A089	KDX Takanawadai Building	Minato-ku, Tokyo	5,250	1985/10	94.0
		A035	KDX Hachioji Building	Hachioji, Tokyo	1,155	1985/12	85.5			A090	KDX Ikebukuro Building	Toshima-ku, Tokyo	3,900	2009/3	90.3
		A037	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	1982/8	100.0			A091	KDX Mita Building	Minato-ku, Tokyo	3,180	1993/3	100.0
		A038	KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	1992/10	100.0			A092	KDX Akihabara Building	Chiyoda-ku, Tokyo	2,600	1973/12	100.0
		A041	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	1989/8	100.0			A093	KDX Iidabashi Square	Shinjuku-ku, Tokyo	4,350	1994/1	93.6
		A045	KDX Roppongi 228 Building	Minato-ku, Tokyo	3,300	1989/4	100.0			A094	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	2013/5	100.0
		A046	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	1988/3	100.0			A095	KDX Toyosu Grand Square (Note 4)	Koto-ku, Tokyo	8,666	2008/4	98.0
		A047	KDX Shin-Yokohama 381 Building	Yokohama, Kanagawa	5,800	1988/3	100.0			A096	KDX Takadanobaba Building	Toshima-ku, Tokyo	3,650	1988/10	93.1
		A048	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	1985/2	100.0			A099	KDX Ikebukuro West Building	Toshima-ku, Tokyo	1,934	1988/7	100.0
		A050	KDX Ikejiri-Ohashi Building	Meguro-ku, Tokyo	2,400	1988/9	100.0			A101	KDX Yokohama Building	Yokohama, Kanagawa	7,210	1994/3	95.0
A051	KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	1988/9	100.0	A102	KDX Yokohama Nishiguchi Building	Yokohama, Kanagawa	2,750	1988/10	100.0				
A052	KDX Kanda Misaki-cho Building	Chiyoda-ku, Tokyo	1,380	1992/10	100.0	A103	KDX Shin-Yokohama 214 Building	Yokohama, Kanagawa	2,200	1989/11	95.6				
A055	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	1990/7	100.0	A105	BUREX Toranomon	Minato-ku, Tokyo	1,750	2011/7	100.0				
A056	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	1994/5	100.0	A107	KDX Ginza East Building	Chuo-ku, Tokyo	3,600	1991/8	100.0				

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

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

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

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

# Portfolio overview (2) (as of the end of 23rd fiscal period (2016/10))

## Office Buildings (94 properties)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Year built (Note 2)	End of 23rd fiscal period occupancy rate (%) (Note 3)
Tokyo Metropolitan Area	A108	Pentel Building	Chuo-ku, Tokyo	3,350	1990/11	100.0	
	A109	KDX Hamamatsucho Center Building	Minato-ku, Tokyo	3,950	1985/12	100.0	
	A112	Nittochi Toranomon Building	Minato-ku, Tokyo	15,550	2013/10	100.0	
	A113	KDX Shin-Nihonbashi Ekimae Building	Chuo-ku, Tokyo	3,829	1992/5	67.2	
	A114	KDX Nihonbashi Edo-dori Building	Chuo-ku, Tokyo	1,350	1985/3	73.7	
	Other Regional Areas	A012	Portus Center Building	Sakai, Osaka	5,570	1993/9	96.7
		A042	KDX Karasuma Building	Kyoto, Kyoto	5,400	1982/10	100.0
		A044	KDX Sendai Building	Sendai, Miyagi	2,100	1984/2	100.0
		A053	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	1973/6	97.6
		A054	KDX Kitahama Building	Osaka, Osaka	2,220	1994/7	89.3
		A058	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	2009/4	96.6
A069		KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	2009/7	100.0	
A070		KDX Sapporo Building	Sapporo, Hokkaido	2,005	1989/10	100.0	
A079		KDX Nagoya Ekimae Building	Nagoya, Aichi	7,327	1986/4	100.0	
A082		KDX Higashi Umeda Building	Osaka, Osaka	2,770	2009/7	100.0	
A097		KDX Utsunomiya Building	Utsunomiya, Tochigi	2,350	1999/2	100.0	
A098	KDX Hiroshima Building	Hiroshima, Hiroshima	1,300	1990/1	90.5		
A100	Senri LSC Building	Toyonaka, Osaka	13,000	1992/6	83.3		
A104	KDX Minami-Honmachi Building	Osaka, Osaka	2,200	2009/12	92.5		
A106	KDX Sakura-dori Building	Nagoya, Aichi	5,900	1992/8	99.1		
A110	KDX Shin-Osaka Building	Osaka, Osaka	4,550	1992/5	100.0		
A111	Nichigin-mae KD Building	Nagoya, Aichi	3,500	2006/9	92.2		
Office Buildings (94 properties) Subtotal					367,937	Ave. 22.5 yrs	96.8

## Central Urban Retail Properties (3 properties)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Year built (Note 2)	End of 23rd fiscal period occupancy rate (%) (Note 3)
Central Urban Retail Properties	Tokyo Metropolitan Area	C001	Frame Jinnan-zaka	Shibuya-ku, Tokyo	9,900	2005/3	100.0
		C002	KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	1991/8	100.0
		C004	Ginza 4chome Tower	Chuo-ku, Tokyo	9,800	2008/11	100.0
Central Urban Retail Properties (3 properties) Subtotal					22,179	Ave. 11.4 yrs	100.0

## Residential Property (1 property)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Year built (Note 2)	End of 23rd fiscal period occupancy rate (%) (Note 3)
Residential Property	Tokyo Metropolitan Area	B019	Residence Charmante Tsukishima	Chuo-ku, Tokyo	5,353	2004/1	100.0
Residential Property (1 property) Subtotal					5,353	Ave. 12.8 yrs	100.0

## Other Property (1 property)

Type	Area	No.	Name	Location	Acquisition price (mn yen) (Note 1)	Year built (Note 2)	End of 23rd fiscal period occupancy rate (%) (Note 3)
Other	Tokyo Metropolitan Area	D002	Shinjuku 6chome Building (Land)	Shinjuku-ku, Tokyo	2,880	-	100.0
Other (1 property) Subtotal					2,880	-	100.0
<b>(99 properties, excl. investment securities) Total</b>					<b>398,350</b>	<b>Ave. 21.8 yrs</b>	<b>96.9</b>

- The total number of end tenants for 94 office buildings is 1,179 (1,120 if tenants are aggregated based on their names).

## Investment Security (1 security)

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

## Historical rent-based NOI yield

(by asset type, annualized-based) (Note 4) (Note 5)

	19th fiscal period (2014/10)	20th fiscal period (2015/4)	21st fiscal period (2015/10)	22nd fiscal period (2016/4)	23rd fiscal period (2016/10)
Office building	4.4	4.5	4.5	4.4	4.5
Central urban retail	3.6	4.1	3.9	3.8	4.2
Residential	4.6	4.6	4.0	4.0	4.1
Other	4.3	4.3	4.3	4.3	4.3
Total	4.4	4.5	4.5	4.4	4.5

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

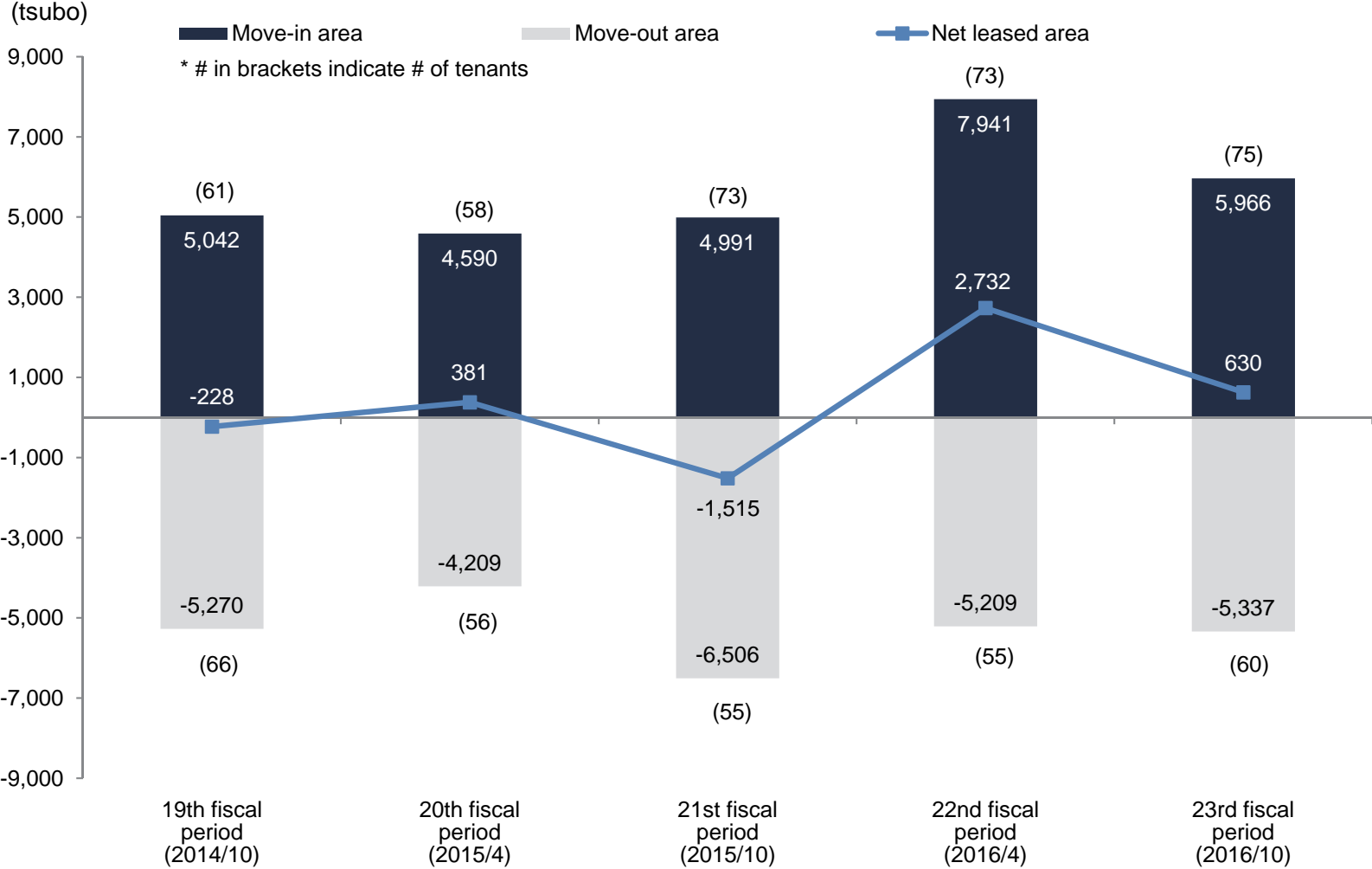
Note 2: Year built shows the completion date recorded in the land register. The average value shown in the subtotal or total section is a weighted average number calculated based on acquisition price with a base date of October 31, 2016. Figures are truncated to the first decimal place

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

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

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

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



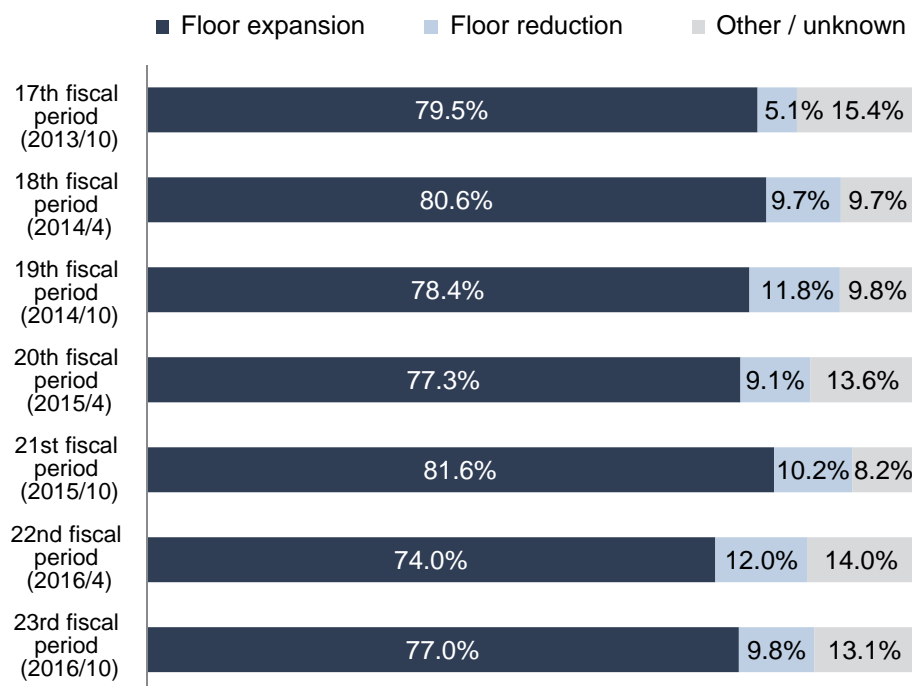
Note: The number of tenants and leased area are calculated based on floor. In case that an end-tenant move-out from / move-in to multiple floors, the number is counted by floor

# Reasons for moving-in / out

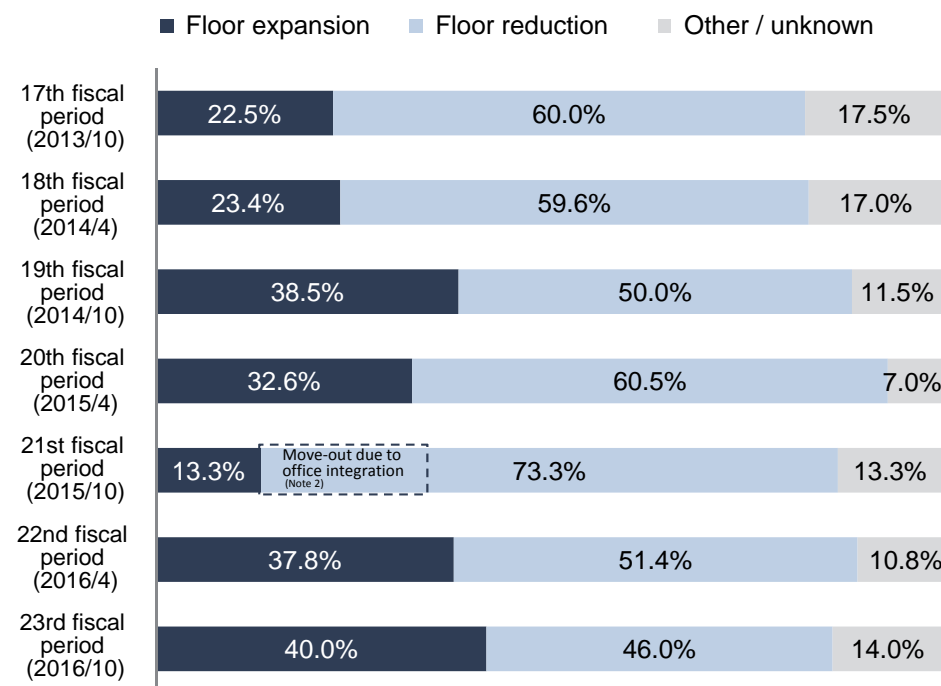
The percentage of move-ins for floor expansion purposes has hovered around 80%; the percentage of move-outs for floor expansion purposes has been on the rise

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

## Reasons for moving into our properties (Note 1)



## Reasons for moving out of our properties (Note 1)



## Average contracted floor area of incoming tenants (tsubo)

	19th fiscal period (2014/10)	20th fiscal period (2015/4)	21st fiscal period (2015/10)	22nd fiscal period (2016/4)	23rd fiscal period (2016/10)
Floor expansion	96.2	87.0	86.6	116.6	84.4
Floor reduction	53.2	106.0	37.4	385.0	96.4

## Average cancelled floor area of exiting tenants (tsubo)

	19th fiscal period (2014/10)	20th fiscal period (2015/4)	21st fiscal period (2015/10)	22nd fiscal period (2016/4)	23rd fiscal period (2016/10)
Floor expansion	105.4	72.1	128.1	96.6	108.7
Floor reduction	98.8	113.2	127.4	198.5	107.8

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

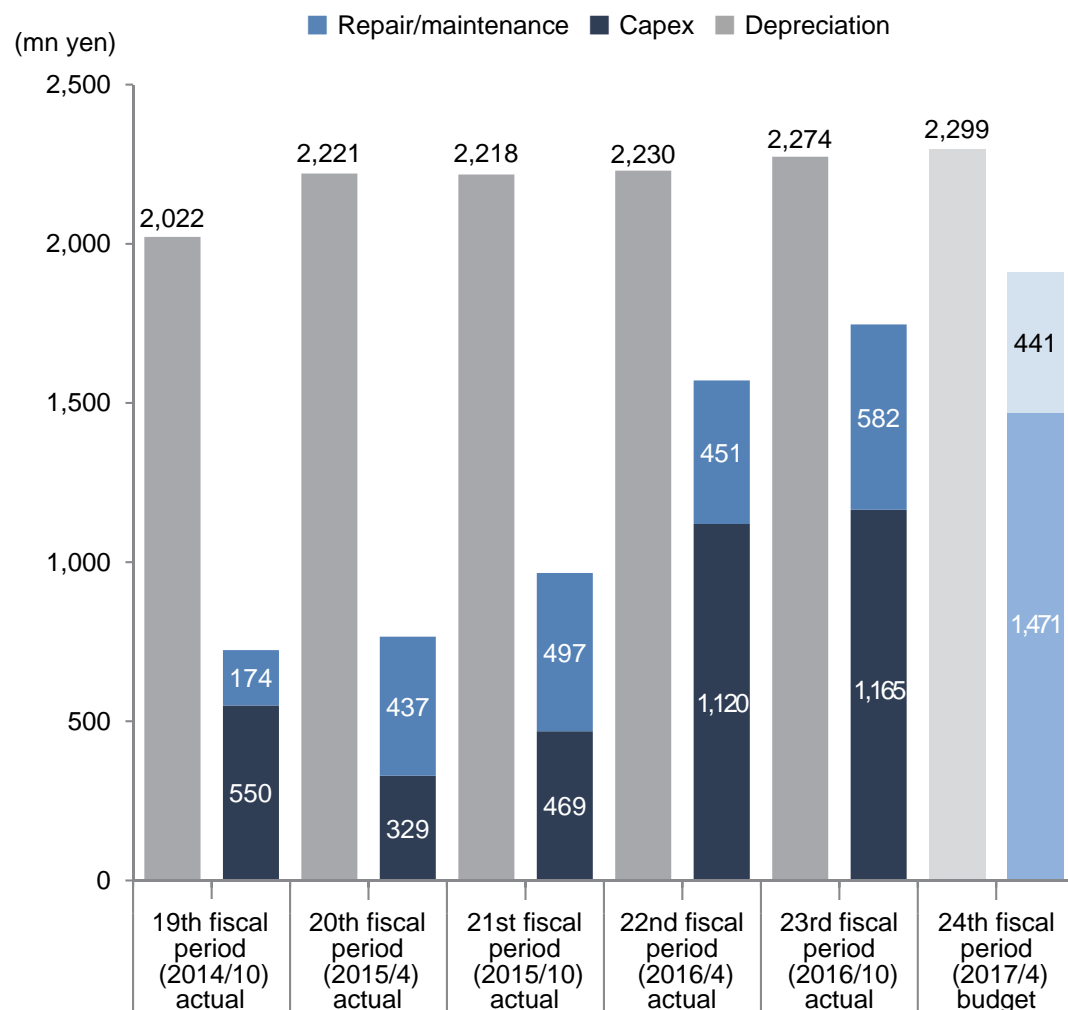
Note 2: Among 73.3% of tenants who answered "Floor reduction" as the reason for moving out during the 21st fiscal period (2015/10), about 20.0% of them moved out to integrate / consolidate their offices targeting optimization of office functions



# Construction expense (actual / budget)

Reinforce property competitiveness by flexibly implementing appropriate measures for improving property value  
Implementation of repair / renovation works is planned in the 24th fiscal period (2017/4), including installation of LED lightings, outer wall repairs and upgrading of core facilities, in a planned manner

## Changes in depreciation and construction expense (actual / budget)



## Repair / renovation work budget for 24th fiscal period (2017/4) (Note)

Items	Estimated amount (mn yen)	Percentage of total expense (%)	
Value-upgrading works (including common areas)	387	20.3	
Improvement / replacement works	Air-conditioning facilities	123	6.4
	Other major facilities	562	29.4
Installation of LED lightings, etc.	122	6.4	
Outer wall repair	175	9.2	
Maintenance / repair works	542	28.3	

24th fiscal period (2017/4) total	Percentage to depreciation expense (%)
1,913	83.2

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

## Properties to undergo major repair/renovation for 24th fiscal period (2017/4)

- Value-upgrading works  
KDX Nihonbashi 313 Bldg., KDX Ikebukuro West Bldg., KDX Shin-Yokohama 214 Bldg.
- Improvement/replacement works of air-conditioning facilities  
Harajuku F.F. Bldg., Pentel Bldg.
- Outer wall repair  
KDX Minami Aoyama Bldg., KDX Hamacho Nakanohashi Bldg., KDX Higashi-Shinagawa Bldg., KDX Tachikawa Ekimae Bldg., Itopia Nihonbashi SA Bldg., KDX Hiroshima Bldg.

# Environment-related certifications

## Rating from GRESB (Note 1)

- Acquired "Green Star" rating, the highest rating, for 5 consecutive years as a result of our efforts for improving sustainability performance
- Participated from 2011 as the first J-REIT participant
- The full renovation of KDX Iidabashi Square was chosen as a subject of innovation case study for its innovative approach towards improved sustainability



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

## Certification for CASBEE for Real Estate (Note 2)

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

Properties with S-ranked Certification for CASBEE for Real Estate



ARK Mori Bldg.



Nittochi Toranomom Bldg.



KDX Kobayashi-Doshomachi Bldg.



Properties with A-ranked Certification for CASBEE for Real Estate

KDX Shinjuku Bldg.

KDX Karasuma Bldg.

Note 2: 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

## BELS Certification (Note 3)

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

Certification rank



Properties with BELS Certification

KDX Iidabashi Square



KDX Musashi-Kosugi Bldg.



Note 3: 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

## DBJ Green Building Certification (Note 4)

- The number of the properties awarded the certification has reached 14, with the new addition of KDX Iidabashi Square, Senri LSC Bldg., KDX Fuchu Bldg. and KDX Yokohama Bldg.

Certification rank



Properties with the best class environmental and social awareness

Properties with DBJ Green Building Certification

Nittochi Toranomom Bldg.



Properties with exceptionally high environmental and social awareness

KDX Musashi-Kosugi Bldg.



Properties with excellent environmental and social awareness

KDX Harumi Bldg.  
KDX Nagoya Sakae Bldg.  
KDX Kobayashi-Doshomachi Bldg.



Properties with high environmental and social awareness

KDX Higashi Umeda Bldg. KDX Sakura-dori Bldg.  
KDX Nihonbashi Kabutocho Bldg. KDX Iidabashi Square  
Senri LSC Bldg.



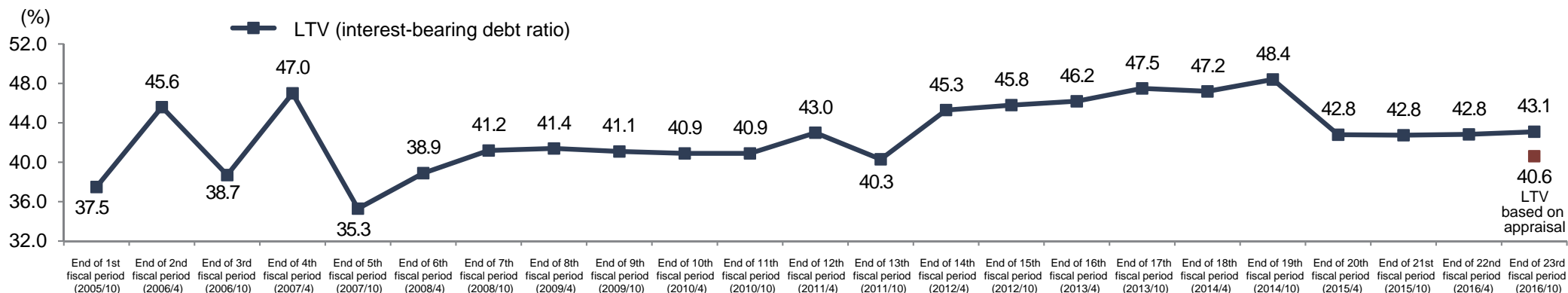
Properties with satisfactory environmental and social awareness

KDX Karasuma Bldg. KDX Fuchu Bldg.  
KDX Shinjuku Bldg. KDX Yokohama Bldg.

Note 4: 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"

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

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

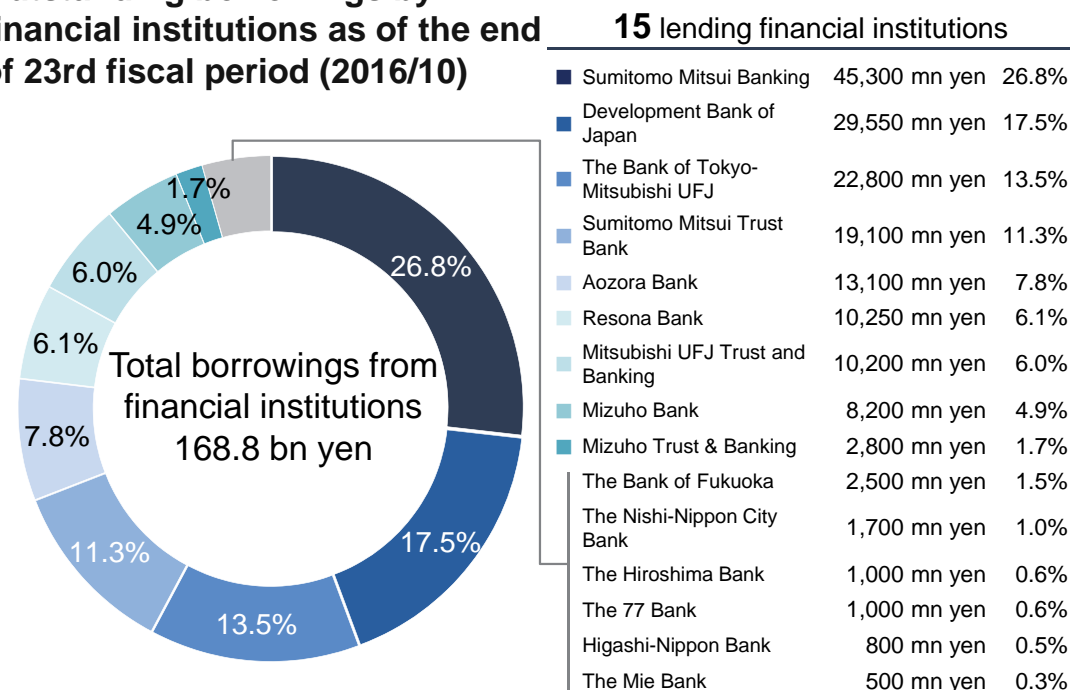


Note: The interest-bearing debt ratio (LTV) is calculated by dividing ending balance of interest-bearing debt by ending balance of total assets (rounded to the first decimal place)

## Investment corporation bonds issued as of the end of 23rd fiscal period (2016/10) (total of 9.3 bn yen)

Corporate bonds	Issued period	Issued amount	Interest rate	Term
2nd bonds	2007/3	3.0 bn yen	2.37%	10 years
4th bonds	2012/3	1.5 bn yen	2.00%	5.5 years
5th bonds	2013/9	1.8 bn yen	1.00%	5 years
6th bonds	2014/7	2.0 bn yen	1.18%	10 years
7th bonds	2016/4	1.0 bn yen	0.90%	12 years

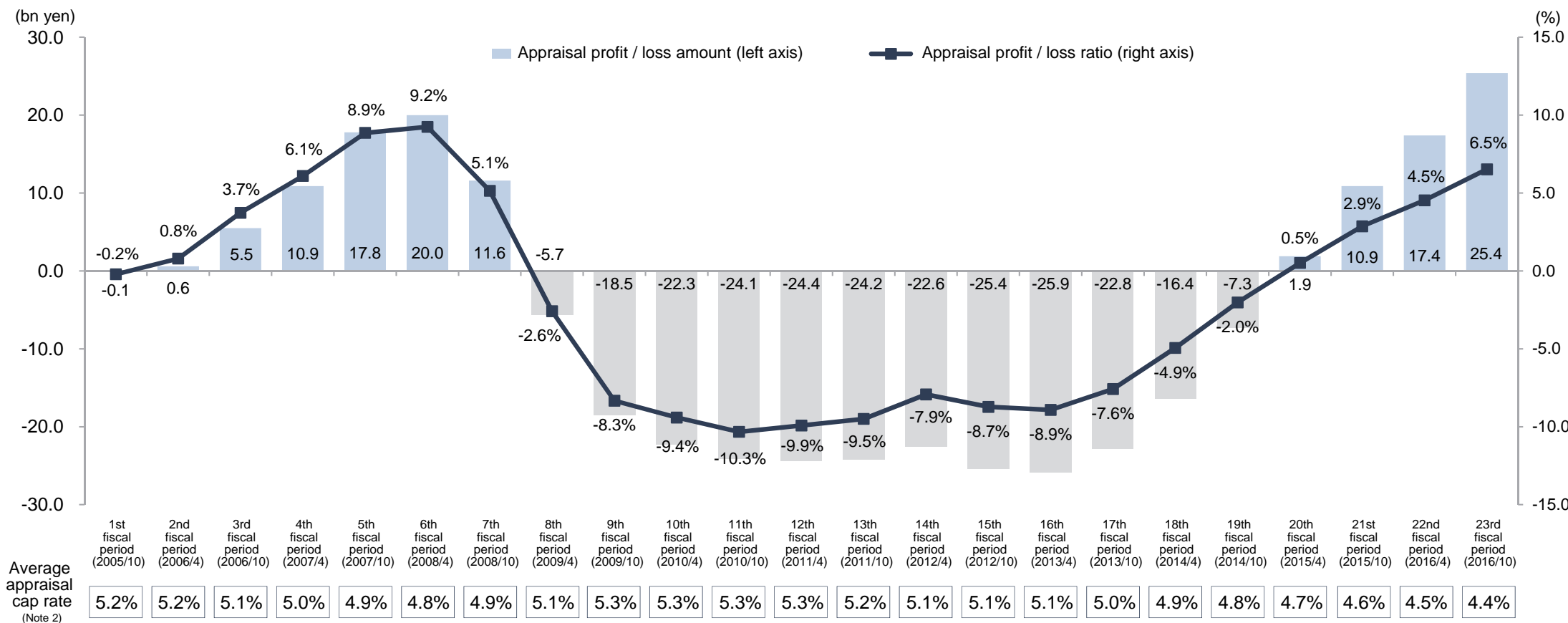
## Outstanding borrowings by financial institutions as of the end of 23rd fiscal period (2016/10)



# Historical appraisal profit / loss of portfolio

Appraisal profit as of the end of the 23rd fiscal period (2016/10) increased 7.9 billion yen from the end of the 22nd fiscal period (2016/4)

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



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

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

# Appraisal value and cap rate as of the end of 23rd fiscal period (2016/10) (1)

No.	Name	Appraiser	Acquisition price (mn yen)	End of 23rd fiscal period (As of Oct. 31, 2016)				End of 22nd fiscal period (As of Apr. 30, 2016)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen)	Appraisal value (mn yen)	Direct capitalization method cap rate	Appraisal value vs Book value (Note 1)	Appraisal value (mn yen)	Direct capitalization method cap rate	Difference	Increase- decrease rate (Note 1)	Difference
				(A)	(B)	(C)	(D)	(C)÷(B)-1	(E)	(F)	(C)-(E)	(C)÷(E)-1
A001	KDX Nihonbashi 313 Building	Daiwa	5,940	5,877	6,740	4.1%	14.7%	6,710	4.1%	30	0.4%	-
A003	Higashi-Kayabacho Yuraku Building	JREI	4,450	4,127	4,940	4.4%	19.7%	4,920	4.5%	20	0.4%	-0.1%
A004	KDX Hatchobori Building	Daiwa	3,680	3,310	3,250	4.4%	-1.8%	3,230	4.4%	20	0.6%	-
A005	KDX Nakano-Sakaue Building	Daiwa	2,533	2,358	2,360	4.6%	0.1%	2,340	4.6%	20	0.9%	-
A006	Harajuku F.F. Building	JREI	2,450	2,403	3,080	4.8%	28.1%	3,040	4.9%	40	1.3%	-0.1%
A007	KDX Minami Aoyama Building	JREI	2,270	2,206	2,510	4.1%	13.7%	2,460	4.2%	50	2.0%	-0.1%
A008	Kanda Kihara Building	Daiwa	1,950	1,796	1,620	4.4%	-9.8%	1,620	4.4%	-	-	-
A012	Portus Center Building	Daiwa	5,570	4,145	4,710	5.8%	13.6%	5,140	5.8%	-430	-8.4%	-
A013	KDX Kojimachi Building	JREI	5,950	5,565	4,820	3.9%	-13.4%	4,610	4.0%	210	4.6%	-0.1%
A014	KDX Funabashi Building	JREI	2,252	2,242	2,140	5.5%	-4.6%	2,060	5.7%	80	3.9%	-0.2%
A016	Toshin 24 Building	JREI	5,300	4,853	4,910	4.8%	1.2%	4,760	5.0%	150	3.2%	-0.2%
A017	KDX Ebisu Building	JREI	4,640	4,433	4,800	4.2%	8.3%	4,720	4.3%	80	1.7%	-0.1%
A019	KDX Hamamatsucho Building	Daiwa	3,460	3,083	3,370	4.0%	9.3%	3,360	4.0%	10	0.3%	-
A020	KDX Kayabacho Building	JREI	2,780	2,736	2,570	4.5%	-6.1%	2,530	4.6%	40	1.6%	-0.1%
A021	KDX Shinbashi Building	JREI	3,728	3,765	4,530	3.9%	20.3%	4,470	4.0%	60	1.3%	-0.1%
A022	KDX Shin-Yokohama Building	JREI	2,520	2,307	2,360	5.2%	2.3%	2,340	5.4%	20	0.9%	-0.2%
A026	KDX Kiba Building	JREI	1,580	1,472	1,280	5.1%	-13.1%	1,270	5.3%	10	0.8%	-0.2%
A027	KDX Kajicho Building	Daiwa	2,350	2,282	2,240	4.4%	-1.9%	2,240	4.4%	-	-	-
A029	KDX Higashi-Shinjuku Building	Daiwa	2,950	3,055	3,720	4.5%	21.7%	3,700	4.5%	20	0.5%	-
A030	KDX Nishi-Gotanda Building	JREI	4,200	3,895	3,630	4.5%	-6.8%	3,690	4.6%	-60	-1.6%	-0.1%
A031	KDX Monzen-Nakacho Building	Daiwa	1,400	1,327	1,070	5.0%	-19.4%	1,110	5.0%	-40	-3.6%	-
A032	KDX Shiba-Daimon Building	JREI	6,090	6,036	4,740	4.4%	-21.5%	4,970	4.5%	-230	-4.6%	-0.1%
A033	KDX Okachimachi Building	Daiwa	2,000	2,052	1,930	4.5%	-6.0%	1,980	4.5%	-50	-2.5%	-
A034	KDX Hon-Atsugi Building	Daiwa	1,305	1,163	1,270	5.7%	9.2%	1,150	5.7%	120	10.4%	-
A035	KDX Hachioji Building	Daiwa	1,155	1,212	1,080	5.4%	-10.9%	1,050	5.4%	30	2.9%	-
A037	KDX Ochanomizu Building	JREI	6,400	6,422	6,740	4.2%	4.9%	6,830	4.3%	-90	-1.3%	-0.1%
A038	KDX Nishi-Shinjuku Building	JREI	1,500	1,531	1,280	4.6%	-16.4%	1,200	4.7%	80	6.7%	-0.1%
A041	KDX Shinjuku 286 Building	JREI	2,300	2,322	2,480	4.2%	6.8%	2,430	4.3%	50	2.1%	-0.1%
A042	KDX Karasuma Building	Daiwa	5,400	5,174	5,300	5.0%	2.4%	5,270	5.0%	30	0.6%	-
A044	KDX Sendai Building	Daiwa	2,100	2,008	1,670	5.6%	-16.8%	1,660	5.6%	10	0.6%	-
A045	KDX Roppongi 228 Building	JREI	3,300	3,399	2,120	4.2%	-37.6%	2,120	4.3%	-	-	-0.1%
A046	Hiei Kudan-Kita Building	Daiwa	7,600	7,495	7,960	4.1%	6.2%	7,910	4.1%	50	0.6%	-
A047	KDX Shin-Yokohama 381 Building	JREI	5,800	5,494	4,310	5.3%	-21.6%	4,280	5.4%	30	0.7%	-0.1%
A048	KDX Kawasaki-Ekimae Hon-cho Building	JREI	3,760	3,584	3,080	5.2%	-14.1%	3,060	5.4%	20	0.7%	-0.2%

※Notes are shown on P.41



# Appraisal value and cap rate as of the end of 23rd fiscal period (2016/10) (2)

No.	Name	Appraiser	Acquisition price (mn yen)	End of 23rd fiscal period (As of Oct. 31, 2016)				End of 22nd fiscal period (As of Apr. 30, 2016)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen)	Appraisal value (mn yen)	Direct capitalization method cap rate	Appraisal value vs Book value (Note 1) (C)÷(B)-1	Appraisal value (mn yen)	Direct capitalization method cap rate	Difference (C)-(E)	Increase- decrease rate (Note 1) (C)÷(E)-1	Difference (D)-(F)
A050	KDX Ikejiri-Oohashi Building	JREI	2,400	2,367	1,730	5.0%	-26.9%	1,710	5.1%	20	1.2%	-0.1%
A051	KDX Hamacho Nakanohashi Building	JREI	2,310	2,246	1,930	4.6%	-14.1%	1,900	4.7%	30	1.6%	-0.1%
A052	KDX Kanda Misaki-cho Building	JREI	1,380	1,343	961	4.5%	-28.5%	961	4.6%	-	-	-0.1%
A053	KDX Hakata-Minami Building	JREI	4,900	4,577	3,850	6.1%	-15.9%	3,730	6.2%	120	3.2%	-0.1%
A054	KDX Kitahama Building	JREI	2,220	2,093	1,610	5.5%	-23.1%	1,610	5.6%	-	-	-0.1%
A055	Shin-toshin Maruzen Building	JREI	2,110	2,096	1,670	4.6%	-20.3%	1,650	4.7%	20	1.2%	-0.1%
A056	KDX Jimbocho Building	JREI	2,760	2,875	2,100	4.5%	-27.0%	2,080	4.6%	20	1.0%	-0.1%
A057	KDX Gobancho Building	JREI	1,951	1,900	1,420	4.2%	-25.3%	1,420	4.3%	-	-	-0.1%
A058	KDX Nagoya Sakae Building	Daiwa	7,550	6,863	5,270	4.6%	-23.2%	5,250	4.6%	20	0.4%	-
A059	KDX Iwamoto-cho Building	JREI	1,864	1,687	1,510	4.7%	-10.5%	1,490	4.8%	20	1.3%	-0.1%
A060	KDX Harumi Building	JREI	10,250	9,034	8,470	4.3%	-6.2%	8,470	4.4%	-	-	-0.1%
A061	KDX Hamamatsucho Dai-2 Building	Daiwa	2,200	2,246	2,080	4.0%	-7.4%	2,080	4.0%	-	-	-
A062	Koishikawa TG Building	JREI	3,080	3,024	3,400	4.4%	12.4%	3,360	4.5%	40	1.2%	-0.1%
A063	Gotanda TG Building	JREI	2,620	2,721	3,060	4.5%	12.5%	3,020	4.6%	40	1.3%	-0.1%
A064	KDX Nihonbashi 216 Building	JREI	2,010	1,872	2,050	4.1%	9.5%	1,980	4.2%	70	3.5%	-0.1%
A066	KDX Shinjuku Building	JREI	6,800	6,877	8,290	3.9%	20.5%	8,010	4.0%	280	3.5%	-0.1%
A067	KDX Ginza 1chome Building	Daiwa	4,300	4,208	5,550	3.8%	31.9%	5,480	3.8%	70	1.3%	-
A068	KDX Nihonbashi Honcho Building	Daiwa	4,000	3,942	4,540	4.2%	15.2%	4,530	4.2%	10	0.2%	-
A069	KDX Kobayashi-Doshomachi Building	JREI	2,870	2,278	2,570	6.4%	12.8%	2,570	6.5%	-	-	-0.1%
A070	KDX Sapporo Building	Daiwa	2,005	1,957	2,190	5.2%	11.8%	2,080	5.2%	110	5.3%	-
A071	KDX Iidabashi Building	Daiwa	4,670	4,562	5,410	4.2%	18.6%	5,370	4.2%	40	0.7%	-
A072	KDX Higashi-Shinagawa Building	Daiwa	4,590	4,764	4,300	4.4%	-9.7%	4,300	4.4%	-	-	-
A073	KDX Hakozaeki Building	Daiwa	2,710	2,741	3,200	4.6%	16.7%	3,180	4.6%	20	0.6%	-
A074	KDX Shin-Nihonbashi Building	Daiwa	2,300	2,120	2,720	4.0%	28.2%	2,710	4.0%	10	0.4%	-
A075	KDX Nihonbashi Kabutocho Building	JREI	11,270	11,128	12,400	4.2%	11.4%	12,100	4.3%	300	2.5%	-0.1%
A078	KDX Tachikawa Ekimae Building	JREI	1,267	1,305	1,550	5.3%	18.7%	1,490	5.4%	60	4.0%	-0.1%
A079	KDX Nagoya Ekimae Building	JREI	7,327	7,972	9,000	4.4%	12.9%	8,250	4.6%	750	9.1%	-0.2%
A082	KDX Higashi Umeda Building	Daiwa	2,770	2,572	3,550	4.5%	38.0%	3,690	4.5%	-140	-3.8%	-
A083	KDX Fuchu Building	Daiwa	6,120	5,949	7,560	5.0%	27.1%	7,170	5.0%	390	5.4%	-
A084	KDX Kasuga Building	JREI	2,800	2,764	3,630	4.4%	31.3%	3,580	4.5%	50	1.4%	-0.1%
A085	KDX Nakameguro Building	Daiwa	1,880	1,872	2,610	4.6%	39.4%	2,490	4.6%	120	4.8%	-
A086	KDX Omiya Building	Daiwa	2,020	2,190	2,730	5.2%	24.6%	2,720	5.2%	10	0.4%	-
A087	Itoya Nihonbashi SA Building	Daiwa	2,200	2,254	2,550	4.5%	13.1%	2,460	4.5%	90	3.7%	-
A088	KDX Shinjuku 6-chome Building	Daiwa	1,900	1,888	2,870	4.4%	52.0%	2,660	4.4%	210	7.9%	-

※Notes are shown on P.41

# Appraisal value and cap rate as of the end of 23rd fiscal period (2016/10) (3)

No.	Name	Appraiser	Acquisition price (mn yen)	End of 23rd fiscal period (As of Oct. 31, 2016)				End of 22nd fiscal period (As of Apr. 30, 2016)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen)	Appraisal value (mn yen)	Direct capitalization method cap rate	Appraisal value vs Book value (Note 1)	Appraisal value (mn yen)	Direct capitalization method cap rate	Difference	Increase- decrease rate (Note 1)	Difference
				(A)	(B)	(D)	(C)÷(B)-1	(E)	(F)	(C)-(E)	(C)÷(E)-1	(D)-(F)
A089	KDX Takanawadai Building	JREI	5,250	5,293	6,060	4.4%	14.5%	5,980	4.5%	80	1.3%	-0.1%
A090	KDX Ikebukuro Building	Daiwa	3,900	3,760	4,730	4.1%	25.8%	4,680	4.1%	50	1.1%	-
A091	KDX Mita Building	JREI	3,180	3,154	3,390	4.3%	7.5%	3,360	4.4%	30	0.9%	-0.1%
A092	KDX Akihabara Building	JREI	2,600	2,563	3,020	4.2%	17.8%	2,980	4.3%	40	1.3%	-0.1%
A093	KDX Iidabashi Square	Daiwa	4,350	4,995	5,140	4.2%	2.9%	4,890	4.2%	250	5.1%	-
A094	KDX Musashi-Kosugi Building	JREI	12,000	11,535	14,600	4.4%	26.6%	13,900	4.6%	700	5.0%	-0.2%
A095	KDX Toyosu Grand Square	Daiwa	8,666	8,334	9,040	4.8%	8.5%	9,030	4.8%	10	0.1%	-
A096	KDX Takadanobaba Building	Daiwa	3,650	3,637	4,180	4.6%	14.9%	4,170	4.6%	10	0.2%	-
A097	KDX Utsunomiya Building	Daiwa	2,350	2,343	2,480	5.8%	5.8%	2,480	5.8%	-	-	-
A098	KDX Hiroshima Building	JREI	1,300	1,397	1,530	5.7%	9.5%	1,480	5.9%	50	3.4%	-0.2%
A099	KDX Ikebukuro West Building	Daiwa	1,934	1,986	2,010	4.5%	1.2%	2,000	4.5%	10	0.5%	-
A100	Senri LSC Building	Daiwa	13,000	12,813	12,900	4.8%	0.7%	13,100	4.8%	-200	-1.5%	-
A101	KDX Yokohama Building	Daiwa	7,210	7,581	8,100	4.6%	6.8%	8,070	4.6%	30	0.4%	-
A102	KDX Yokohama Nishiguchi Building	Daiwa	2,750	2,746	3,030	4.7%	10.3%	2,980	4.7%	50	1.7%	-
A103	KDX Shin-Yokohama 214 Building	JREI	2,200	2,218	2,350	5.1%	5.9%	2,290	5.3%	60	2.6%	-0.2%
A104	KDX Minami-Honmachi Building	JREI	2,200	2,127	2,830	4.6%	33.0%	2,690	4.8%	140	5.2%	-0.2%
A105	BUREX Toranomon	JREI	1,750	1,738	2,440	3.8%	40.3%	2,380	3.9%	60	2.5%	-0.1%
A106	KDX Sakura-dori Building	Daiwa	5,900	6,253	7,490	4.8%	19.8%	7,450	4.8%	40	0.5%	-
A107	KDX Ginza East Building	JREI	3,600	3,601	3,700	4.3%	2.7%	3,650	4.4%	50	1.4%	-0.1%
A108	Pentel Building	Daiwa	3,350	3,554	3,714	4.1%	4.5%	3,594	4.1%	120	3.3%	-
A109	KDX Hamamatsucho Center Building	Daiwa	3,950	4,040	4,140	4.0%	2.5%	4,140	4.0%	-	-	-
A110	KDX Shin-Osaka Building	Daiwa	4,550	4,598	4,870	4.3%	5.9%	4,830	4.3%	40	0.8%	-
A111	Nichigin-mae KD Building	JREI	3,500	3,564	3,830	4.5%	7.4%	3,750	4.7%	80	2.1%	-0.2%
A112	Nittochi Toranomon Building	JREI	15,550	15,666	16,600	3.6%	6.0%	16,300	3.7%	300	1.8%	-0.1%
A113	KDX Shin-Nihonbashi Ekimae Building (Note 3)	JREI	3,829	3,853	3,950	4.1%	2.5%	3,930	4.1%	20	0.5%	-
A114	KDX Nihonbashi Edo-dori Building (Note 3)	JREI	1,350	1,364	1,420	4.5%	4.1%	1,410	4.5%	10	0.7%	-
<b>Subtotal: Office Buildings (Note 2)</b>			<b>367,937</b>	<b>360,174</b>	<b>380,485</b>	<b>4.5%</b>	<b>5.6%</b>	<b>375,295</b>	<b>4.5%</b>	<b>5,190</b>	<b>1.4%</b>	<b>0.0%</b>
B019	Residence Charmante Tsukishima	JREI	5,353	4,582	4,900	4.5%	6.9%	4,900	4.6%	-	-	-0.1%
<b>Subtotal: Residential Property (Note 2)</b>			<b>5,353</b>	<b>4,582</b>	<b>4,900</b>	<b>4.5%</b>	<b>6.9%</b>	<b>4,900</b>	<b>4.6%</b>	<b>-</b>	<b>-</b>	<b>-0.1%</b>
C001	Frame Jinnan-zaka	JREI	9,900	9,342	10,700	3.8%	14.5%	10,500	3.9%	200	1.9%	-0.1%
C002	KDX Yoyogi Building	JREI	2,479	2,465	2,130	4.8%	-13.6%	2,110	4.9%	20	0.9%	-0.1%
C004	Ginza 4chome Tower	JREI	9,800	9,658	13,200	3.4%	36.7%	11,900	3.5%	1,300	10.9%	-0.1%
<b>Subtotal: Central Urban Retail Properties (Note 2)</b>			<b>22,179</b>	<b>21,466</b>	<b>26,030</b>	<b>3.7%</b>	<b>21.3%</b>	<b>24,510</b>	<b>3.8%</b>	<b>1,520</b>	<b>6.2%</b>	<b>-0.1%</b>
D002	Shinjuku 6chome Building (land)	Daiwa	2,880	2,973	3,190	3.9%	7.3%	3,190	3.9%	-	-	-
<b>Subtotal: Other Property (Note 2)</b>			<b>2,880</b>	<b>2,973</b>	<b>3,190</b>	<b>3.9%</b>	<b>7.3%</b>	<b>3,190</b>	<b>3.9%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (Note 2)</b>			<b>398,350</b>	<b>389,197</b>	<b>414,605</b>	<b>4.4%</b>	<b>6.5%</b>	<b>407,895</b>	<b>4.5%</b>	<b>6,710</b>	<b>1.6%</b>	<b>-0.1%</b>

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

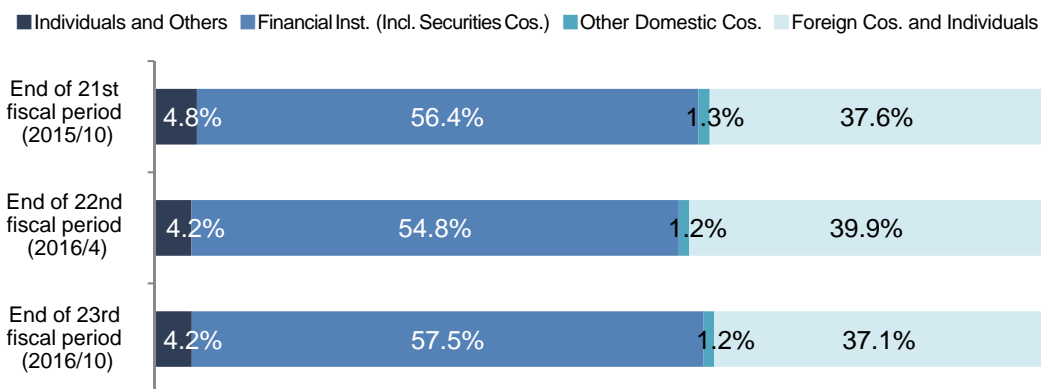
Note 2: Cap rates for subtotals and the entire portfolio are weighted averages based on appraisal values

Note 3: For the properties newly acquired in the 23rd fiscal period (2016/10), appraisal values included in relevant appraisal report obtained at the time of acquisition are considered as appraisal values as of the end of the previous fiscal period in calculating change in appraisal value (period over period)



# KDO unitholders (as of the end of 23rd fiscal period (2016/10))

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



## Number of unitholders

(Unit: person)

	End of 21st fiscal period (2015/10)	End of 22nd fiscal period (2016/4)	End of 23rd fiscal period (2016/10)
Individuals and Others	6,550	5,906	5,693
Financial Inst. (Incl. Securities Cos.)			
City / Trust Bank	10	10	10
Regional Bank	15	19	23
Credit Union and Others	33	38	40
Life / Nonlife, Securities	26	23	22
Total	84	90	95
Other Domestic Cos.	124	117	112
Foreign Cos. and Individuals	256	253	264
Total	7,014	6,366	6,164

Note: Each ratio is rounded to the first decimal place

## Top 10 unitholders (Note)

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

# Historical changes in unit price

KDO unit price has continued to outperform TSE REIT Index

## Historical changes in unit price (January 4, 2012 – December 2, 2016)



## Comparison between rebased unit price and TSE REIT Index (January 4, 2012 – December 2, 2016)



## Inclusion into indices

- FTSE EPRA / NAREIT Global Real Estate Investors index



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

## S&P Dow Jones Indices

An S&P Global Division

- Russell Global Index Series



## Appendix 2

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### Characteristics of KDO

# Characteristics of KDO

## Mid-sized office buildings

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

## Tokyo metropolitan area

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

## "Selected" management of mid-sized office buildings

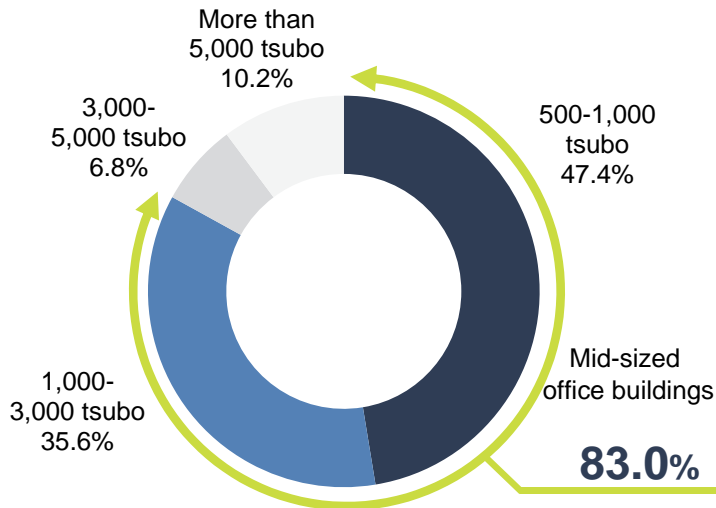
- Selectively investment in the properties with competitive advantages in terms of location (within a walking distance from the nearest railway station), specifications and seismic resistance
- Management with an aim to **maintain / improve customer satisfaction** by making use of a customer satisfaction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

# Characteristics of mid-sized office building market

A wide selection of prime properties available

Expected to generate stable rent revenues given a broad tenant base

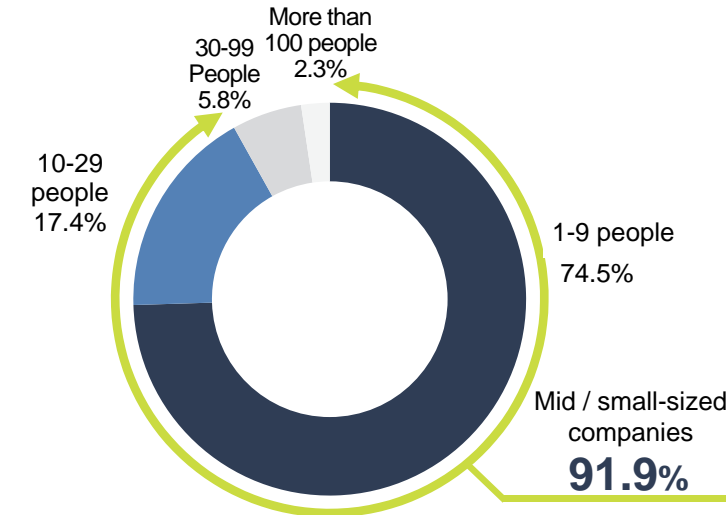
**Office market by GFA (proportion of number of buildings)** (Note 1)



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

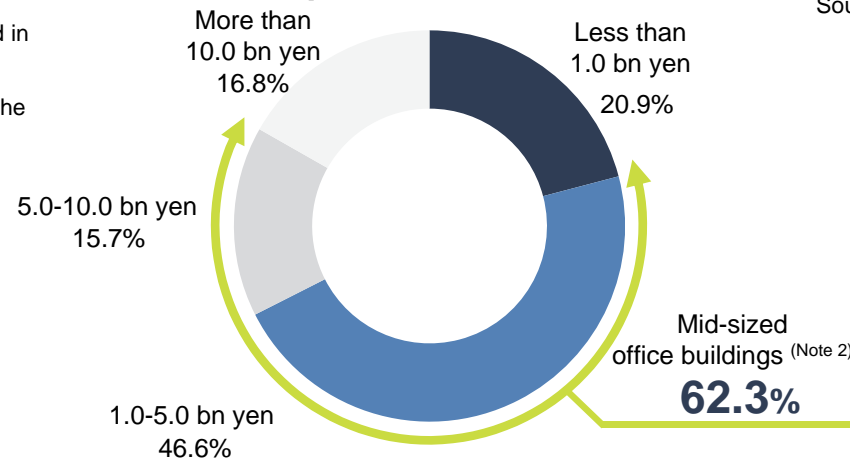
Source: Based on the survey CBRE conducted at the request of the Asset Management Company

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



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

**# of office building transactions by transaction price**



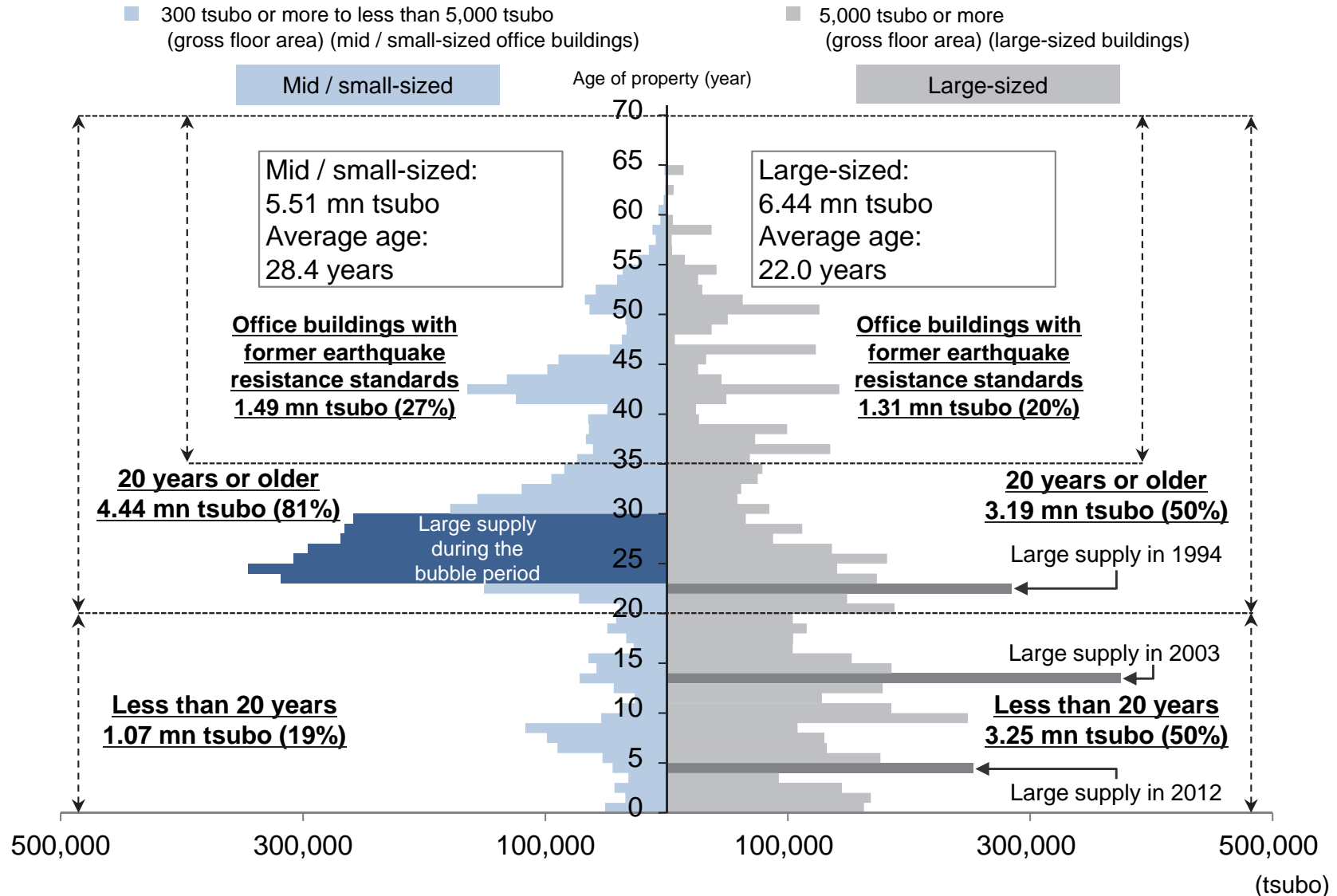
Note 2: The transaction prices of mid-sized office buildings are generally around 1.0 bn yen to 10.0 bn yen

Source: Compiled by the Asset Management Company based on "the number of office building transactions by transaction size (FY2006-FY2015)" from "Real Estate Transactions Study" by Urban Research Institute Corporation, a think tank of Mizuho Trust & Banking Co., Ltd.

# Tokyo 23 wards office stock by size and age

Approx. 80% of mid / small-sized office buildings are 20 years or older; new supply is limited

Proper repair / maintenance and management are important in order to keep mid / small-sized office buildings competitive

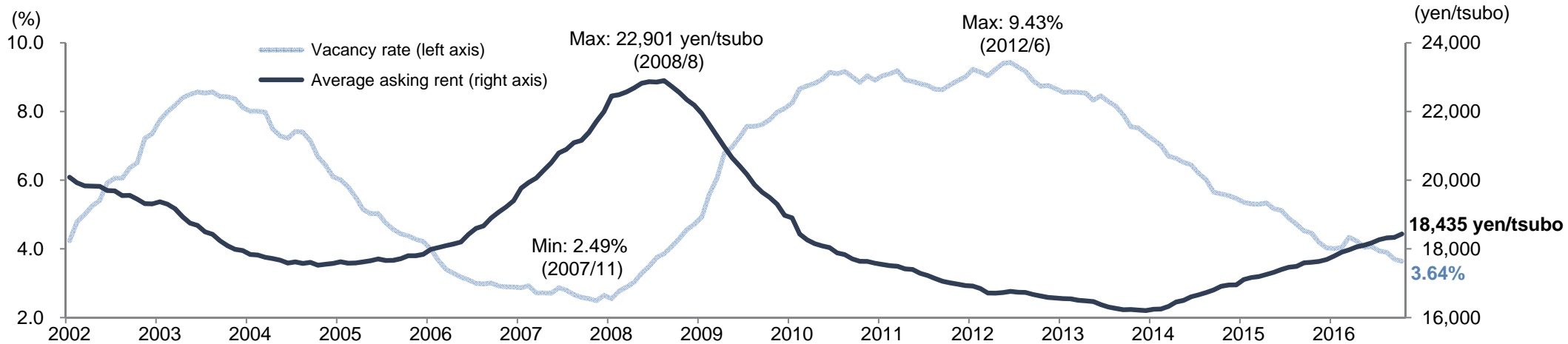


Source: Compiled by the Asset Management Company using "News & Release—Office Pyramid 2016" released by XYMAX REAL ESTATE INSTITUTE Corporation on January 29, 2016

# About office building market

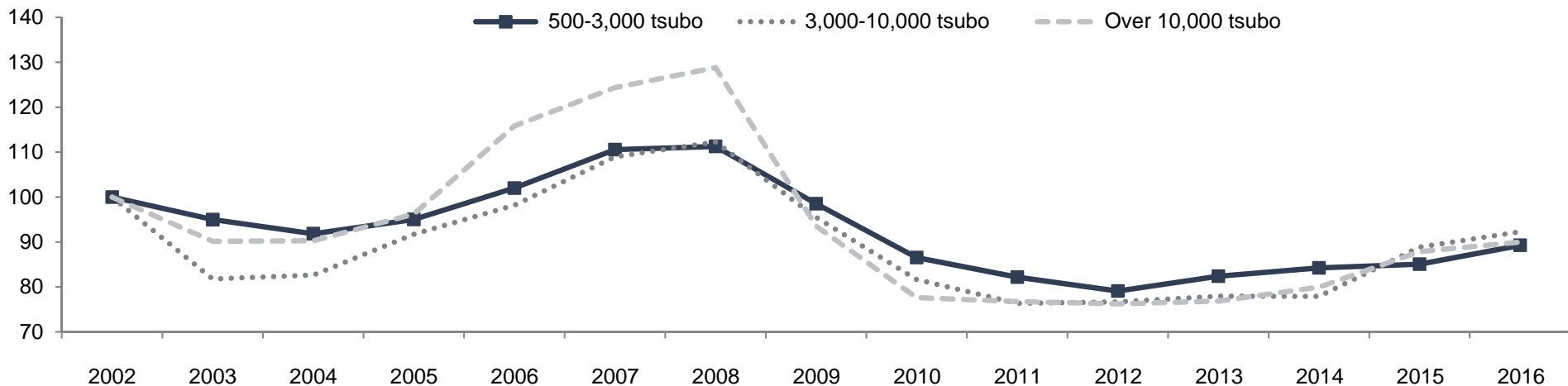
Rents for mid-sized office buildings are generally more stable than those for large-sized office buildings

**Changes in asking rents and vacancy rate in Tokyo Central 5 wards (Jan 2002 - Oct 2016) (Note 1)**



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

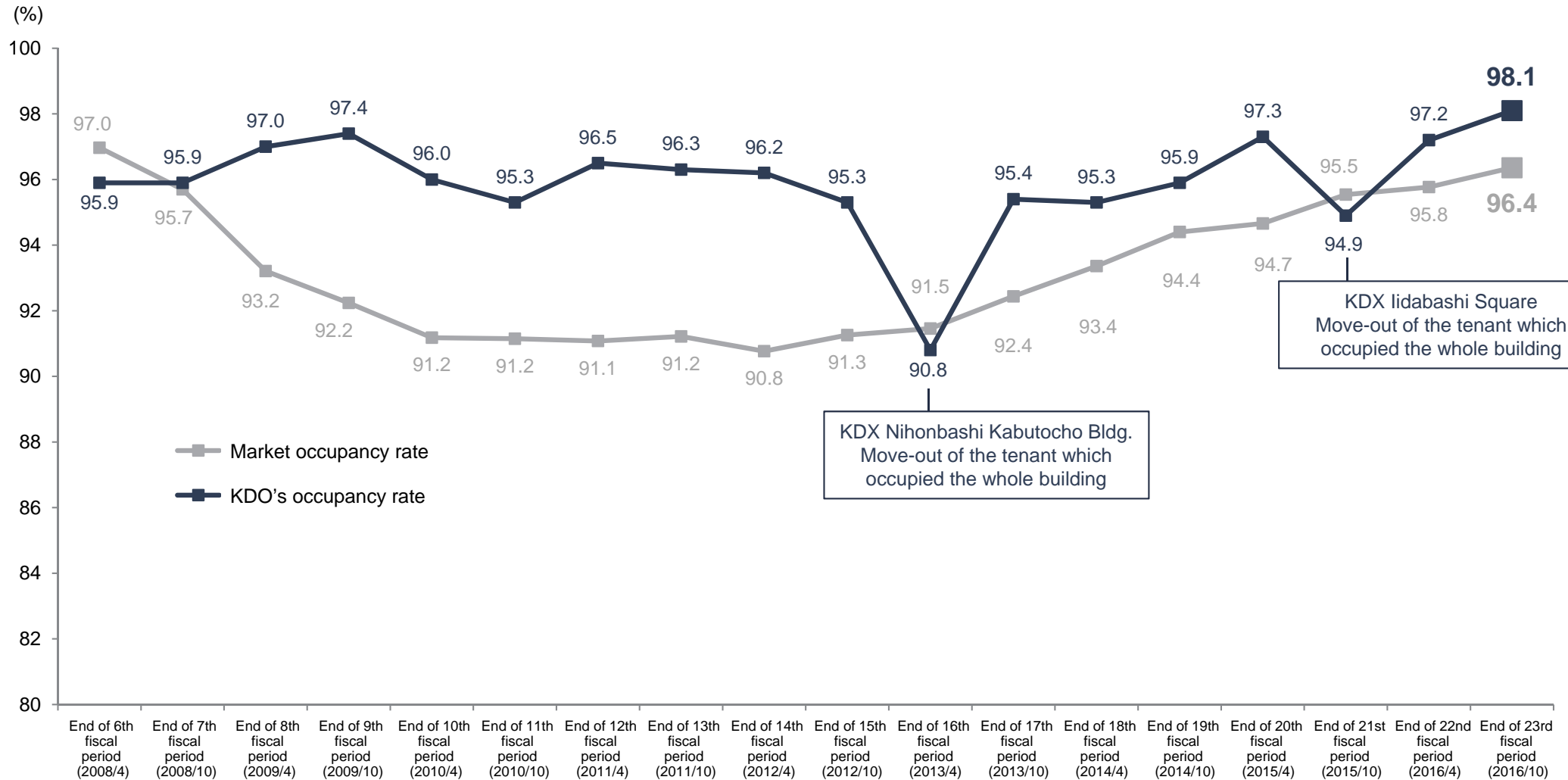
**Changes in average rent indices by size for 23 wards of Tokyo (2002 - 2016, rebasing 2002 = 100) (Note 2)**



Note 2: Average estimated contracted rent by size for each fiscal year (Jan. 1 – Dec. 31), rebasing 2002 = 100 (based on counting from Jan. 1 – Sep. 30 for 2016)  
 Source: Based on the survey CBRE conducted at the request of the Asset Management Company



# Comparison of occupancy rates of KDO office buildings and market average (Note 1) (Note 2)

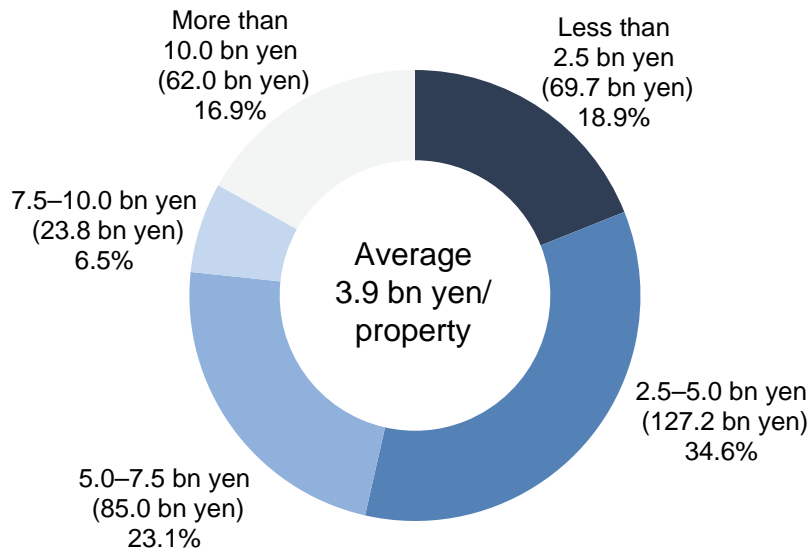


Note 1: Market occupancy rate refers to the average values of Tokyo Central 5 wards for each corresponding month published by Miki Shoji

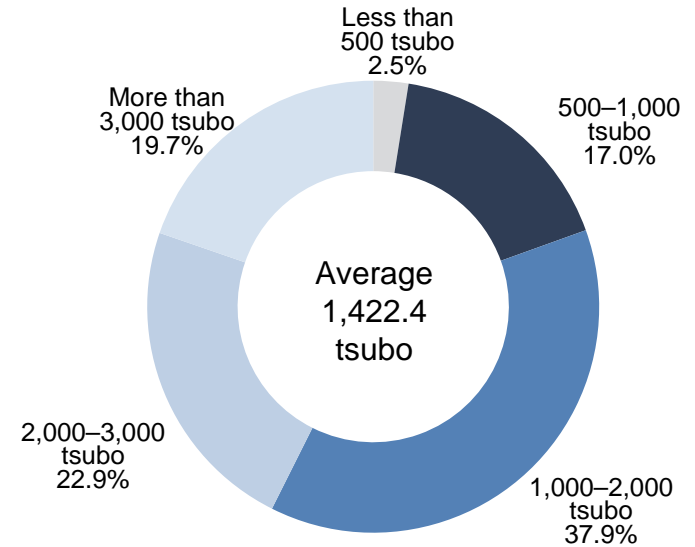
Note 2: KDO's average occupancy rate refers to the average occupancy rate of the office buildings in Tokyo Central 5 wards that KDO owns as of the end of each fiscal period

# Characteristics of KDO office buildings (as of the end of the 23rd fiscal period (2016/10))

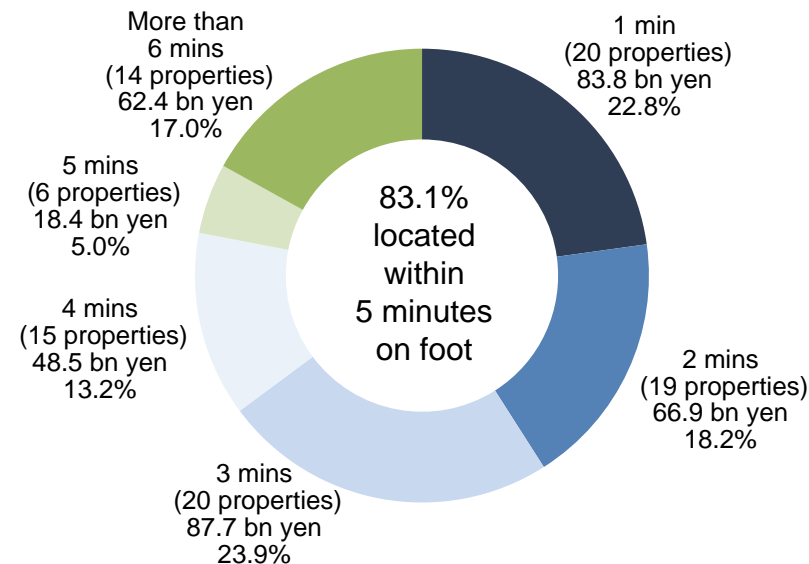
**By acquisition price (based on acquisition price)**



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



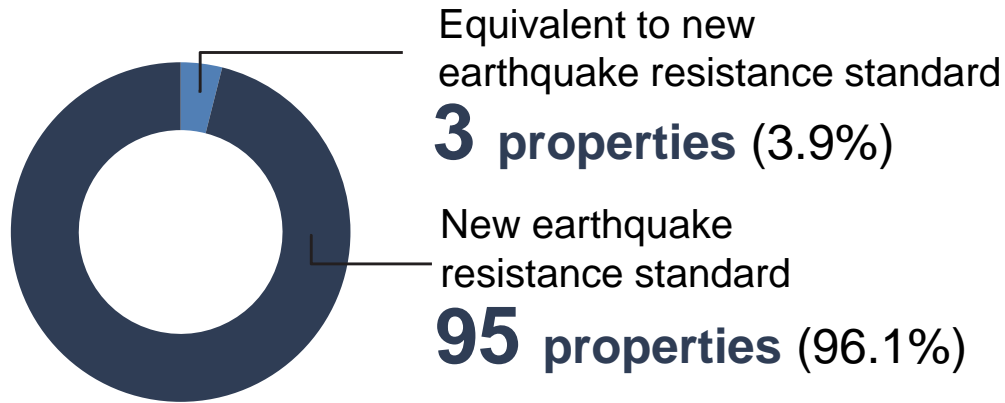
**By distance from the nearest station on foot (based on acquisition price)**



# Seismic performance of KDO's properties

All 98 properties (excl. land) comply with the new earthquake resistance standard <sup>(Note 1)</sup> or its equivalent

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



## Achieving seismic performance equivalent to new earthquake resistance standard

### Implemented earthquake-resistance reinforcement



KDX Hakata-Minami Bldg.



KDX Akihabara Bldg.

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



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

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

**2.39%**

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

Note 2: Percentage share is calculated based on leasable area as of October 31, 2016. For the properties owned through quasi co-ownership interest, leasable area for such portion is used in calculation

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

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

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

High motivation for continuous occupancy even at aged office buildings

Competitiveness dependent on equipment upgrade and renovation at the right timing

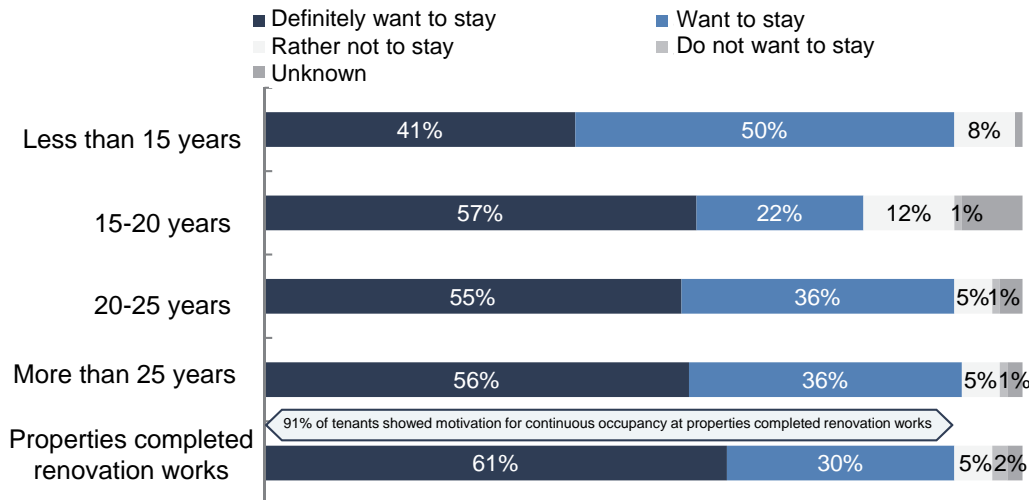
## CS survey overview

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

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

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

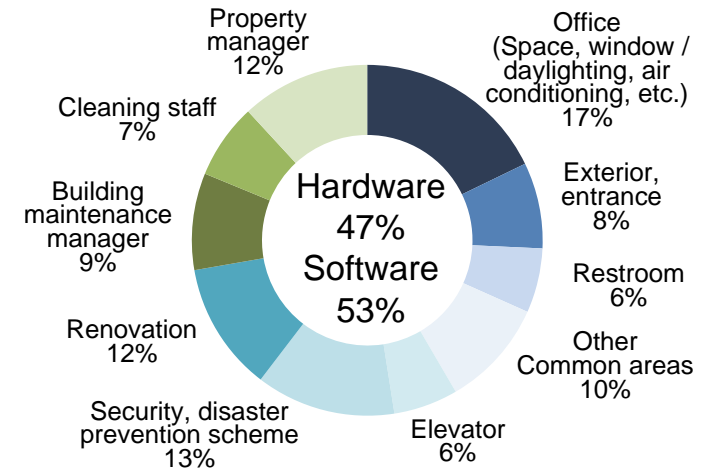
- Confirmed high motivation for continuous occupancy regardless of building age



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

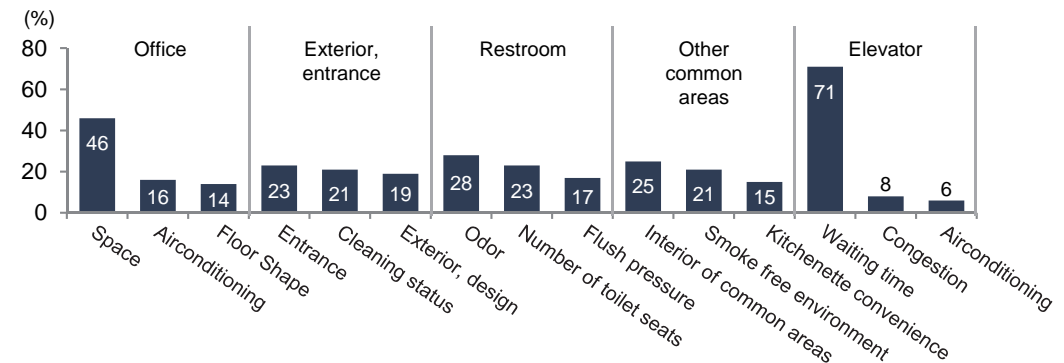
Note 2: Multiples in the table are calculated by dividing CS scores after renovation works by those before renovation works

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



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

- The most important factors among hardware

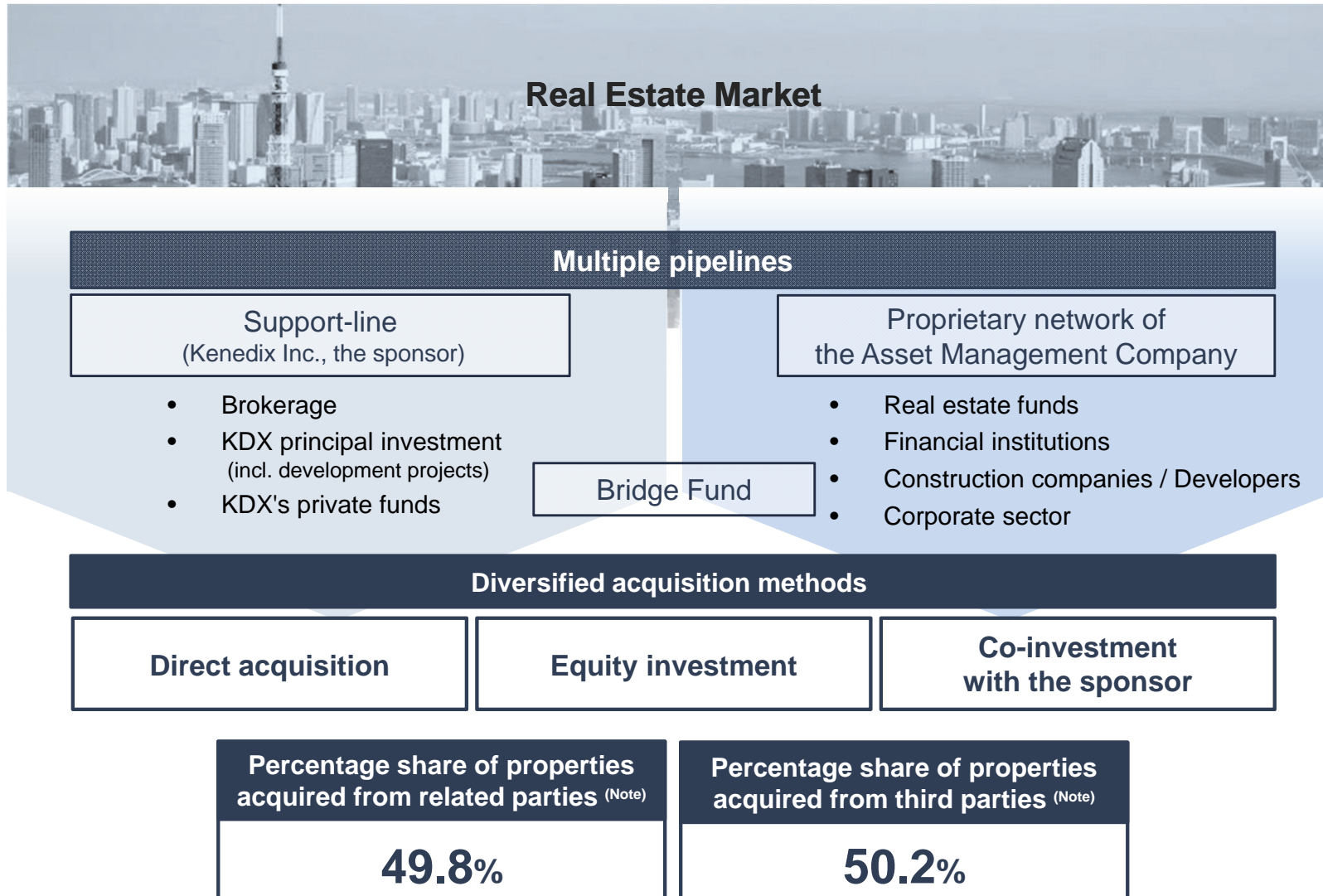


- Changes in CS scores after renovation works (Note 2)

Category	Office	Exterior, entrance	Restroom	Other common areas	Elevator
Multiples	1.04x	0.97x	1.09x	1.03x	1.03x

# Property sourcing and acquisition methods

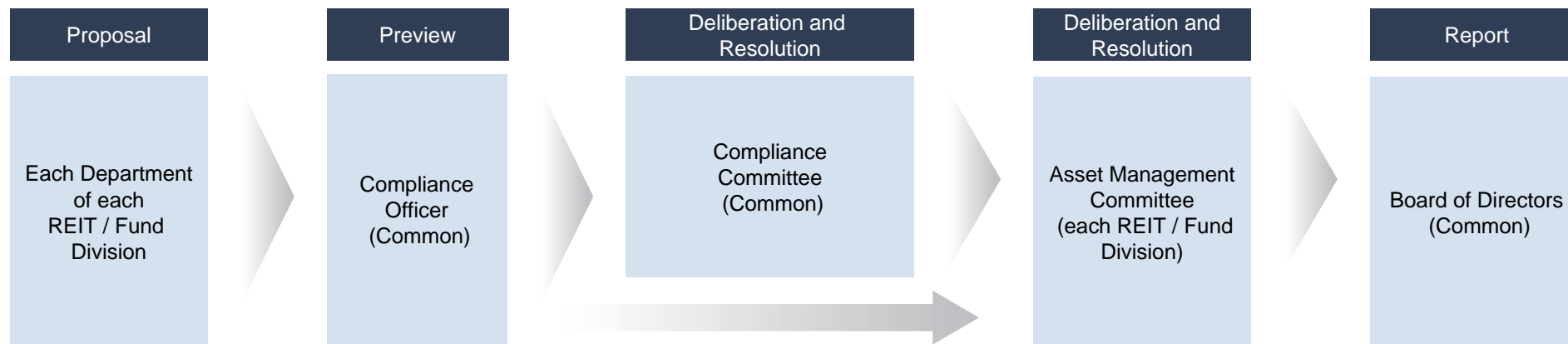
Our acquisition track record supported by our property sourcing network using multiple pipelines Surely capture a wide variety of acquisition opportunities through our diversified acquisition methods



Note: Percentage share of properties is calculated by sum of acquisition prices for each acquisition source divided by total acquisition price for the properties which KDO owns as of the end of 23rd fiscal period (2016/10). Figures are rounded to the first decimal place

# Management structure of KFM

## KFM's decision-making process



## Constituent members of decision making body

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

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

## Rules on transactions with interested parties

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

## Asset management fee structure

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



# Our sponsor

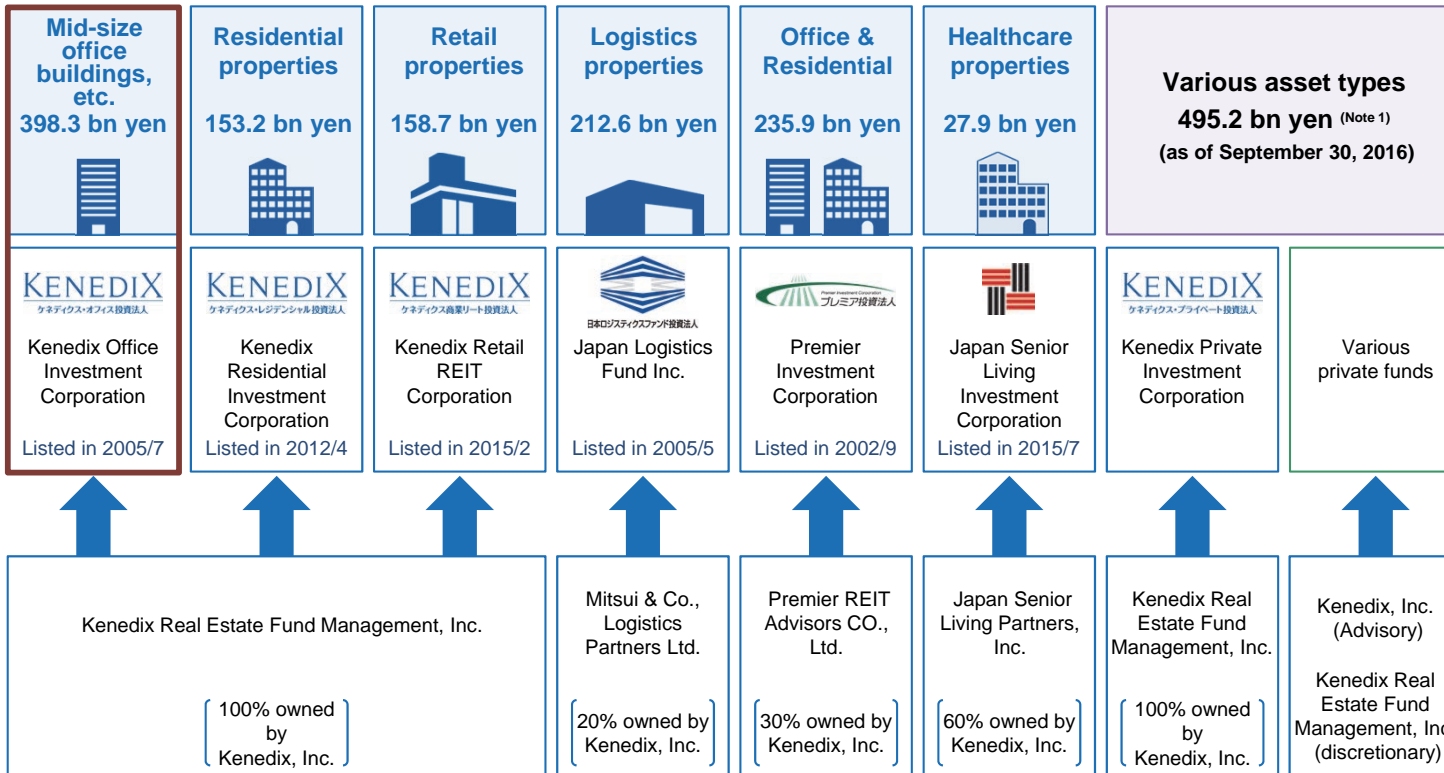
Total AUM of 1,682.1 billion yen, with more than 11 years in J-REIT management experience  
 One of major independent real estate investment companies in Japan, managing multiple J-REITs

## Fund management by Kenedix Group

J-REIT **1,186.8** bn yen (as of September 30, 2016)

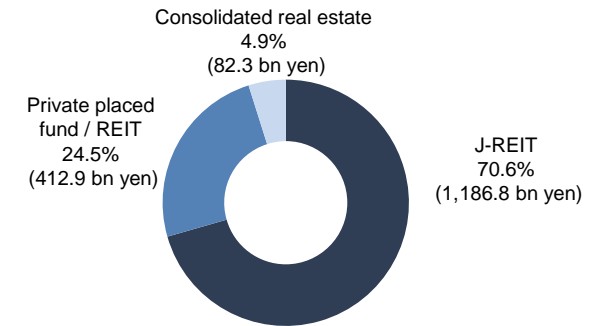
Private REIT

Private fund



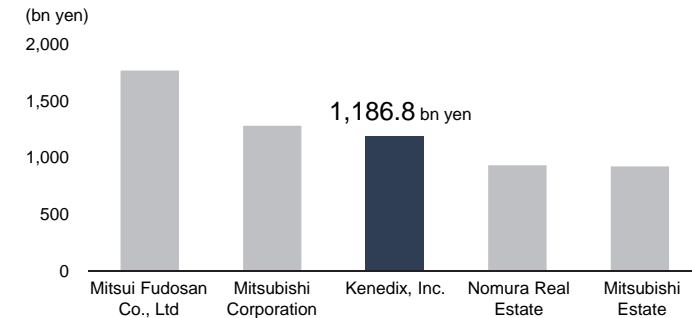
## Kenedix Group's assets under management

Total **1,682.1** bn yen (as of September 30, 2016)



Source: Kenedix Inc.

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



Source: Compiled by the Asset Management Company based on the disclosure materials of each J-REIT as of the end of September 2016

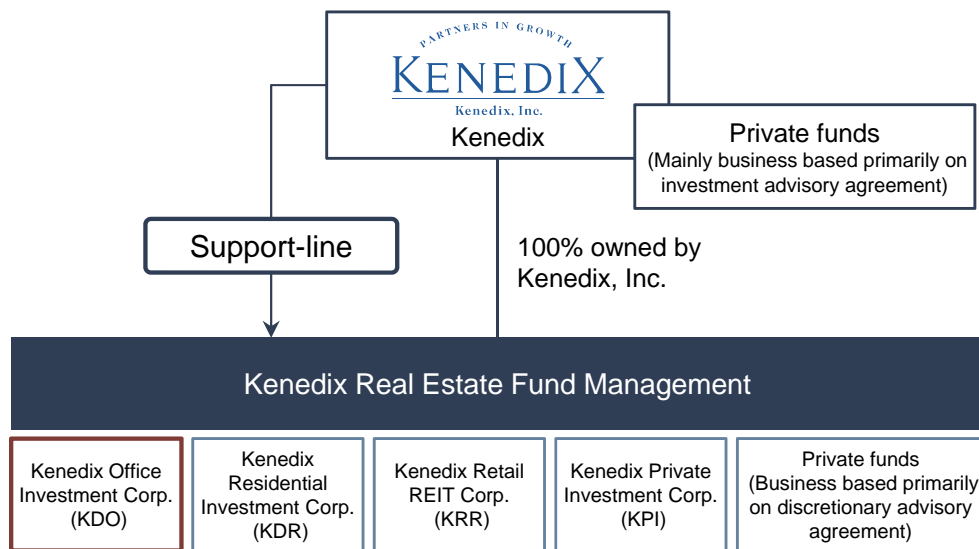
Note 1: Include consolidated real estate of 82.3 billion yen

Note 2: AUM by major J-REIT sponsors is based on the asset size of each J-REIT (based on acquisition price) as of September 30, 2016

Note 3: "Major J-REIT sponsors" refer to the shareholders of J-REIT's asset manager, excluding trust banks, other financial institutions and the shareholders whose ownership ratio is less than 20%

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

## Kenedix Group's fund management structure



## KDO management guidelines

	Targeting portfolio	Target investment ratio
Office building	Rental office buildings that fulfil the following criteria <ul style="list-style-type: none"> <li>• Tokyo 23 wards: Total floor area less than 13,000m<sup>2</sup></li> <li>• Outside Tokyo 23 wards: Total floor area less than 20,000m<sup>2</sup></li> </ul>	80%–100%
	Rental office buildings other than above	
Central urban retail	Central urban retail properties located in highly flourishing districts	0%–20%
Residential	Residential properties for leasing purposes as their principal use	
Other	Amusement parks, business hotels, parking, educational, medical and health care-related facilities, leasehold land and others	

## Overview of preferential study rights for property information

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

Location	Floor area per building (m <sup>2</sup> )
Tokyo 23 wards	More than 2,000, 13,000 or less
Outside Tokyo 23 wards	More than 3,000, 20,000 or less

	Office REIT Div. Kenedix Office Investment Corp.	Residential REIT Div. Kenedix Residential Investment Corp.	Retail REIT Div. Kenedix Retail REIT Corp.	Private REIT Div. Kenedix Private Investment Corp.	Private Fund Div. Private funds
Mid-sized office buildings	1st	-	-	2nd	3rd
Other office buildings	2nd	-	-	1st	3rd
Residential Properties (Note 2)	-	1st	-	2nd	3rd
Central urban retail Properties (Note 3)	3rd	-	1st / 2nd	2nd / 1st	4th
Other retail Properties (Note 3)	-	-	1st / 2nd	2nd / 1st	3rd
Hotel	-	-	-	1st	2nd

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

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

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

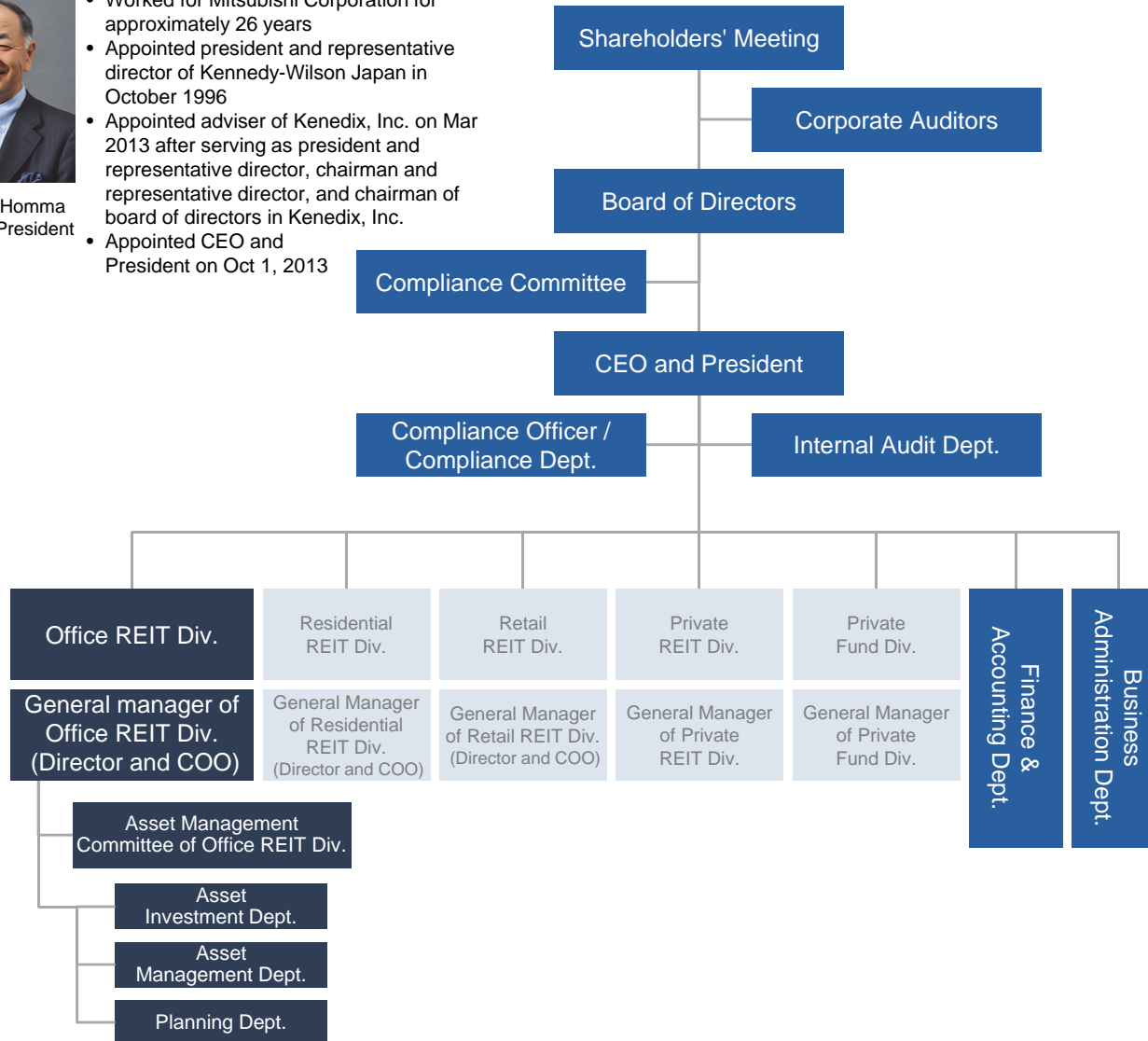
# Organization chart (as of December 14, 2016)

## Organization chart



Ryosuke Homma  
CEO and President

- Worked for Mitsubishi Corporation for approximately 26 years
- Appointed president and representative director of Kennedy-Wilson Japan in October 1996
- Appointed adviser of Kenedix, Inc. on Mar 2013 after serving as president and representative director, chairman and representative director, and chairman of board of directors in Kenedix, Inc.
- Appointed CEO and President on Oct 1, 2013



## Office REIT Division: Key members



Naokatsu Uchida  
Director and COO,  
General Manager  
of Office REIT Division

- Worked for Mitsubishi UFJ Trust and Banking Corporation for approximately 17 years (Real Estate Division, Real Estate Project Origination Division)
- After working as CEO for Joint Asset Management Co., Ltd., joined Kenedix Office Partners, Inc. and was a member of the Financial Planning Division for approximately 2 years
- Appointed executive officer of Kenedix Office Investment Corp. (to the present) after serving as president of Kenedix Office Partners, Inc.
- Appointed Director and COO, General Manager of Office REIT Div. on Oct 1, 2013



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

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



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

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



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

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



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

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

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

KENEDIX  

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Office Investment Corporation