

KENEDIX Office Investment Corporation
19th Period Results (Ended October 2014)
December 16, 2014



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Section 1

Executive summary / highlights

Highlights of 19th fiscal period (2014/10) and public offering

Highlights of 19th fiscal period (2014/10)

Public offerings in 3 consecutive fiscal periods

Successful external growth in heated transaction market
Continuous improvement in portfolio quality through property reshuffle

Public offering in May 2014 (Note 2)
Acquisition of 3 office buildings **14.7 bn yen**

Acquisition of 5 office buildings **14.8 bn yen**

Acquisition of 4 office buildings **23.4 bn yen**

Asset size **384.7 bn yen**

Disposition of 2 office buildings **2.6 bn yen**

of properties **99 properties**

External growth

Lowering average interest rate and extending borrowing period

Financing cost reduction

End of 18th fiscal period 1.65% → End of 19th fiscal period **1.46%**

Extension of average remaining period to maturity

End of 18th fiscal period 3.1 years → End of 19th fiscal period **3.6 years**

Issuance of 10-year unsecured bond

Strengthened financial stability and secured acquisition capacity

Lowering interest bearing debt ratio (LTV)

End of 19th fiscal period 48.4% → **43.2%**

Financial strategy

Rental revenue for existing properties showing sign of growth

Portfolio occupancy rate: **Maintain high occupancy rate, 95.6% as of end of 19th fiscal period**

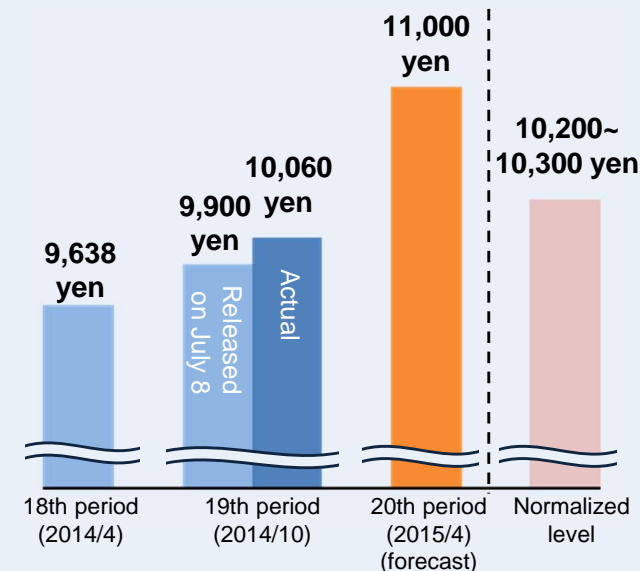
% change in rental revenue of existing properties: **Positive rental revenue growth of office properties in 2 consecutive fiscal periods**

Upward rent revision: **Number and total areas of upward rent revision increased**
18th: 4 tenants, 480 tsubo → 19th: **14 tenants, 1,405 tsubo**

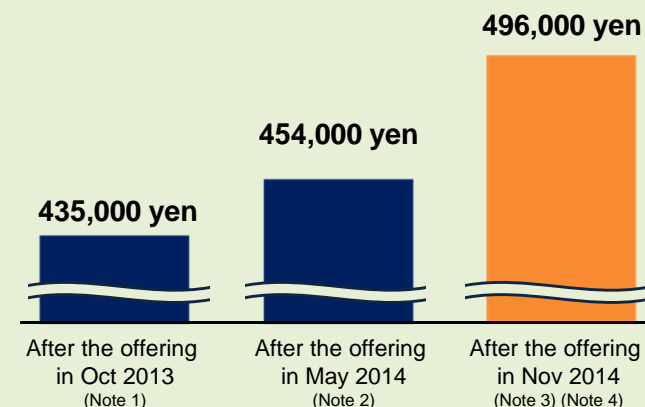
Internal growth

A. Continuous DPU growth

Achieved DPU 10,000 yen at normalized level



B. Steady increase in NAV per unit



Note 1: "After the offering in Oct 2013" is as of Dec 10, 2013, shortly following the completion of property acquisitions associated with such offering and exercise of the over-allotment option with the payment date of Dec 10, 2013.

Note 2: "After the offering in May 2014" is as of June 24, 2014, shortly following the completion of property acquisitions associated with such offering and exercised of the over-allotment option with the payment date of Jun 24, 2014.

Note 3: "After the offering in Nov 2014" is as of Jan 9, 2015, shortly following the completion of payment of such offering (incl. the over-allotment option) and acquisition of anticipated properties. In the condition, maximum of 2,190 units to be issued through over-allotment.

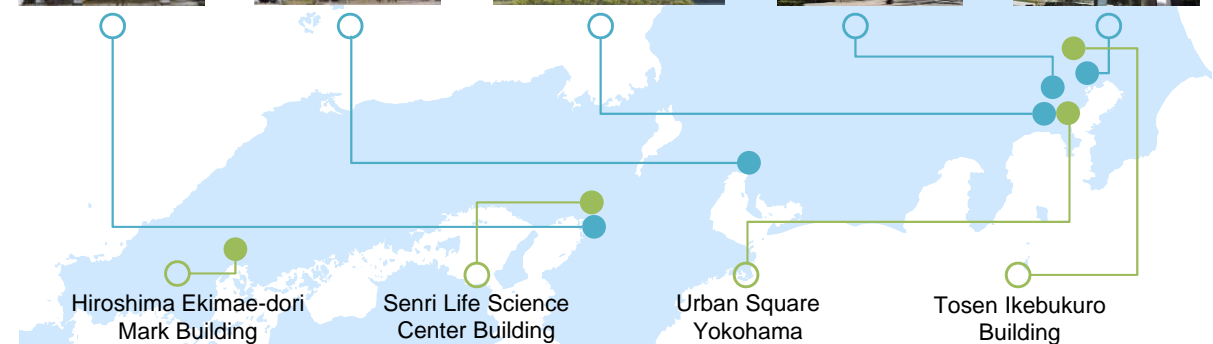
Note 4: Calculated based on financial data as of October 31, 2014 and taking into account the maximum number of outstanding units (404,885 units) after the offering in Nov 2014 (incl. third party allotment). All notes apply throughout this material.

Overview of Nov 2014 offering

Offering structure	Domestic and global offering (144A + Reg. S)
Launch date	November 6, 2014
Pricing date	November 19, 2014
Payment date	Public offering: November 27, 2014 Over-allotment ("OA"): December 24, 2014 (scheduled)
Units outstanding prior to the offering	355,010 units (as of launch date)
Newly issued units	47,685 units (maximum of 49,875 units incl. OA options)
Units outstanding after issuance of new units	Maximum 404,885 units
Offer price	614,250 yen
Issue price	592,830 yen
Total issue price (excl. OA options)	28,269 mn yen

Properties acquired in connection with Nov 2014 offering and in the 19th fiscal period (2014/10) (Note 1)

Properties acquired in connection with Nov 2014 offering



Properties acquired in the 19th fiscal period (2014/10)

Note 1: Excludes the 3 properties acquired in connection with the previous offering in May 2014 (KDX Toyosu Grand Square, Grace Building Takadanobaba and Furnix STM Building).

Note 2: The property name of KDX Sakura-dori Building was changed from Chugai Tokio Marine Building from Dec 1, 2014. We schedule to acquire the property on Jan 9, 2015 but it is included as "Properties acquired in connection with Nov 2014 offering", which applies to other notes in this material.

Effects of public offering

Key performance indicators

		After the offering in May 2014	Properties acquired in the 19th fiscal period and in connection with the offering in Nov 2014	After the offering in Nov 2014
Improving portfolio profitability and stability	Number of properties	90 +	9 >	99
	Total acquisition price	346.5 bn yen +	38.2 bn yen >	384.7 bn yen
	Average NOI yield (Note 1)	4.5% >	6.1% >	4.6%
	Average NOI yield (after depreciation) (Note 1)	3.3% >	4.8% >	3.5%
	Occupancy rate (Note 1)	94.5% >	93.7% >	94.4%
	Number of end-tenants (Note 1)	1,036 +	176 >	1,212
	% occupied by top 10 end-tenants (Note 1)	15.1%	>	13.1%
Strengthening financial stability and securing acquisition capacity	LTV (Note 2)	46.2%	>	43.2%
	NAV per unit (Note 3)	454,000 yen	>	496,000 yen

Note 1: Average NOI yield (before depreciation) is calculated by dividing NOI by total acquisition price. For NOI, see below for calculation methods:

- After the offering in May 2014: The sum of annualized actual NOI for the 18th fiscal period (2014/4) and appraisal NOI described in appraisal report at the time of acquisition for the properties acquired in connection with the offering
- Properties acquired in the 19th fiscal period (2014/10) and in connection with the offering in Nov 2014: Appraisal NOI described in appraisal report at the time of acquisition
- After the offering in Nov 2014: The sum of the two mentioned above

Average NOI yield (after depreciation) is calculated by subtracting depreciation based on actual accounting results (based on appraisal report for newly acquired properties) from annualized NOI and by dividing it by total acquisition price.

Occupancy rate, number of tenants, % occupied by top 10 tenants are calculated based on the following methods:

- After the offering in May 2014: The sum of 1) existing properties as of end of the 18th fiscal period (2014/4) and 2) 3 properties acquired in connection with the offering as of July 31, 2014
- Properties acquired in the 19th fiscal period (2014/10) and in connection with the offering in Nov 2014: As of July 31, 2014
- After the offering in Nov 2014: The sum of the two mentioned above

For BUREX Toranomon, the number of end-tenants is calculated as 1 as we enter into fixed rent master lease contract. For KDX Sakura-dori Building, the number of end-tenants is the sum of the number of end-tenants and leasable and leased areas as of July 31, 2014 and the portion of the building that the previous owner was using as of July 31, 2014 and leased to tenants as of September 1, 2014.

In terms of counting the number of end-tenants, if a same end-tenant enters into lease agreements in multiple buildings / a single building or leases a multiple floors / office space, such tenant is aggregated based on their names and is counted as 1 tenant.

Note 2: See page 27 for the definition of LTV.

Note 3: NAV per unit is truncated to the nearest thousand yen after subtracting the amount of DPU.

Future measures and DPU level

Future measures

External growth

- Continuously focus on mid-sized office buildings in Tokyo metropolitan area
- DPU growth by utilizing acquisition capacity secured through the recent offering
- Active deal originations through multiple pipeline including own network and co-investments with sponsor, etc.
- Proactive disposition strategy in light of "hot" transaction market

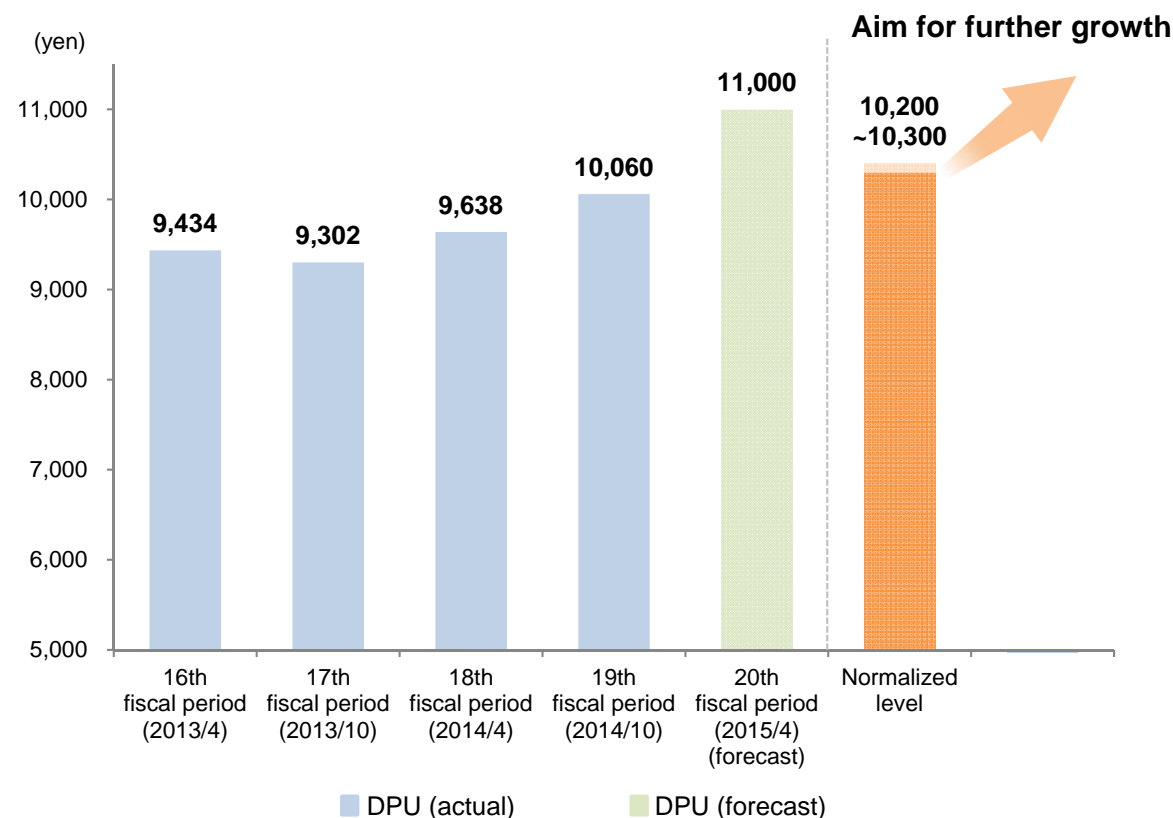
Internal growth

- Increase in new rent level considering the current leasing market environment
- Measures to increase existing rent levels (negotiation with tenants that are under-rented, prevention of rent reduction)
- Continuous emphasis on necessary capital expenditure in order to maintain and improve competitiveness of our properties
- Provision of quality service to improve tenant satisfaction based on CS survey results

Financial strategy

- Contribution of continuous measures for interest cost reduction to DPU increase
- Measures against potential risk of interest rate hike (fixing interest rate and extending borrowing term)
- Diversification of maturity dates
- Aim for credit rating upgrade (AA rating)

Historical performance and forecast of DPU



Reserve for reduction entry (Note 1)(Note 2)

	Balance of reserve for reduction entry (million yen)	Reserve for reduction entry per unit (yen)
19th fiscal period (2014/10)	640	1,582

Note 1: Reserve for reduction entry is calculated as follows: Reserve reduction entry on the balance sheet as of the end of 19th fiscal period - Reversal of a portion of reserve for reduction entry. Figures are truncated to the nearest million yen.

Note 2: Reserve for reduction entry per unit is calculated by dividing the reserve for reduction entry by an estimated maximum number of units outstanding after the offering in Nov 2014 (incl. third party over-allotment).

Section 2

19th fiscal period results (2014/10)
and earning forecasts

19th fiscal period (2014/10) financial results: Performance highlight

(Unit: mn yen)

Items	A	B	C	C-A	C-B
	18th fiscal period	19th fiscal period	19th fiscal period	19th (actual) vs 18th (actual) Comparison Change	19th (actual) vs 19th (forecast) Comparison Change
	2014/4 Actual	2014/10 Forecast (May 8)	2014/10 Actual		
Operating revenue	10,895	11,249	12,928	2,032	1,679
Gain on sale of real estate	497	-	-	-497	-
Dividends	67	90	1,632	1,565	1,542
Operating expense	6,611	6,276	7,899	1,287	1,623
Operating income	4,283	4,972	5,028	745	55
Non-operating income	2	3	2	0	-0
Non-operating expense	1,398	1,491	1,460	61	-30
Ordinary income	2,887	3,484	3,570	683	86
Net income	2,885	3,482	3,569	683	86
Provision/reversal (-) of reserve for reduction entry	-319	-	-1	317	-1
Total distributions	3,205	3,482	3,571	366	-
Distributions per unit (yen)	9,638	9,810	10,060	422	250
# of Total units outstanding	332,540	355,010	355,010	22,470	0
Leasing NOI	7,109	7,731	7,760	650	28
FFO	5,031	5,490	7,116	2,084	1,625
Depreciation	1,826	2,008	2,022	195	14
Number of properties	89	92	94	5	2
Total interest-bearing debt	167,746	-	187,685	19,938	
LTV	47.2%	-	48.4%	1.2%	
Book value (Period-end)	332,883	-	365,835	32,952	
Appraisal value (Period-end)	316,442	-	358,470	42,028	
Net assets	170,109	-	180,844	10,735	

P/L

Related information

Major changes in 19th fiscal period against actual results in 18th fiscal period

Operating revenue	+2,032 mn yen
• Rent/common area charge	+723 (Properties acquired: +453 (19th), +456 (18th) Existing properties: -59, Properties sold: -30 (19th), -97 (18th))
• Utilities	+173
• Parking space rental revenue	+24
• Gain on sale of real estate	-497 (18th period: Nikko Kabutocho Bldg. II -324, Court Mejiro -173)
• Dividends income	+1,565 (TMK dividends (Senri) +1,531 TK dividends: KRF43 (Shinjuku) +45, KRF31 (Mita) -11)
• Other revenues	+44
Operating expense	+1,287 mn yen
• Depreciation	+195 (Properties acquired: +147 (19th), +73 (18th) Properties sold: -25 (18th))
• Property management fee	+57 (Properties acquired: +52 (19th), +37 (18th) Existing properties: -12, Properties sold: -6 (19th), -14 (18th))
• Taxes	+69 (Properties acquired: +45 (16/17th), +39 (18th) Properties sold: -21 (18/19th))
• Repair/maintenance	-19
• Utilities	+187
• Loss on sale of real estate	+708 (18th: KDX Niigata Bldg. -816 19th: KDX Minami Semba Dai-1 Bldg. +557 Nissou Dai-17 Bldg. +967)
• Asset management fee	+79
• Other expenses	+11
Non-operating expense	+61mn yen
• Interest expense/Financing-related expense	+63
• Amortization of investment unit issuance cost	-2

Major changes in 19th fiscal period against 19th fiscal period forecast released on May 8

Operating revenue	+1,679 mn yen
• Rent/common area charge	+52 (Properties acquired: +68 (19th), +2 (18th) Existing properties +16, Properties sold: -35 (19th))
• Parking space rental revenue	+19
• Utilities	+28
• Dividends income	+1,542 (TMK dividends (Senri) +1,538, TK dividends: KRF31 (Mita) +4)
• Other revenues	+38
Operating expense	+1,623 mn yen
• Utilities	+81
• Depreciation	+14 (4 properties acquired in the 19th fiscal period after Hiroshima Ekimae-dori Mark Bldg. +31 Properties sold -12 (19th))
• Repair/maintenance	+14
• Loss on sale of real estate	+1,524 (19th: KDX Minami Semba Dai-1 Bldg. +557 Nissou Dai-17 Bldg. +967)
• Other expenses	-10
Non-operating expense	-30mn yen
• Interest expense/Financing-related expense	-20
• Amortization of investment unit issuance cost	-10

Note 1: Leasing NOI = Operating revenues – Gain/loss on sale of real estate – Dividends income-Expense related to rental business

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

20th fiscal period (2015/4): Earning forecast

(Unit: mn yen)

	A	B	B-A
Items	19th fiscal period 2014/10 Actual	20th fiscal period 2015/4 Forecast (Nov 6)	20th (forecast) vs 19th (actual) Comparison Change
Operating revenue	12,928	13,412	484
Gain on sale of real estate	-	-	-
Dividends	1,632	595	-1,037
Operating expense	7,899	7,478	-420
Operating income	5,028	5,934	905
Non-operating income	2	2	0
Non-operating expense	1,460	1,480	19
Ordinary income	3,570	4,456	885
Net income	3,569	4,454	884
Provision/reversal (-) of reserve for reduction entry	-1	-	1
Total distributions	3,571	4,453	882
Distributions per unit (yen)	10,060	11,000	940
# of Total units outstanding	335,010	404,885	69,875
Related information			
Leasing NOI	7,760	8,473	713
FFO	7,116	6,663	-452
Depreciation	2,022	2,209	186
Number of properties	94	99	5
(Reference) Estimated property and city planning taxes	-	965	

Major changes in 20th fiscal period against actual results in 19th fiscal period

■ Operating revenue +484 mn yen

- Rent/common area charge +1,235 (Properties acquired: +811 (19th), +417 (20th)
Existing properties: +55 Properties sold: -48 (19th))
- Parking space rental revenue +34
- Utilities +102
- Dividends income -1,037 (TMK dividends: Senri -1,588, Toyonaka +550)
- Other revenues +150

■ Operating expense -420 mn yen

- Depreciation +186 (Properties acquired: +125 (19th), +66 (20th)
Properties sold: -17 (19th) Other: +12)
- Utilities +130
- Taxes +49 (Properties acquired: +44 (19th), +15 (20th)
Properties sold: -8 (19th))
- Repair/maintenance +365
- Property management fee +175 (Properties acquired: +124(19th), +59 (20th)
Other: -8)
- Asset management fee +73
- Loss on sale of real estate -1,524 (KDX Minami Semba Dai-1 Bldg. -557 (19th)
Nissou Dai-17 Bldg. -967 (19th))
- Other expenses +126 (Expenses related to rental business, etc. +90)

■ Non-operating expense +19 mn yen

- Interest expense/Financing-related expense -3
- Amortization of investment unit issuance cost +22

Note 1: Leasing NOI = Operating revenues – Gain/loss on sale of real estate – Dividends income-Expense related to rental business

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

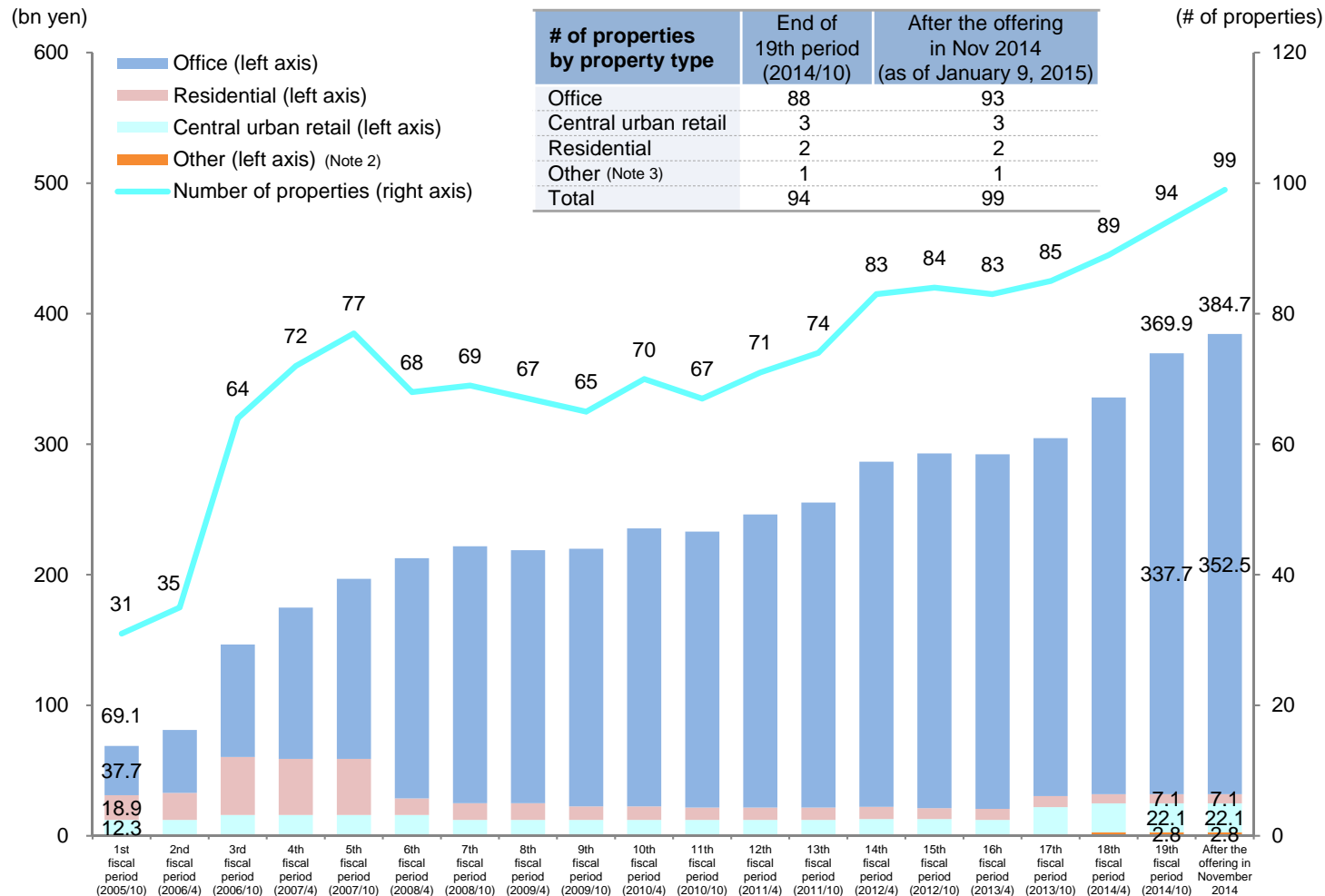
Section 3

External growth

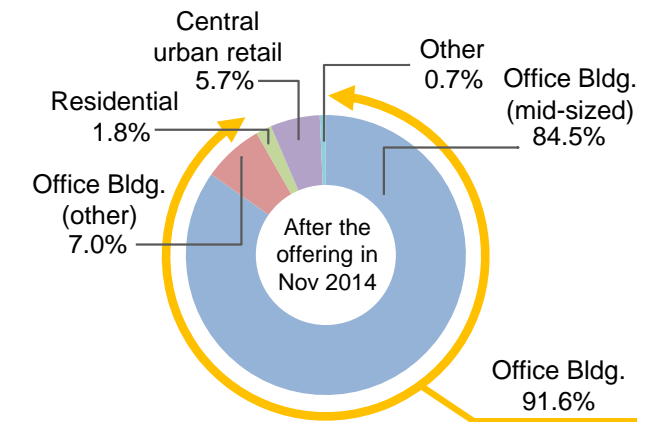
Portfolio overview

- Portfolio mainly consists of mid-sized office buildings in the Tokyo metropolitan area
- Achieved an asset size of 384.7 billion yen through proactive property acquisitions

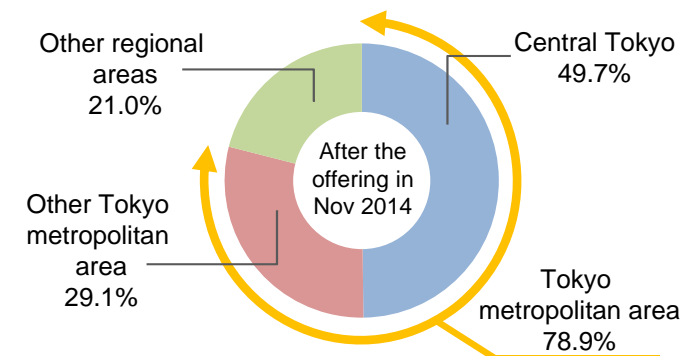
Portfolio growth (based on total acquisition price) (Note 1)



Breakdown by asset type (based on acquisition price) (Note 4)



Breakdown of office buildings by region (based on acquisition price)



Note 1: Figures are truncated to the nearest 100 million yen. The acquisition price and ratio are truncated to the nearest unit unless otherwise stated.
 Note 2: "Other" properties include Kanazawa Nikko Building for 14th and 15th fiscal periods.
 Note 3: "Other" property corresponds to Shinjuku 6-chome Building (Land).
 Note 4: Breakdown of asset type based on acquisition price (truncated to the second decimal place).

Properties acquired during September through October 2014

- Acquisition of 4 properties (total of 23.4 bn yen) from third parties leveraging our Asset Manager's proprietary network



Property name	Hiroshima Ekimae-dori Mark Building	Tosen Ikebukuro Building	Senri Life Science Center Building	Urban Square Yokohama	Total (4 properties)
Location	Hiroshima, Hiroshima	Toshima ward, Tokyo	Toyonaka, Osaka	Yokohama, Kanagawa	-
Gross floor area	5,718.83m ²	3,477.86m ²	49,260.78m ²	15,894.75m ²	74,352.22m ²
Completion date	January, 1990	July, 1988	June, 1992	March, 1994	-
Occupancy rate (Note 1)	73.3%	100.0%	99.3%	100.0%	-
Number of tenants (Note 1)	16	5	63	28	112
Acquisition price (A)	1,300 mn yen	1,934 mn yen	13,000 mn yen	7,210 mn yen	23,444 mn yen
Appraisal value (at the time of acquisition) (B)	1,370 mn yen	1,970 mn yen	13,200 mn yen	7,600 mn yen	24,140 mn yen
Difference between A and B ((A-B) / B)	-5.1%	-1.8%	-1.5%	-5.1%	-2.9%
Seller	Third party	Third party	Third party	Third party	-
Acquisition source	Asset Manager's proprietary network	Asset Manager's proprietary network	Asset Manager's proprietary network	Asset Manager's proprietary network	-
Acquisition date	September, 2014	September, 2014	October, 2014	October, 2014	-
Projected NOI (Note 2)	82 mn yen	98 mn yen	778 mn yen	377 mn yen	1,337 mn yen
NOI yield (Projected NOI / Acquisition price)	6.3%	5.1%	6.0%	5.2%	5.7%
Appraisal NOI (Note 3)	98 mn yen	108 mn yen	775 mn yen	427 mn yen	1,410 mn yen
Appraisal NOI yield (Appraisal NOI / Acquisition price)	7.6%	5.6%	6.0%	5.9%	6.0%

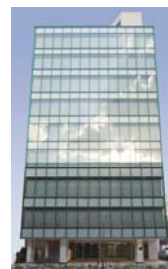
Note 1: Occupancy rate and number of tenants are as of October 31, 2014. Occupancy rate is rounded to the first decimal place.

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

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

Properties acquired in connection with Nov 2014 offering

- Acquisition of 5 mid-sized office buildings (total of 14.8 bn yen) leveraging support-line from our sponsor



Property name	Yokohama Nishiguchi SIA Building	Shin-Yokohama 214 Building	KDX Minami-Honmachi Building	BUREX Toranomon	KDX Sakura-dori Building	Total (5 properties)
Location	Yokohama, Kanagawa	Yokohama, Kanagawa	Osaka, Osaka	Minato ward, Tokyo	Nagoya, Aichi	-
Gross floor area	6,556.59m ²	6,478.89m ²	7,694.03m ²	2,808.24m ²	19,680.16m ²	43,217.91m ²
Completion date	October, 1988	November, 1989	December, 2009	July, 2011	August, 1992	-
Occupancy rate (Note 1)	100.0%	83.0%	100.0%	100.0%	82.3%	-
Number of tenants (Note 1)	15	14	23	1	26	79
(Planned) Acquisition price (A)	2,750 mn yen	2,200 mn yen	2,200 mn yen	1,750 mn yen	5,900 mn yen	14,800 mn yen
Appraisal value (at the time of acquisition) (B)	2,830 mn yen	2,200 mn yen	2,490 mn yen	2,030 mn yen	7,140 mn yen	16,690 mn yen
Difference between A and B ((A-B) / B)	-2.8%	0.0%	-11.6%	-13.8%	-17.4%	-11.3%
Seller	Related party	Related party	Related party	Related party	Related party	-
Acquisition source	Support-line	Support-line	Support-line	Support-line	Support-line	-
Acquisition date	December, 2014	December, 2014	December, 2014	December, 2014	January, 2015	-
Projected NOI (Note 2)	152 mn yen	118 mn yen	131 mn yen	82 mn yen	383 mn yen	868 mn yen
NOI yield (Projected NOI / Acquisition price)	5.6%	5.4%	6.0%	4.7%	6.5%	5.9%
Appraisal NOI (Note 3)	150 mn yen	131 mn yen	129 mn yen	86 mn yen	406 mn yen	905 mn yen
Appraisal NOI yield (Appraisal NOI / Acquisition price)	5.5%	6.0%	5.9%	5.0%	6.9%	6.1%

Note 1: Occupancy rate and number of tenants are as of October 31, 2014. For BUREX Toranomon, the figures are based on the conditional lease agreement with Space Design, Inc., which was executed on November 6, 2014. Occupancy rate is rounded to the first decimal place.

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

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

Property dispositions in the 19th fiscal period (2014/10)

- Achieved portfolio quality improvement in terms of profitability through property reshuffle

Properties disposed in the 19th fiscal period (2014/10)



Property name	KDX Minami Semba Dai-1 Building		
Location	Osaka, Osaka		
Property Type	Office building		
Gross floor area	4,236.59m ²		
Completion date	March, 1993		
Book value (A) <small>(Note 1)</small>	Disposition price (B)	1,480 mn yen	950 mn yen
Difference between (A) and (B) <small>(Note 2)</small>		-530 mn yen (-35.8%)	
Appraisal value		983 mn yen	
Acquisition date / Disposition date		May 1, 2006 / Jul 31, 2014	

Major reasons for disposition

- 21 years old office building in Chuo ward, Osaka
- Decided to sell the property considering various factors – size, competitiveness and market trend
- Fair disposition price considering historical trend in leasing with tenants, leasing market trend in the surrounding area and future cash flow



Property name	Nissou Dai-17 Building		
Location	Yokohama, Kanagawa		
Property Type	Office building		
Gross floor area	4,016.61m ²		
Completion date	July, 1991		
Book value (A) <small>(Note 1)</small>	Disposition price (B)	2,557 mn yen	1,650 mn yen
Difference between (A) and (B) <small>(Note 2)</small>		-907 mn yen (-35.5%)	
Appraisal value		1,570 mn yen	
Acquisition date / Disposition date		Feb 1, 2008 / Aug 19, 2014	

Major reasons for disposition

- 23 years old office building in Kohoku ward, Yokohama
- Decided to sell the property considering various factors – rent reduction risk, tenant vacation risk
- Disposition price is 80 mn yen above appraisal value

Note 1: Book value is an estimate figure as of the disposition date and is truncated to the nearest million yen.

Note 2: Difference between disposition price and book value differs from the profit/loss on the sale of the property. Figure is truncated to the nearest million yen.

Effect of property reshuffle

Shin-Yokohama area

Nissou Dai-17 Building



Yokohama 214 Building

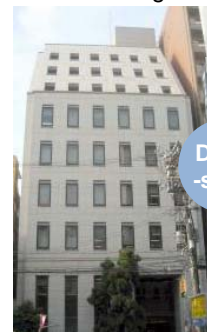


Effect

- Improvement in profitability
- Increase in leasable area
- Further tenant diversification

Osaka area

KDX Minami Semba Dai-1 Building



KDX Minami-Honmachi Building



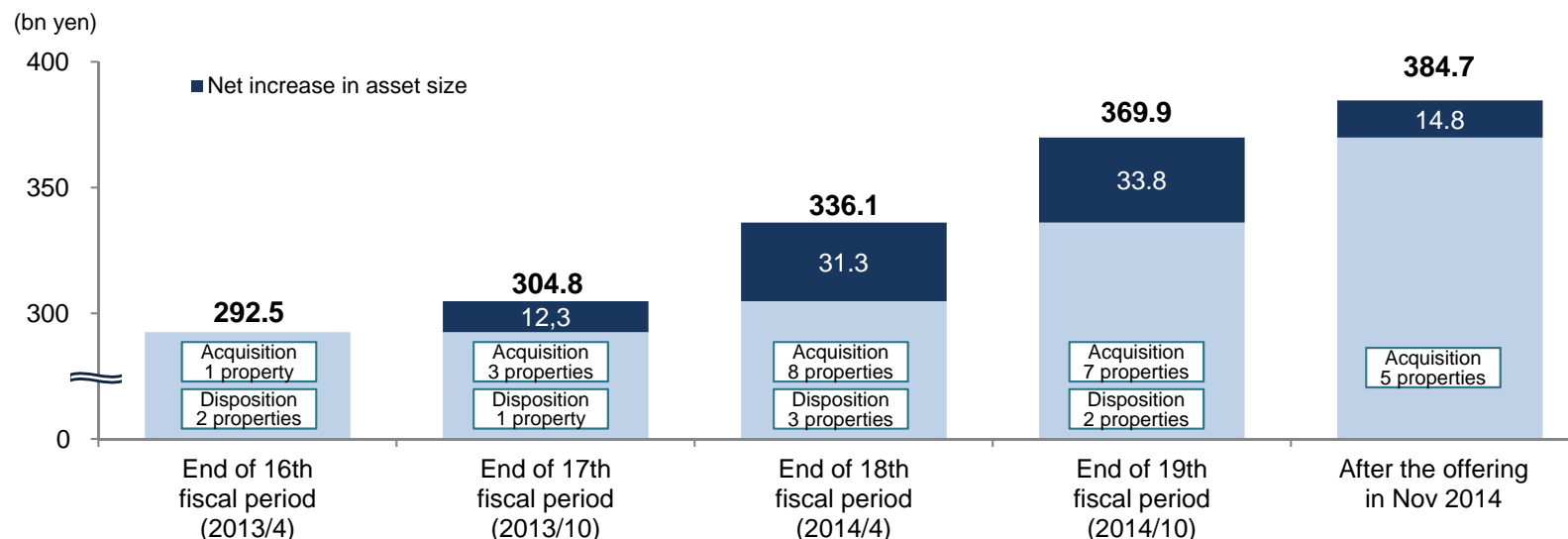
Effect

- Improvement in profitability
- Rise in occupancy rate
- Lowering of property age
- Increase in leasable area

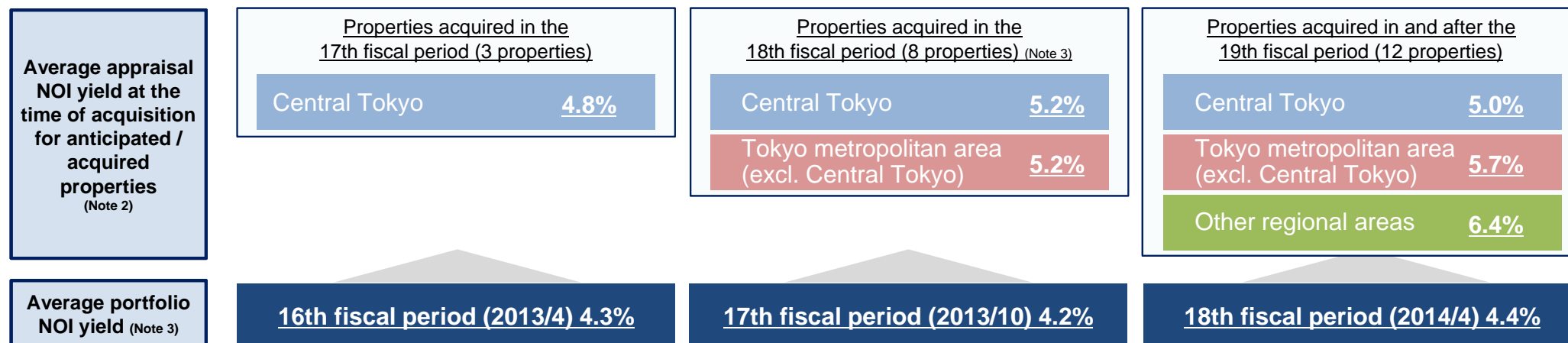
Continuous property acquisition and disposition

- Successful property acquisitions in heated transaction market

Asset size growth (Note 1)



NOI yield of properties acquired



Note 1: Increase/decrease in asset size is based on acquisition price.

Note 2: Average appraisal NOI yield at the time of acquisition for anticipated/acquired properties is calculated by dividing total appraisal NOI by total acquisition price for each region for the properties acquired in relevant fiscal period or acquired after the 19th fiscal period. Figures are rounded to the first decimal place.

Note 3: Average portfolio NOI yield for 16th/17th/18th fiscal periods is calculated by dividing annualized NOI of the properties owned during the period based on actual results (for the properties acquired during each fiscal period, NOI is adjusted by dividing it by ratio of operating days to the number of days in each fiscal period) by total acquisition price. Figures are rounded to the first decimal place. For properties sold during the period, NOI yield is calculated by dividing NOI (actual results until the disposition date) by acquisition price (acquisition price times operating days divided by 365 days). 16

Memo

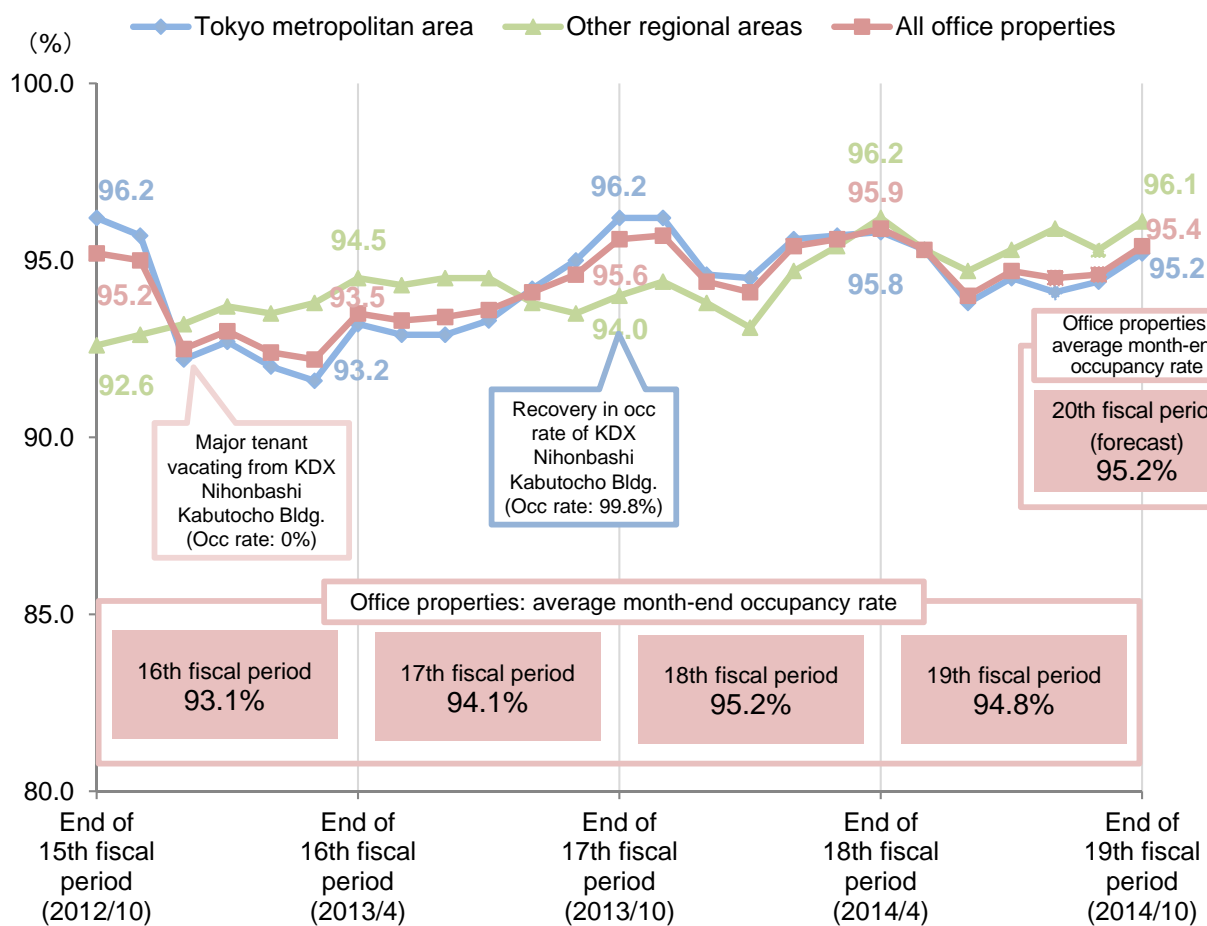
Section 4

Internal growth

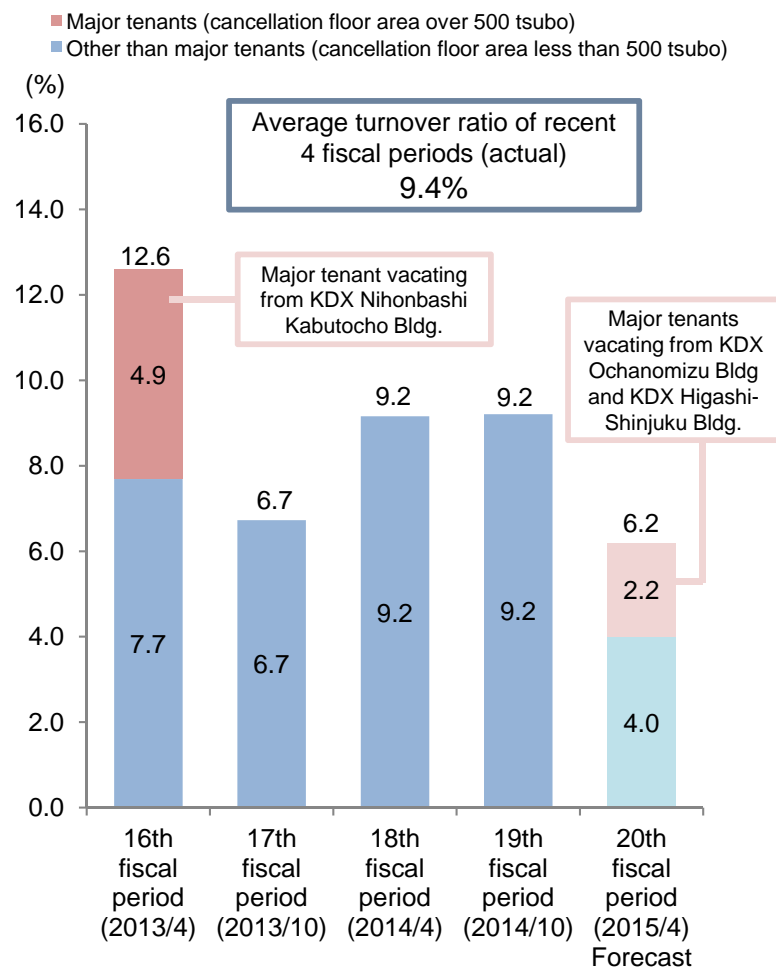
Occupancy rate and turnover ratio for office buildings

- Maintain high occupancy rate – continuously aiming at improving rent conditions
- Turnover ratio remains stable – less than 10%

Occupancy rate performance of office buildings (by region) (Note 1)



Annualized turnover ratio of office buildings (Note 2)(Note 3)



Note 1: Occupancy rate is calculated by dividing leased area by leasable area and is rounded to the first decimal place. Average month-end occupancy rate of office properties is a simple average of monthly-end occupancy rates for each period. The forecast occupancy rate for the 20th period (2015/4) is calculated based on the Asset Management Company's earnings forecast for the 20th period.

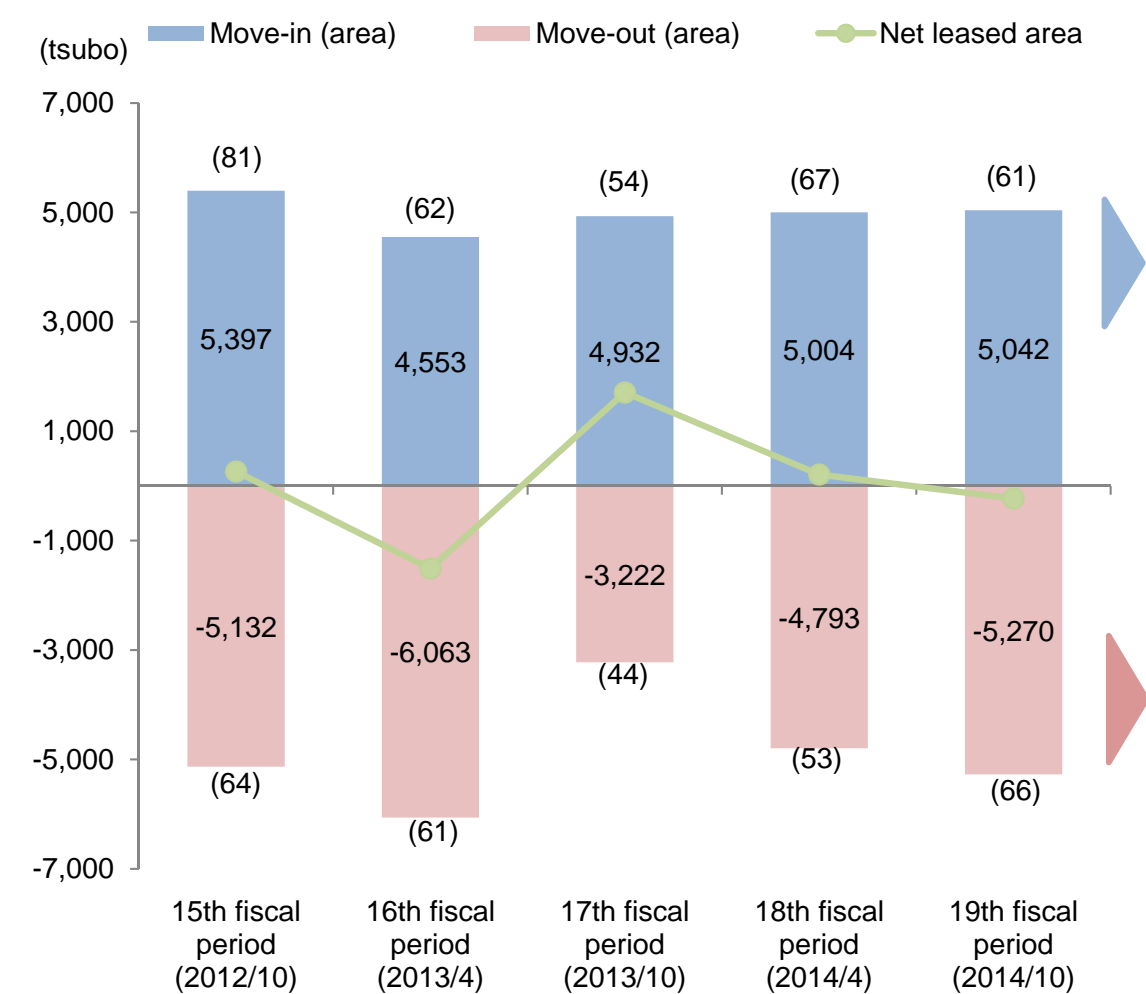
Note 2: Annualized turnover ratio is calculated and annualized as follows: (total leasable area of the end-tenants who cancelled the lease agreement during the six-month period from the beginning to the end of each period) / (Average leasable area of all office buildings owned by KDO as of each month-end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

Note 3: The forecast for the 20th period (2015/4) is based on the cancellation notice received prior to the end of 19th period (2014/10). The turnover ratio is divided into two categories based on whether leased area of relevant tenants is above or less than 500 tsubo for each property.

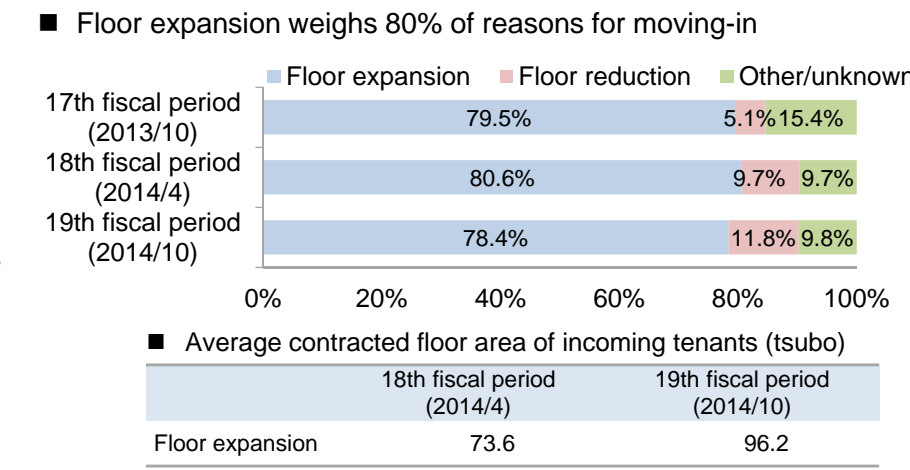
Tenant turnover trend of office buildings

- Almost equal number/area of tenants moving in and out
- Tenants' expansion needs are solid from reasons of moving in and out

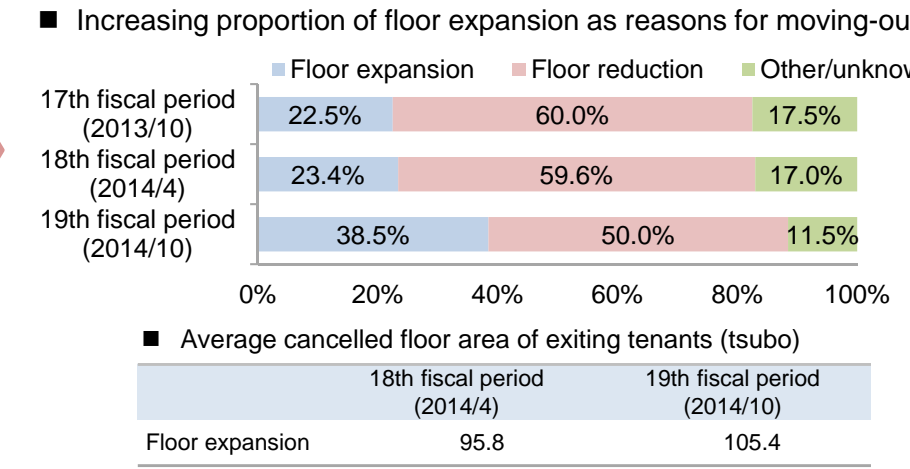
Turnover by the number of tenants and leased floor area (Note 1)



Reasons for moving into our properties (Note 2)



Reasons for moving out of our properties (Note 2)

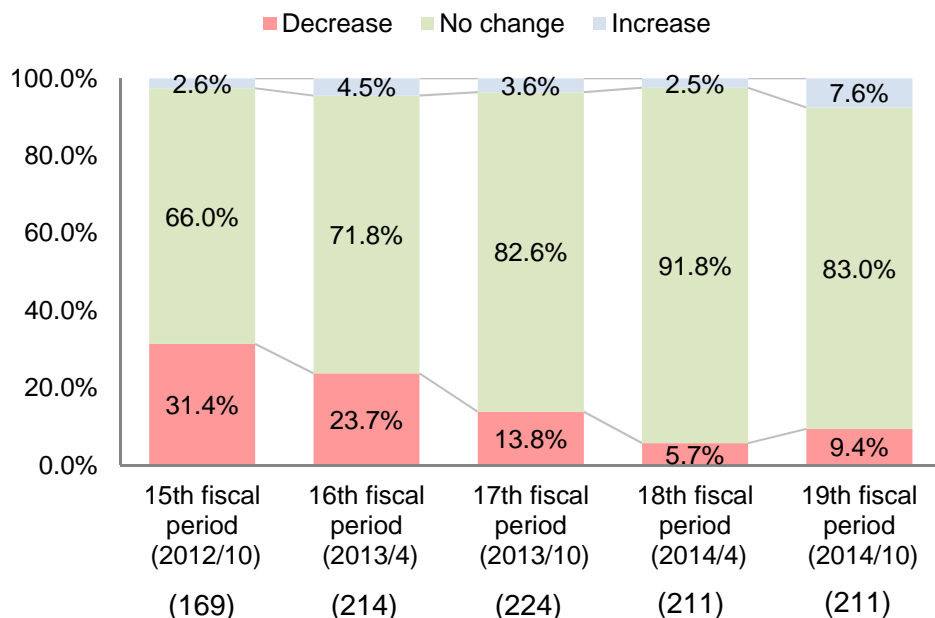


Note 1: A number of tenants and leasable floor area are calculated based on floors. For example, tenant vacating a floor and leasing another floor at any of our properties is counted as one each for incoming and outgoing.
 Note 2: The above data is based on the survey compiled by the Asset Management Company with regard to reasons of office relocation for relevant tenants. We classify responses of the survey into three categories; "Floor expansion", "Floor reduction" and "Other/unknown". For move-in, the figures are based on the number of tenants on office floors on the 2nd floor or above. For move-out, figures are based on the number of tenants on all floors except for residential floors.

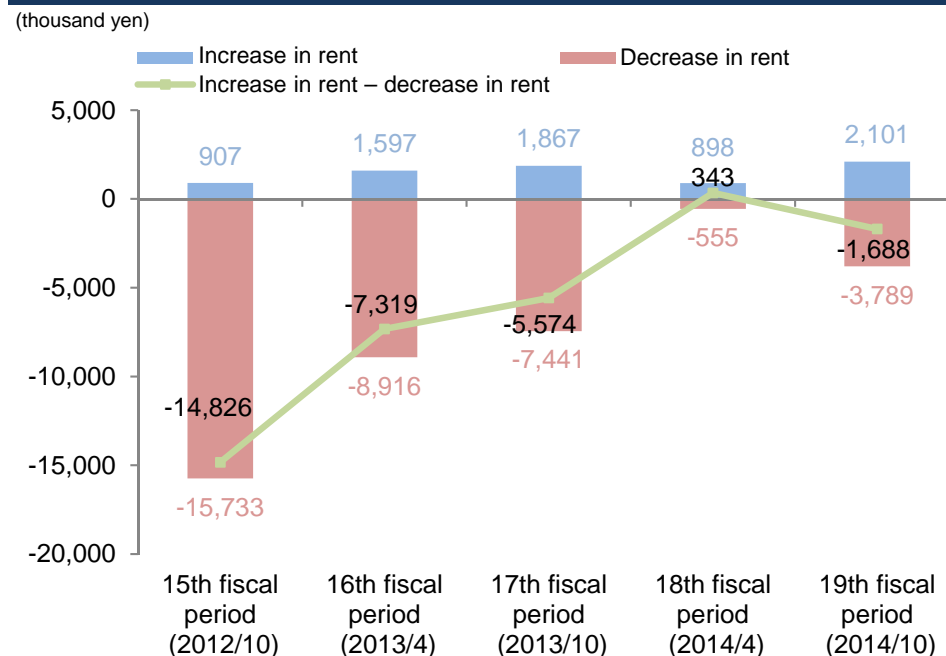
Status of rent revisions for KDO office buildings

- Increasing the number of upward rent revisions through negotiation although rent reduction requests still exist

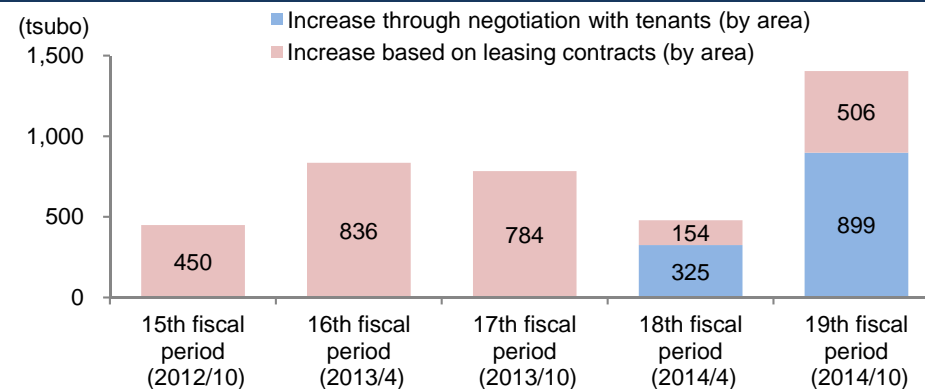
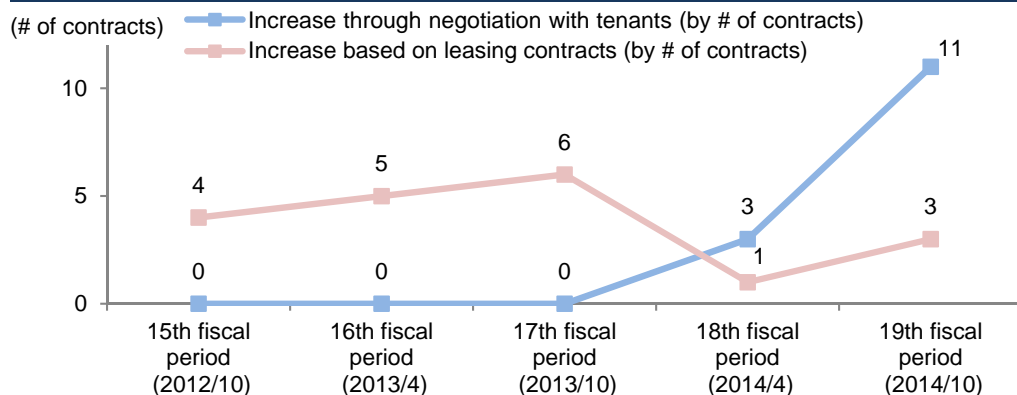
Status of rent revision (based on leased area) (Note 1)



Change in rent level at time of rent revision (based on monthly rent) (Note 2)



Status of upward rent revision (based on number and leased area)



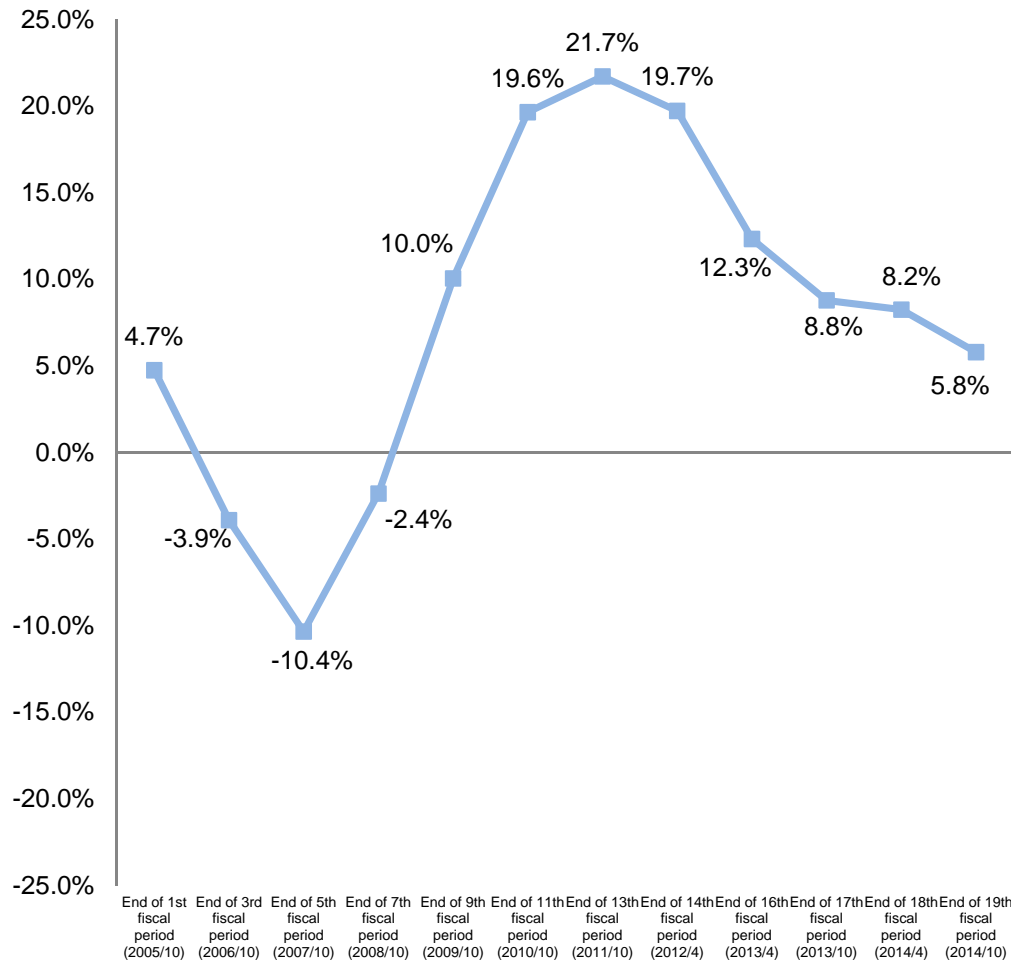
Note 1: Status of rent revision (increase / decrease / no change) by percentage based on leased area with respect to contracts that are renewed or revised during relevant fiscal periods. Numbers are rounded to the second decimal place.

Note 2: Difference in monthly rent levels before and after rent revision, calculated separately for each tenant. Numbers are rounded to the nearest thousand yen.

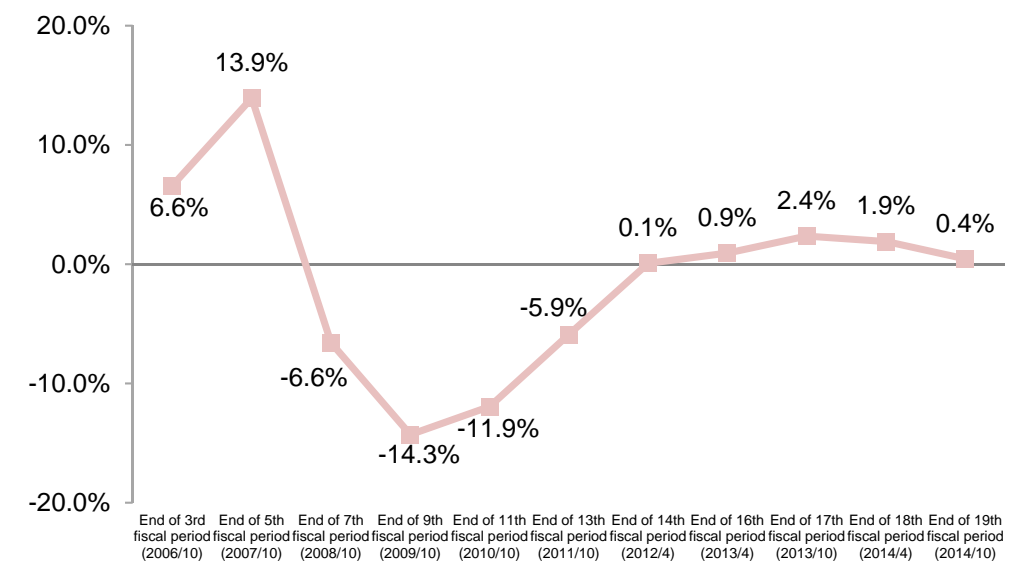
Rent gap at our office buildings

- Rent gap shrinking from the peak of 21.7% to 5.8%
- Continuous rise in average market rent of our office buildings

Rent gap of our office buildings (Note 1)



Percentage change in average market rent of our office buildings (Note 2)



Change in average market rent of our office buildings (# of properties)

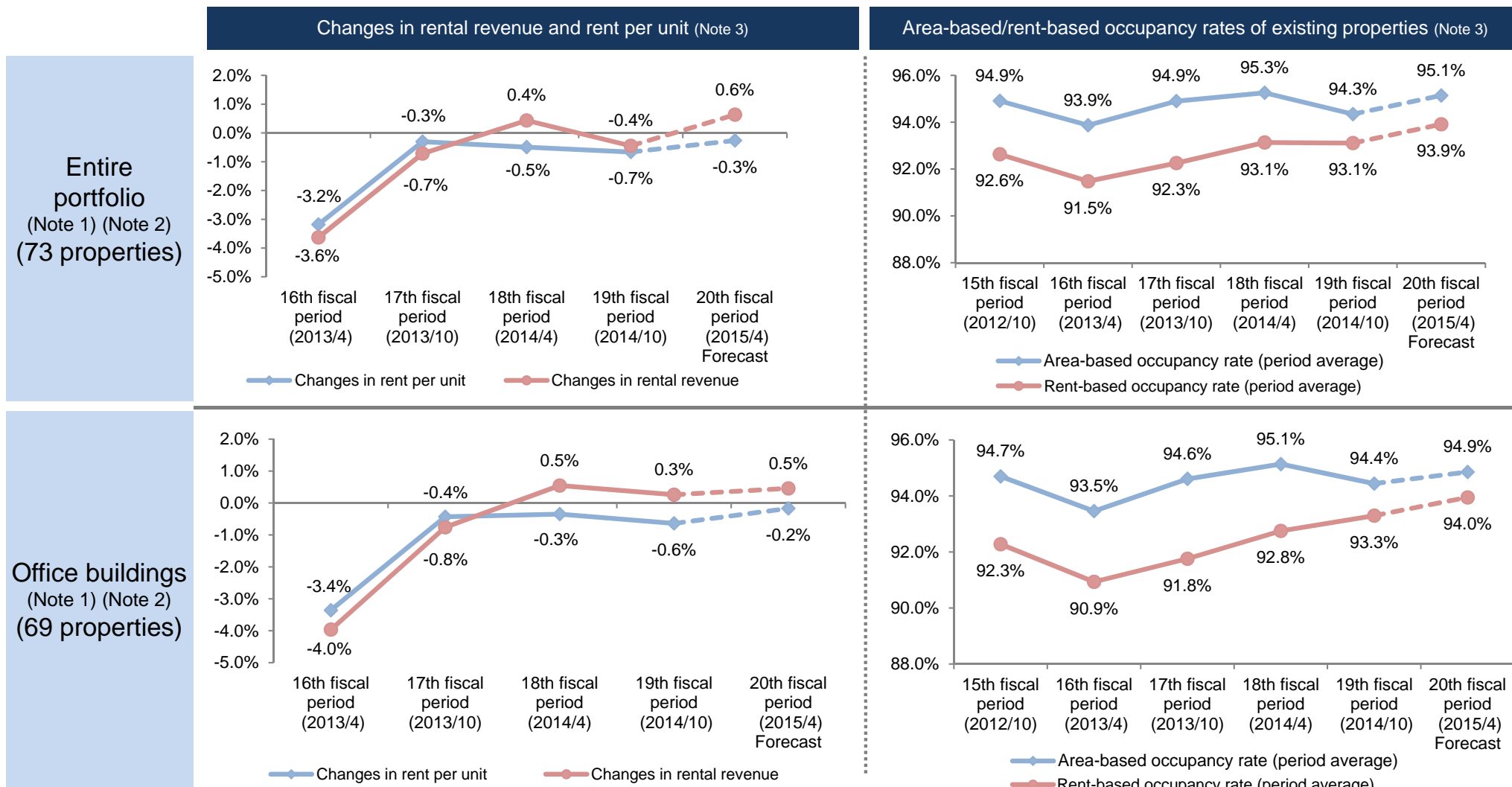
Data point	End of 16th (2013/4)	End of 17th (2013/10)	End of 18th (2014/4)	End of 19th (2014/10)
# of subject properties	75	77	82	81
Increase	13	23	14	17
No change	59	52	64	63
Decrease	3	2	4	1

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

Note 2: Average market rent for the portfolio is a weighted average of assumed achievable market rents (standard floor) for properties that CBRE assesses at each evaluation point based on leasable area.

Rental revenue of existing properties

- Rental revenue from current office properties increasing in 2 consecutive fiscal periods



Note 1: Properties owned as of the beginning of 15th fiscal period (2012/10), excluding properties sold. Rent includes common area charge.
 Note 2: Percentage change in rent per unit is calculated by taking a change from the end of previous fiscal period to the end of current fiscal period.
 Note 3: Rent-based occupancy rate is a monthly average of rents paid (contracted rents minus rents equivalent to rent free period) divided by total potential rent (contracted rent plus minimum rent expected for vacant floor).

Measures for improving property value

Upgrading value through change in floor use

KDX Takanawadai Building



Measures

- Accommodated existing tenants' needs for the elevator hall renovation
- Converted a portion of the first floor into retail space for stores

Quickly recovered from drop in occupancy rate, improving average rent per square meter

Occupancy rate	At the time of acquisition	Jan 31, 2014	Apr 30, 2014	Aug 31, 2014
	97.8%	82.4%	95.7%	100.0%

Average rent per square meter + 5.2% (Note)

KDX Sendai Building



Measures

- Implemented leasing activities targeted at retail tenants that can afford higher rent per square meter for the first floor
- Converted into retail space for stores

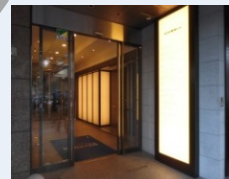
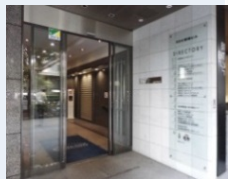
Attracted a new tenant without any downtime period, improving average rent per square meter

Occupancy rate	At the time of previous tenant's lease cancellation (As of Sep 1, 2014)	At the time of current tenant's moving-in (As of Sep 12, 2014)
	88.2%	94.4%

Average rent per square meter + 9.2% (Note)

Upgrading value through renewal work

KDX Shinjuku Building



Measures

- Improvement in visibility by increasing brightness of entrance
- Improvement in design and texture

Successfully increased newly contracted rent level

Change in contracted rent level*		
May 1, 2014	Dec 1, 2014	Dec 15, 2014
100.0	105.6	111.1

* index value with the newly contracted rent on May 31, 2014 given a value of 100

Note: Average rent per square meter growth rate is calculated by comparing a weighted average rent (weighted based on contracted rent, incl. common area charge) of end-tenants in contract at each relevant data point. Numbers are truncated to the first decimal place.

End-tenants of KDO office buildings

- Largest end-tenant occupies 3.6% of total leased floor area
- Top 10 end-tenants occupy 12.6% of total leased floor area

List of top end tenants (as of the end of 19th fiscal period (2014/10))

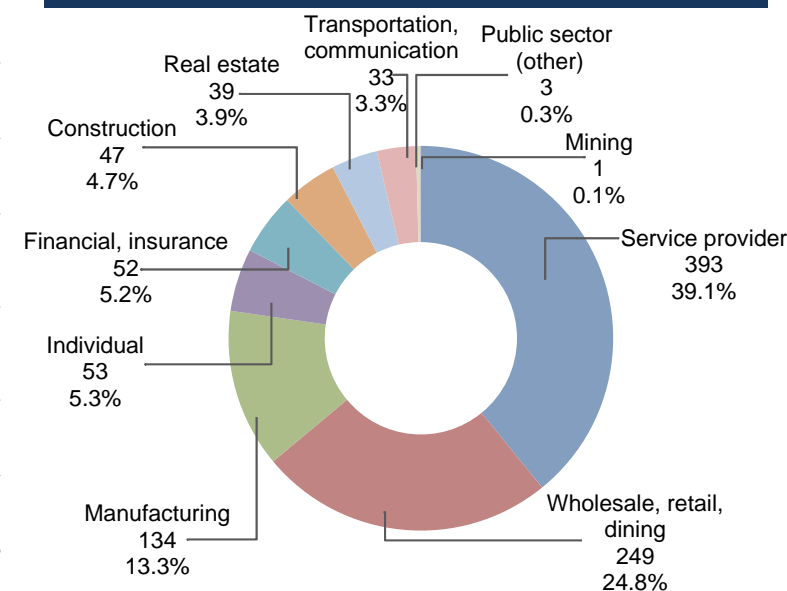
Tenant name	Leased floor area (tsubo)	Percentage share of leased floor area (Note 1)	Properties occupied
1 Kenedix (real estate)	4,522.0	3.6 (Note2)	•KDX Nihonbashi Kabutocho Bldg •KDX Musashi-Kosugi Bldg •KDX Toyosu Grand Square
2 SMBC Nikko Securities (financial services)	2,388.3	1.9	•KDX Tachikawa Ekimae Bldg •KDX Nagoya Ekimae Bldg •Nagoya Nikko Shoken Bldg •Sendai Nikko Bldg
3 Tenant A (service provider)	1,550.3	1.2	•KDX Kawasaki-Ekimae Hon-cho Bldg
4 APLUS (financial services)	1,357.4	1.1	•Aplus Tokyo Bldg
5 JASTEC (service provider)	1,304.6	1.0	•KDX Takanawadai Bldg
6 Bank of Tokyo Mitsubishi UFJ (financial services)	1,188.1	0.9	•Harajuku FF Bldg •Toranomom Toyo Bldg
7 Medical Corporation DOYUKAI (service provider)	1,022.4	0.8	•Koishikawa TG Bldg
8 Tenant B (wholesales, retail and dining)	912.2	0.7	•Harajuku FF Bldg
9 Tenant C (manufacturing)	891.3	0.7	•KDX Nagoya Sakae Bldg •KDX Higashi-Shinagawa Bldg
10 Tenant D (manufacturing)	816.6	0.6	•KDX Hatchobori Bldg •KDX Kobayashi-Doshomachi Bldg
Total	15,953.2	12.6	

Average rent by area (as of the end of 19th fiscal period (2014/10))

	# of properties	Average rent (yen/tsubo) (Note)	% change (period-over-period)
Tokyo metropolitan area	72	15,000	-1.9%
Japan	88	14,300	-1.3%

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

Tenant diversification (based on # of tenants)



Note: The above chart shows the breakdown of tenants by the type of business based on the total number of tenants in office portfolio (aggregated by name-base) as of the end of 19th fiscal period (2014/10).

Note 1: Based on leased floor area of each end-tenant against total portfolio leased floor area as of the end of the 19th fiscal period (2014/10). Numbers are rounded to the first decimal place.

Note 2: The percentage of our total portfolio leased to Kenedix, our sponsor, is 3.6% (0.7% for KDX Nihonbashi Kabutocho Building, 2.6% for KDX Musashi-Kosugi Building, 0.4% for KDX Toyosu Grand Square). Kenedix subleases a portion of the leased properties to third parties through a sub-master lease agreement.

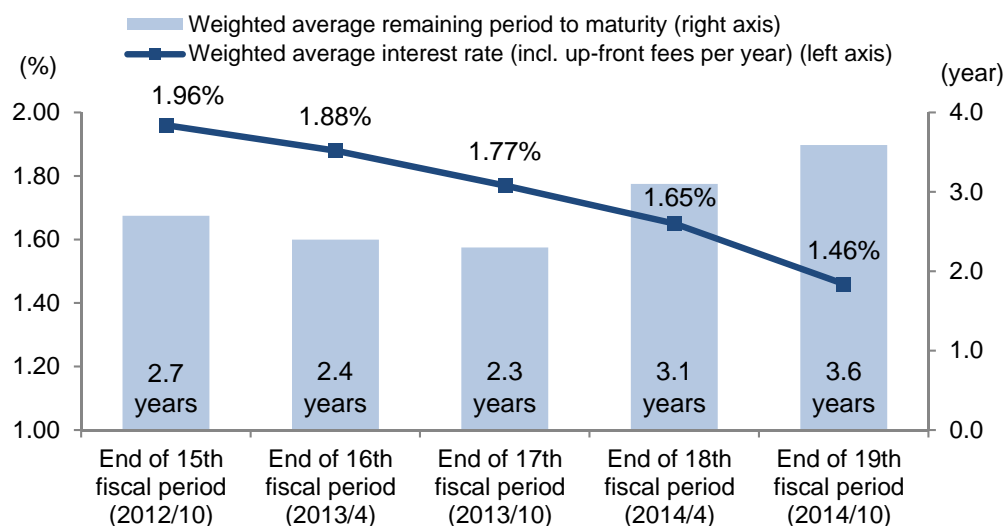
Section 5

Financial strategy

Overview of interest-bearing debt and LTV

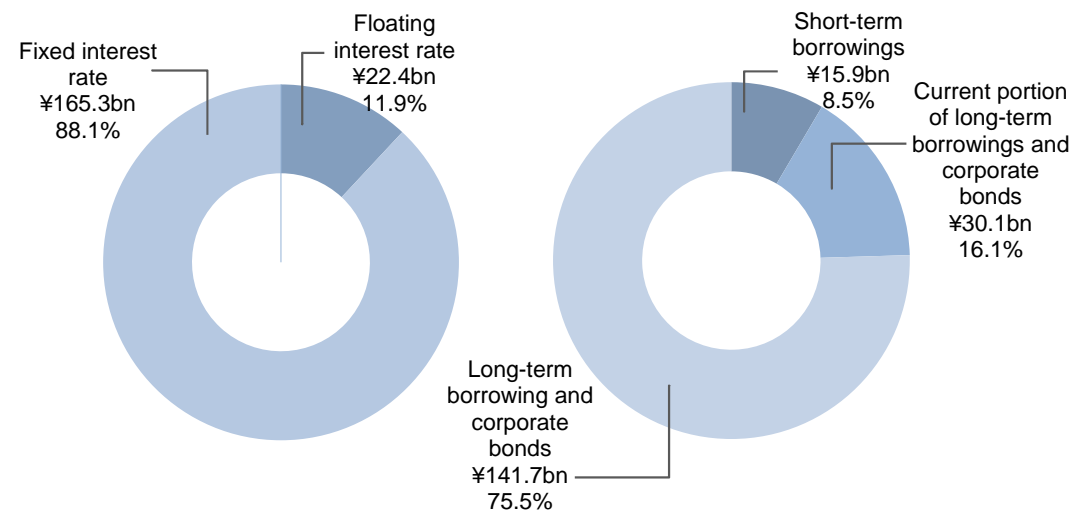
- Steadily reducing financial costs while lengthening remaining period to maturity
- Maintaining stable financial base by lowering LTV and maintaining high fixed interest rate ratio

Average remaining period to maturity / interest rate and new borrowings in each fiscal period (Note 1)



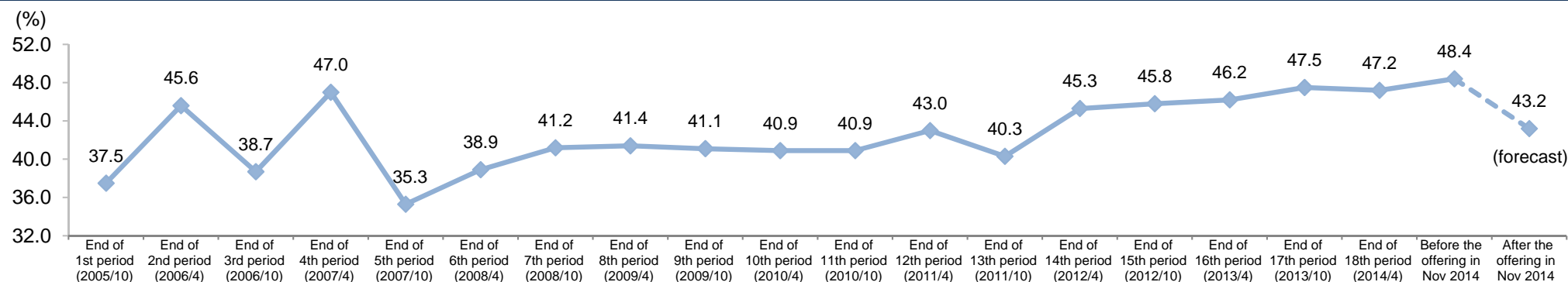
Note 1: Average remaining period to maturity and interest rate are weighted averages based on outstanding debts at the end of each fiscal period (Average remaining period to maturities and interest rate are rounded to the second and first decimal places respectively).

Status of fixing interest rate and extending terms of debt (Note 2) (as of the end of the 19th fiscal period (2014/10))



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

Historical LTV level (Note 3)

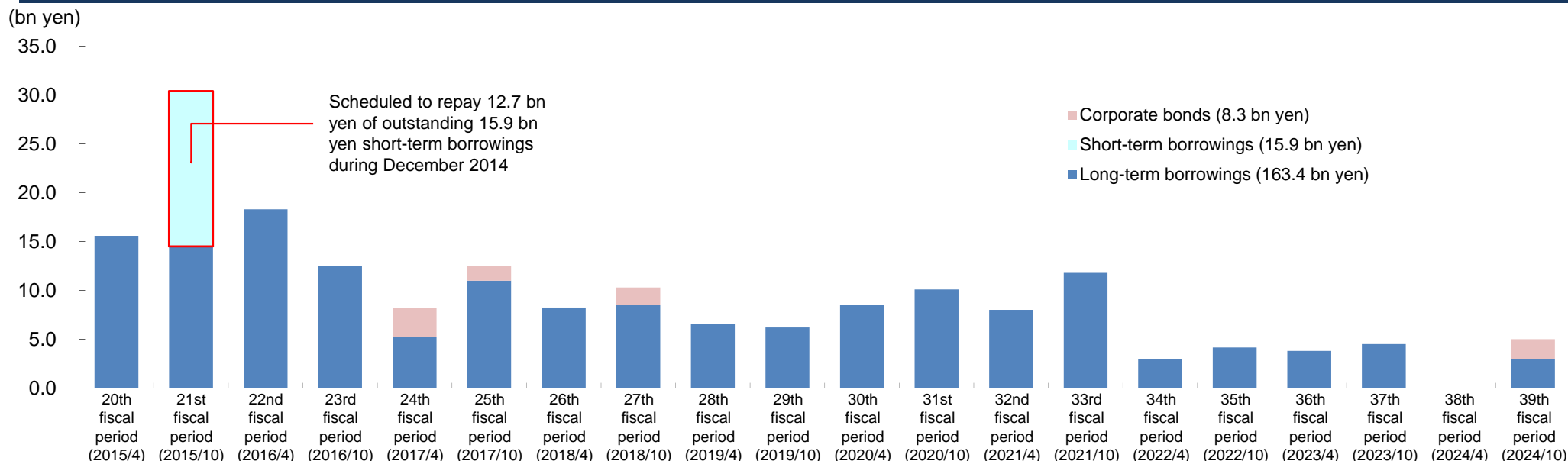


Note 3: LTV = Interest-bearing debt / Total assets, as of the end of the relevant fiscal period. LTV after the offering in Nov 2014 is an estimate taking into account the following assumptions: maximum capital raising through full-exercise of the overallotment option of 2,190 units and early repayment of 12.7 bn yen short-term borrowings during Dec 2014. (LTV is rounded to the first decimal place)

Diversification of maturity dates and lending sources

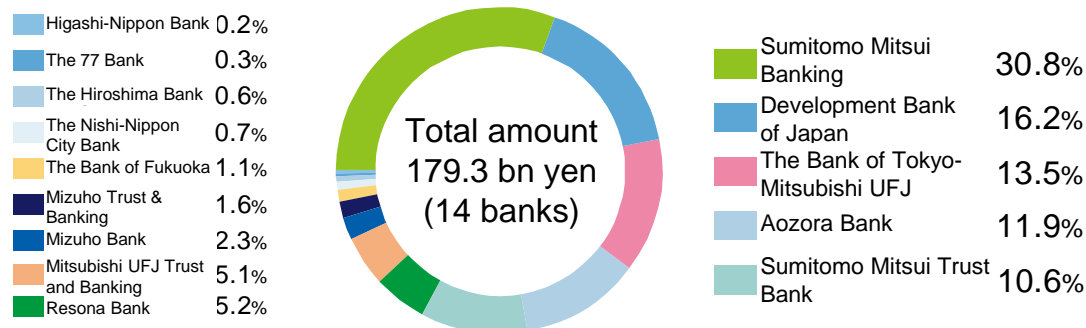
- Secure financial stability by diversifying and extending debt maturity dates
- Strong bank formation supported by diversified lending sources

Diversification of debt maturities (as of the end of 19th fiscal period (2014/10)) (Note)



Note: Bars in the chart illustrate total debt amounts that reach maturity in each period, including repayment of a part of principle as described in contract (rounded to the first decimal place).

Outstanding borrowings by financial institutions (as of the end of 19th fiscal period (2014/10)) (Note)



Corporate bonds (as of the end of 19th fiscal period (2014/10))

	Amount (mn yen)	Maturity (year)	Interest rate	Redemption date
Sixth Series Corporate Bonds	2,000	10.0	1.18%	July 25, 2024

Credit rating (as of the end of 19th fiscal period (2014/10), JCR)

Long-term issuer rating:	A+ (Outlook: stable)
Rating on bonds / shelf registration:	A+

Note: Ratio is rounded to the first decimal place. The total interest-bearing debt is 187.6 bn yen including outstanding corporate bonds of 8.3 bn yen.

Memo

Appendices

Portfolio overview 1 (as of the end of the 19th fiscal period (2014/10))

Office Buildings (88 properties)

Type	Area	No.	Name	Location	Acquisition price (¥ mn) (Note 1)	Year built (Note 2)	End of 19th fiscal period occupancy rate (%) (Note 3)	Type	Area	No.	Name	Location	Acquisition price (¥ mn) (Note 1)	Year built (Note 2)	End of 19th fiscal period occupancy rate (%) (Note 3)
Office Buildings	Tokyo Metropolitan Area	A001	KDX Nihonbashi 313 Building	Chuo ward, Tokyo	5,940	1974/4	100.0	Office Buildings	Tokyo Metropolitan Area	A051	KDX Hamacho Nakanohashi Building	Chuo ward, Tokyo	2,310	1988/9	88.3
		A003	Higashi-KayabachoYuraku Building	Chuo ward, Tokyo	4,450	1987/1	100.0			A052	KDX Kanda Misaki-cho Building	Chiyoda ward, Tokyo	1,380	1992/10	86.8
		A004	KDX Hatchobori Building	Chuo ward, Tokyo	3,680	1993/6	100.0			A055	Shin-toshin Maruzen Building	Shinjuku ward, Tokyo	2,110	1990/7	100.0
		A005	KDX Nakano-Sakaue Building	Nakano ward, Tokyo	2,533	1992/8	95.2			A056	KDX Jimbocho Building	Chiyoda ward, Tokyo	2,760	1994/5	100.0
		A006	Harajuku F.F. Building	Shibuya ward, Tokyo	2,450	1985/11	100.0			A057	KDX Gobancho Building	Chiyoda ward, Tokyo	1,951	2000/8	100.0
		A007	FIK Minami Aoyama	Minato ward, Tokyo	2,270	1988/11	100.0			A059	KDX Iwamoto-cho Building	Chiyoda ward, Tokyo	1,864	2008/3	100.0
		A008	Kanda Kihara Building	Chiyoda ward, Tokyo	1,950	1993/5	76.2			A060	KDX Harumi Building	Chuo ward, Tokyo	10,250	2008/2	90.7
		A013	KDX Kojimachi Building	Chiyoda ward, Tokyo	5,950	1994/5	100.0			A061	KDX HamamatsuchoDai-2 Building	Minato ward, Tokyo	2,200	1992/4	100.0
		A014	KDX Funabashi Building	Funabashi, Chiba	2,252	1989/4	96.5			A062	Koishikawa TG Building	Bunkyo ward, Tokyo	3,080	1989/11	100.0
		A015	KDX Hamacho Building	Chuo ward, Tokyo	2,300	1993/9	88.7			A063	Gotanda TG Building	Shinagawa ward, Tokyo	2,620	1988/4	100.0
		A016	Toshin 24 Building	Yokohama, Kanagawa	5,300	1984/9	94.1			A064	KDX Nihonbashi 216 Building	Chuo ward, Tokyo	2,010	2006/10	100.0
		A017	KDX Ebisu Building	Shibuya ward, Tokyo	4,640	1992/1	100.0			A066	KDX Shinjuku Building	Shinjuku ward, Tokyo	6,800	1993/5	91.8
		A019	KDX Hamamatsucho Building	Minato ward, Tokyo	3,460	1999/9	100.0			A067	KDX Ginza 1 chome Building	Chuo ward, Tokyo	4,300	1991/11	100.0
		A020	KDX Kayabacho Building	Chuo ward, Tokyo	2,780	1987/10	84.9			A068	KDX Nihonbashi Honcho Building	Chuo ward, Tokyo	4,000	1984/1	100.0
		A021	KDX Shinbashi Building	Minato ward, Tokyo	3,728	1992/2	100.0			A071	KDX Iidabashi Building	Shinjuku ward, Tokyo	4,670	1990/3	86.6
		A022	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	1990/9	97.5			A072	KDX Higashi-Shinagawa Building	Shinagawa ward, Tokyo	4,590	1993/1	56.7
		A026	KDX Kiba Building	Koto ward, Tokyo	1,580	1992/10	88.1			A073	KDX Hakozaki Building	Chuo ward, Tokyo	2,710	1993/11	89.3
		A027	KDX Kajicho Building	Chiyoda ward, Tokyo	2,350	1990/3	100.0			A074	KDX Shin-Nihonbashi Building	Chuo ward, Tokyo	2,300	2002/11	100.0
		A028	KDX Nogizaka Building	Minato ward, Tokyo	1,065	1991/5	86.8			A075	KDX Nihonbashi Kabutocho Building	Chuo ward, Tokyo	11,270	1998/11	100.0
		A029	KDX Higashi-Shinjuku Building	Shinjuku ward, Tokyo	2,950	1990/1	100.0			A078	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	1990/2	100.0
		A030	KDX Nishi-Gotanda Building	Shinagawa ward, Tokyo	4,200	1992/11	100.0			A083	KDX Fuchu Building	Fuchu, Tokyo	6,120	1996/3	97.6
		A031	KDX Monzen-Nakacho Building	Koto ward, Tokyo	1,400	1986/9	100.0			A084	KDX Kasuga Building	Bunkyo ward, Tokyo	2,800	1992/6	100.0
		A032	KDX Shiba-Daimon Building	Minato ward, Tokyo	6,090	1986/7	100.0			A085	KDX Nakameguro Building	Meguro ward, Tokyo	1,880	1985/10	100.0
		A033	KDX Okachimachi Building	Taito ward, Tokyo	2,000	1988/6	100.0			A086	KDX Omiya Building	Saitama, Saitama	2,020	1993/4	100.0
		A034	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	1995/5	100.0			A087	Itopia Nihonbashi SA Building	Chuo ward, Tokyo	2,200	1995/7	98.0
		A035	KDX Hachioji Building	Hachioji, Tokyo	1,155	1985/12	72.7			A088	Welship Higashi-Shinjuku	Shinjuku ward, Tokyo	1,900	1990/3	100.0
		A037	KDX Ochanomizu Building	Chiyoda ward, Tokyo	6,400	1982/8	100.0			A089	KDX Takanawadai Building	Minato ward, Tokyo	5,250	1985/10	100.0
		A038	KDX Nishi-Shinjuku Building	Shinjuku ward, Tokyo	1,500	1992/10	77.8			A090	KDX Ikebukuro Building	Toshima ward, Tokyo	3,900	2009/3	100.0
		A039	KDX Toranomom Building	Minato ward, Tokyo	4,400	1988/4	100.0			A091	KDX Mita Building	Minato ward, Tokyo	3,180	1993/3	95.6
		A040	Toranomon Toyo Building	Minato ward, Tokyo	9,850	1962/8	75.1			A092	KDX Akihabara Building	Chiyoda ward, Tokyo	2,600	1973/12	100.0
		A041	KDX Shinjuku 286 Building	Shinjuku ward, Tokyo	2,300	1989/8	100.0			A093	Aplus Tokyo Building	Shinjuku ward, Tokyo	4,350	1994/1	100.0
		A045	KDX Roppongi 228 Building	Minato ward, Tokyo	3,300	1989/4	87.4			A094	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	2013/5	100.0
		A046	Hiei Kudan-Kita Building	Chiyoda ward, Tokyo	7,600	1988/3	100.0			A095	KDX Toyosu Grand Square	Koto ward, Tokyo	8,666	2008/4	87.0
		A047	KDX Shin-Yokohama 381 Building	Yokohama, Kanagawa	5,800	1988/3	100.0			A096	Grace Building Takadanobaba	Toshima ward, Tokyo	3,650	1988/10	100.0
		A048	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	1985/2	100.0			A099	Tosen Ikebukuro Building	Toshima ward, Tokyo	1,934	1988/7	100.0
		A050	KDX Ikejiri-Oohashi Building	Meguro ward, Tokyo	2,400	1988/9	63.6			A101	Urban Square Yokohama	Yokohama, Kanagawa	7,210	1994/3	100.0

Note 1: Acquisition price is the purchase price of the trust beneficiary interests etc. or acquisition (investment) amount acquired by KDO only.

Note 2: Year built shows the completion date recorded in the land register. The average value shown in the subtotal section is a weighted average number calculated based on acquisition price with a base date of October 31, 2014.

Figures are truncated to the first decimal place.

Note 3: Occupancy rate is calculated by dividing leased area as of October 31, 2014 by leasable area and is rounded to the first decimal place.

Portfolio overview 2 (as of the end of the 19th fiscal period (2014/10))

Office Buildings (88 properties)

Type	Area	No.	Name	Location	Acquisition price (¥ mn) (Note 1)	Year built (Note 2)	End of 19th fiscal period occupancy rate (%) (Note 3)
Office Buildings	Other Regional Areas	A012	Portus Center Building	Sakai, Osaka	5,570	1993/9	97.5
		A025	KDX Minami Semba Dai-2 Building	Osaka, Osaka	1,560	1993/9	72.9
		A042	Karasuma Building	Kyoto, Kyoto	5,400	1982/10	100.0
		A044	KDX Sendai Building	Sendai, Miyagi	2,100	1984/2	94.4
		A053	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	1973/6	98.5
		A054	KDX Kitahama Building	Osaka, Osaka	2,220	1994/7	92.8
		A058	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	2009/4	99.3
		A069	KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	2009/7	91.3
		A070	KDX Sapporo Building	Sapporo, Hokkaido	2,005	1989/10	95.6
		A079	KDX Nagoya Ekimae Building	Nagoya, Aichi	7,327	1986/4	99.0
		A080	Nagoya Nikko Shoken Building	Nagoya, Aichi	4,158	1974/8	100.0
		A081	Sendai Nikko Building	Sendai, Miyagi	950	1989/3	87.7
		A082	KDX Higashi Umeda Building	Osaka, Osaka	2,770	2009/7	100.0
		A097	Fumix STM Building	Utsunomiya, Tochigi	2,350	1999/2	97.0
A098	Hiroshima Ekimae-dori Mark Building	Hiroshima, Hiroshima	1,300	1990/1	73.3		
A100	Senri Life Science Center Building	Toyonaka, Osaka	13,000	1992/6	99.3		
Office Buildings (88 properties) Subtotal (Note)					337,741	Ave. 22.7yrs	95.4

Central Urban Retail Properties (3 properties)

Type	Area	No.	Name	Location	Acquisition price (¥ mn) (Note 1)	Year built (Note 2)	End of 19th fiscal period occupancy rate (%) (Note 3)
Central Urban Retail Properties	Tokyo Metropolitan Area	C001	Frame Jinnan-zaka	Shibuya ward, Tokyo	9,900	2005/3	93.6
		C002	KDX Yoyogi Building	Shibuya ward, Tokyo	2,479	1991/8	100.0
		C004	Ginza 4chome Tower	Chuo ward, Tokyo	9,800	2008/11	100.0
Central Urban Retail Properties (3 properties) Subtotal					22,179	Ave. 9.4 yrs	97.4

Residential Properties (2 properties)

Type	Area	No.	Name	Location	Acquisition price (¥ mn) (Note 1)	Year built (Note 2)	19th fiscal period occupancy rate (%) (Note 3)
Residential Properties	Tokyo Metropolitan Area	B019	Residence Charmante Tsukishima	Chuo ward, Tokyo	5,353	2004/1	100.0
	Other Regional Areas	B018	Venus Hibirigaoka	Sapporo, Hokkaido	1,800	1989/3	95.4
Residential Properties (2 properties) Subtotal					7,153	Ave. 14.5 yrs	97.1

Other Property (1 property)

Type	Area	No.	Name	Location	Acquisition price (¥ mn) (Note 1)	Year built (Note 2)	End of 19th fiscal period occupancy rate (%) (Note 3)
Other	Tokyo Metropolitan Area	D002	Shinjuku 6-chome Building (Land)	Shinjuku ward, Tokyo	2,880	-	100.0
Other property (1 property) Subtotal					2,880	-	100.0

Total (94 properties, excluding investment securities)

Portfolio (94 properties) Total	369,954	Ave. 21.7 yrs (excl. land)	95.6
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Note: The total number of end tenants for 88 office buildings is 1,055 (1,004 if tenants are aggregated based on their names).

Investment Securities (2 properties)

Type	Name	Location	Acquisition price (¥ mn)	Year built
Investment Securities	Toyonaka Property TMK Preferred Securities (Note)	Toyonaka, Osaka	1,583	1992/6
	Silent partnership equity interest of G.K. KRF 43	Shinjuku ward, Tokyo	1,107	1979/12
Investment Securities (2) Total			2,690	

Note: Toyonaka Property TMK is scheduled to be liquidated following our acquisition of Senri Life Science Center Building and we are scheduled to receive a redemption distribution with respect to the TMK preferred securities in the 20th fiscal period (2015/4)

Historical rent-based NOI yield (by asset type, annualized-based) (Note1) (Note2)

(Unit: %)	15th fiscal period (2012/10)	16th fiscal period (2013/4)	17th fiscal period (2013/10)	18th fiscal period (2014/4)	19th fiscal period (2014/10)
Office building	4.4	4.3	4.2	4.4	4.4
Central urban retail	4.1	4.3	4.3	4.2	3.6
Residential	4.5	4.6	4.5	4.5	4.6
Others (Note 3)	13.6	-7.0	-	4.4	4.3
Total	4.5	4.3	4.2	4.4	4.4

Note 1: For NOI yield calculation, property and city planning taxes are assumed as if they imposed for the properties acquired this calendar year although the taxes are not imposed on such properties. Acquisition price for newly acquired properties and sold properties is calculated by multiplying the ratio of actual operating days to this fiscal period's operating days.

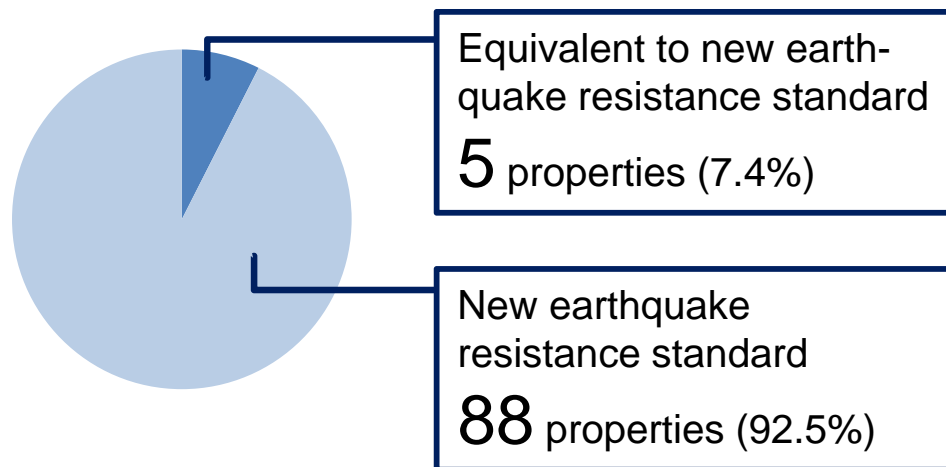
Note 2: Each ratio is rounded to the first decimal place.

Note 3: On November 1, 2012, KDO sold Kanazawa Nikko Building which was the only property categorized as "Others" at the time disposition. Due to property tax and other expenses, the NOI yield for the 16th fiscal period shows a negative value.

Seismic performance of KDO's properties (as of Oct 31, 2014)

- All 93 properties (excl. land) comply with the new earthquake resistance standard (Note 1) or its equivalent

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



Portfolio PML (Note 3) (Note 4)

2.38%

Properties that comply with equivalent standard of new earthquake resistance standard

Implemented earthquake-resistance reinforcement



A40 Toranomom Toyo Building



A53 KDX Hakata-Minami Building



A92 KDX Akihabara Building

Evaluated as properties complying with equivalent standard of the new earthquake resistance standard



A1 KDX Nihonbashi 313 Building

Seismic review by Nihon Sekkei



A80 Nagoya Nikko Shoken Building

Seismic review by Mitsubishi Estate

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 and elastic shear modulus; New requirement on the secondary design in seismic calculation.

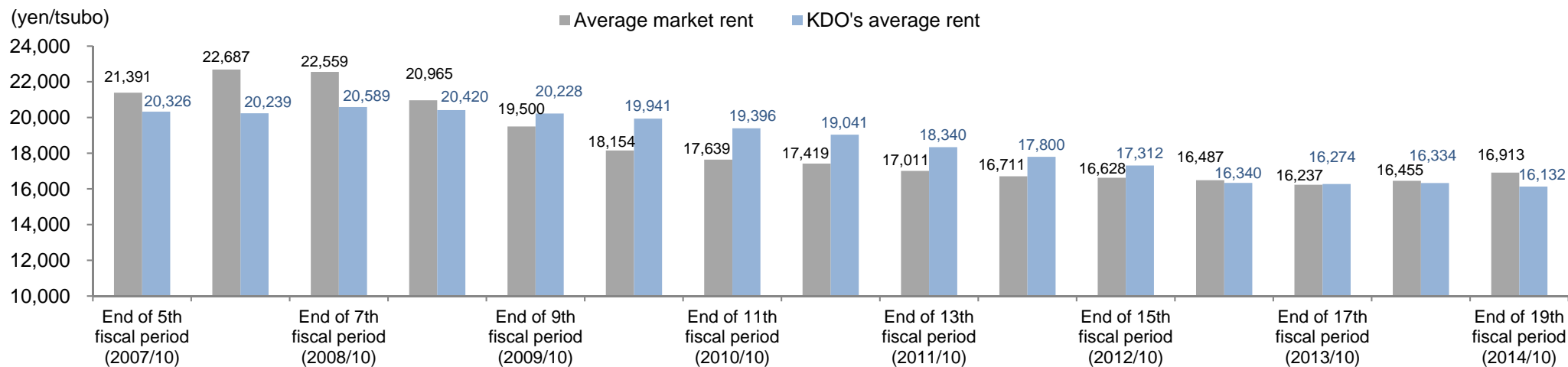
Note 2: Percentage share is calculated based on leasable area as of October 31, 2014. For the properties owned through co-ownership interest, leasable for such portion is used in calculation.

Note 3: PML value is as of October 2014 and is based on the research implemented by Sompo Japan Nipponkoa Risk Management. There was an update in evaluation method for earthquake risk analysis.

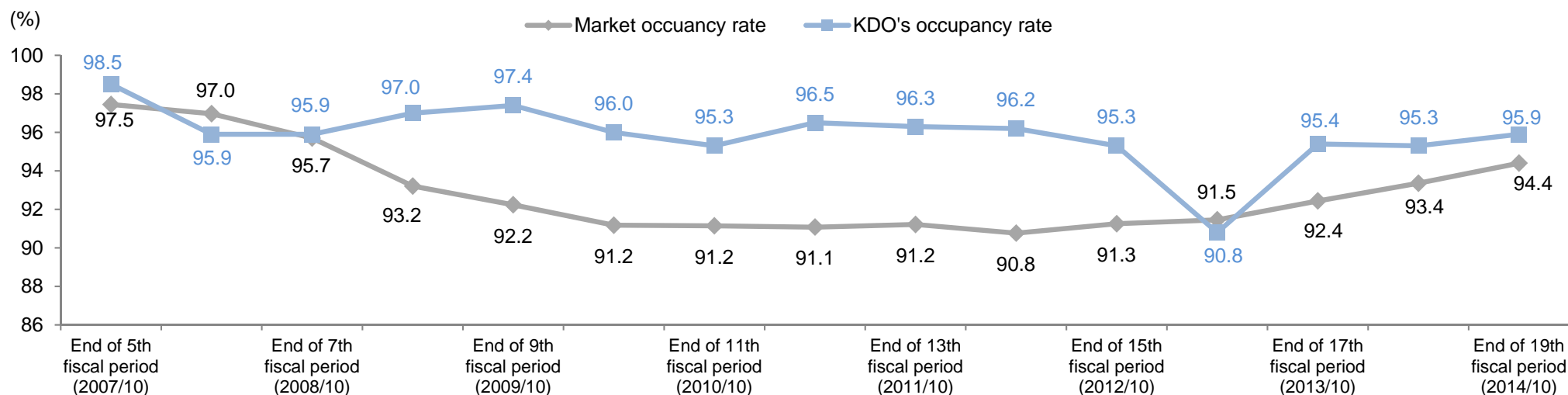
Note 4: PML is probable maximum loss due to the earthquake. PML can be divided into PML of an individual property and PML of the entire portfolio. Although there is no unified definition of PML, we define PML here as the ratio of the loss occurred in case of the severest earthquake (e.g. severe earthquake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

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

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



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



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

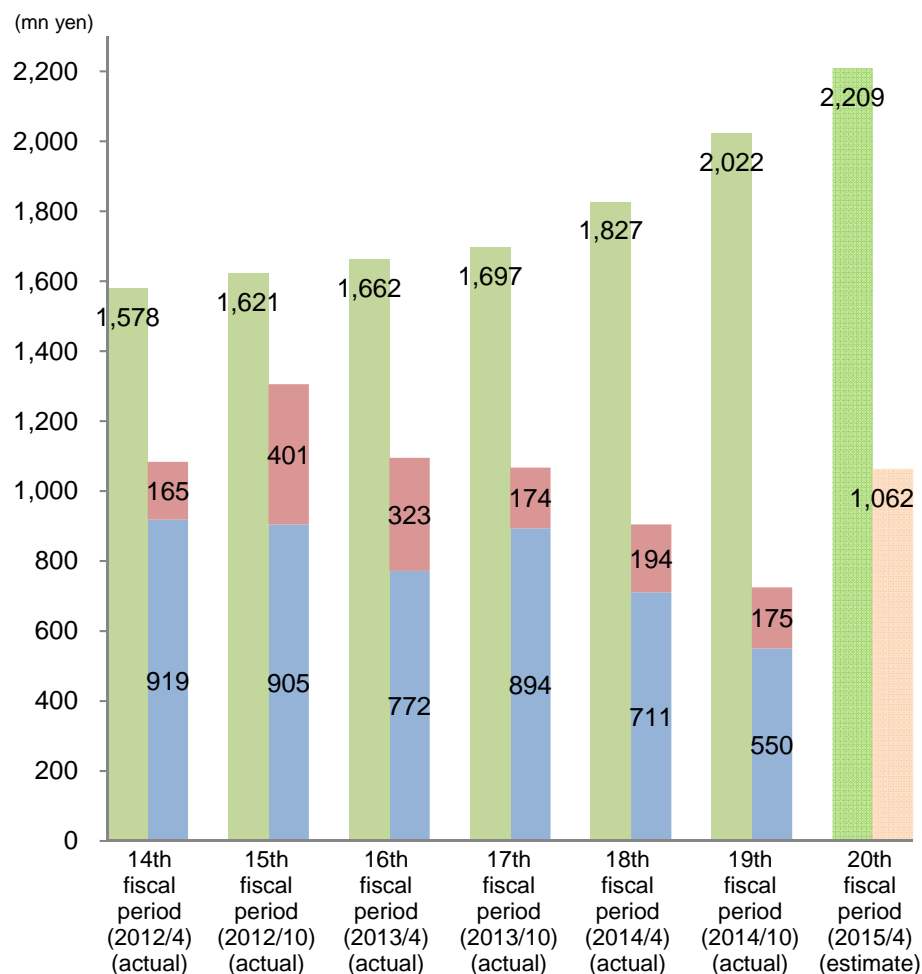
Note 2: KDO's average rent and occupancy rate refer to average rent of standard floor and occupancy rate of KDO's office buildings in Tokyo Central 5 wards which we own as of the end of each fiscal period.

Construction expense (actual/estimate)

- Reinforce tenant competitiveness by implementing appropriate measures for improving property value
- Intend to implement outer wall repair and main facility renewal in the 20th fiscal period (2015/4)

Change in depreciation and construction expense (actual/estimate)

■ Construction expense (capex) ■ Construction expense (repair) ■ Depreciation



Major repair/renovation works for 20th fiscal period (2015/4) (Note)

Items	Estimated amount (mn yen)	Percentage of total expense (%)
Maintenance works (A)	444	41.8
Works described in ER (B)	257	24.2
(Of A and B, outer wall repair)	330	31.1
Value-upgrading works	1	0.1
Leasing measures	19	1.8
CS-improving measures	18	1.7

20th fiscal period (2015/4) total	Percentage of depreciation expense (%)
1,062	48.1

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

■ Planned outer wall repair in the 20th fiscal period (2015/4)

The following 8 properties are subject to the repair work:

KDX Kasuga Building, KDX Hachioji Building, KDX Higashi-Shinagawa Building, KDX Omiya Building, Welship Higashi-Shinjuku, KDX Shinbashi Building, Grace Building Takadanobaba, KDX Monzen-Nakacho Building

Environmental initiatives and energy-saving measures

- Received GRESB's highest recognition (Green Star) (Note 1) for 3 consecutive years, ranking 1st in the Japanese office building division for 2 consecutive years
- Received the first 3-star BELS certification (Note 2) among J-REITs (KDX Musashi-Kosugi Building)

Designation from GRESB

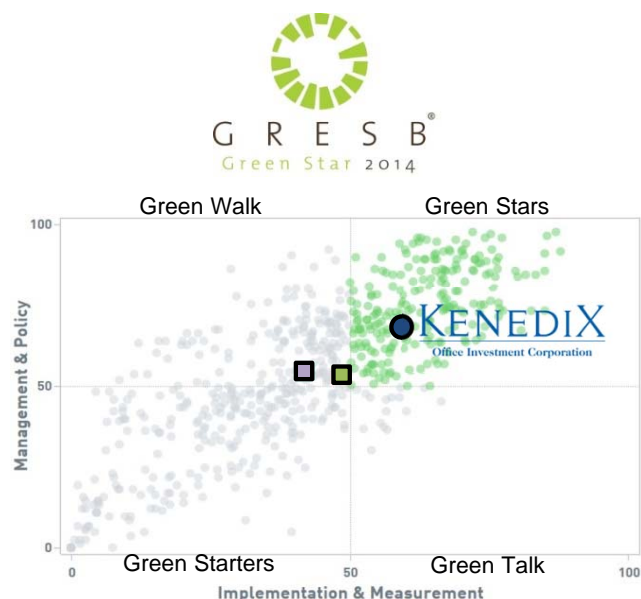
- High recognition on our efforts for improving sustainability performance of portfolio properties

Received BELS certification

- Received BELS's 3-star certification on Oct, 2014 (KDX Musashi-Kosugi Building)
- The first J-REIT to receive BELS certification

Examples of energy-saving measures

- Installation of LED lights in common areas in 39 properties (Note 3)
- Active use of LED lights at the time of renewal



- KDO
- Average of Japanese office building division
- Average of all participants

Source: The diagram is created by KFM based on 2014 GRESB REPORT



Installation of LED lights at the time of renewal (KDX Shinjuku Building)

- Improvement in visibility by increasing brightness of building entrance
- Upgrading design and texture



Note 1: GRESB (Global Real Estate Sustainability Benchmark) is a benchmark to evaluate sustainability performance of private and listed real estate portfolio from environmental and social perspectives.
 Note 2: BELS (Building Energy-efficiency Labeling System) is a system to evaluate and indicate energy conservation performance and other related matters of non-residential buildings based on evaluation guidelines for the Building Energy-efficiency Labelling System for non-residential buildings (2013). Its evaluation method complies with the revised energy conservation standards (fully enforced on April 1, 2014).
 Note 3: The figure indicates the number of properties that replaced fluorescent lamp with LED light in common areas including downlight.

Overview of the 5th CS survey results (Aug 2013)

- KDO implements CS (Customer Satisfaction) survey on a regular basis
- Confirmed high "overall satisfaction" and "motivation for continuous occupancy" from the 5th survey results

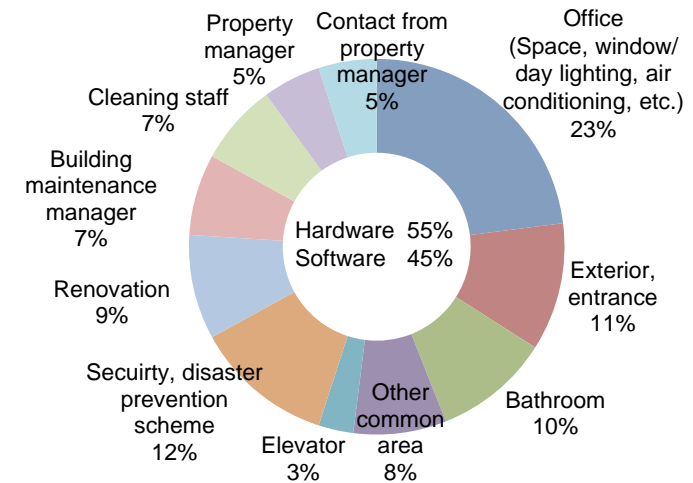
CS survey overview

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

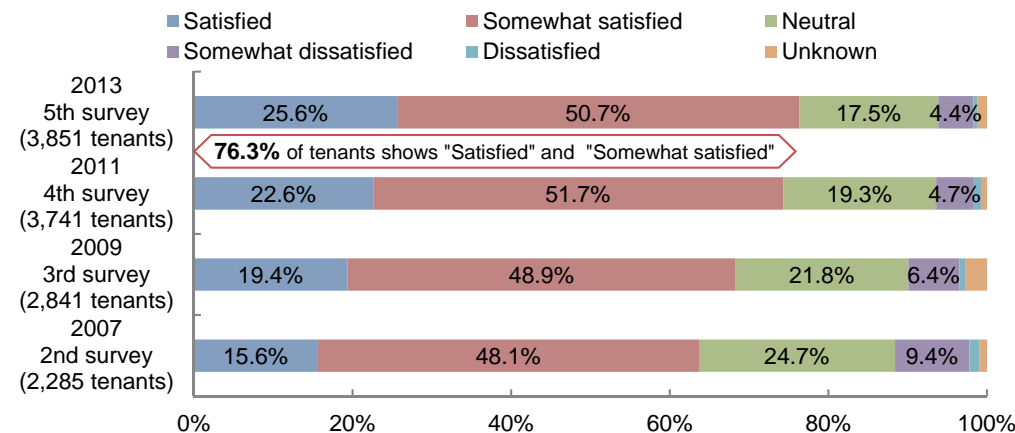
Timing	4th survey September, 2011 (13th fiscal period)	5th survey August, 2013 (17th fiscal period)
# of properties (Note)	69 properties	77 properties
# of distributions	Person in charge: 640 Employee: 3,730	Person in charge: 746 Employee: 3,743
Collection rate	Person in charge: 88% Employee: 85%	Person in charge: 89% Employee: 85%

Note: Includes 1 central urban retail property.

5th CS survey results: reasons of satisfaction (Interviewing the person in charge of general affairs)

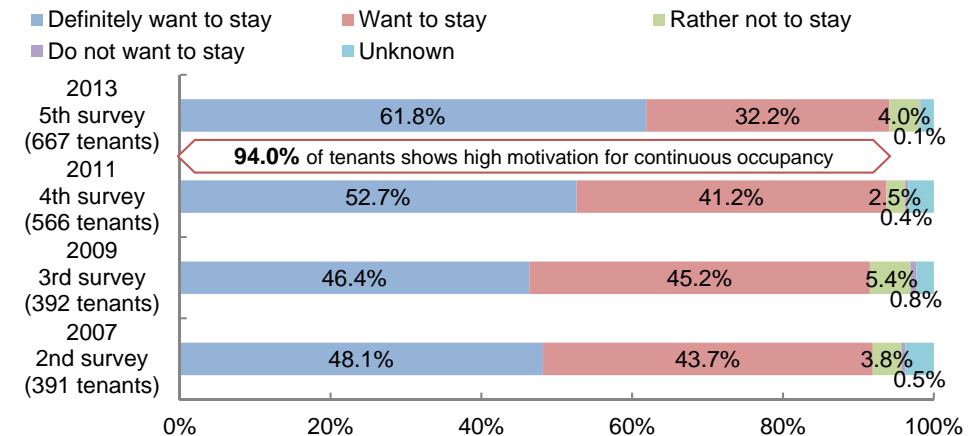


Overall satisfaction (Overall CSI) (Note)



Note: Result on survey that interviewed the person in charge of general affairs and employees.

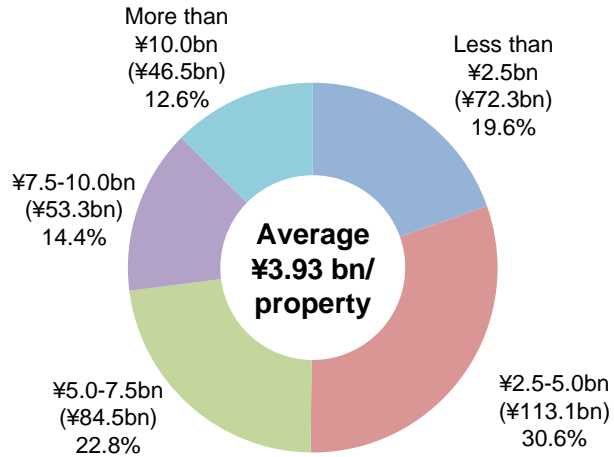
Motivation for continuous occupancy (Note)



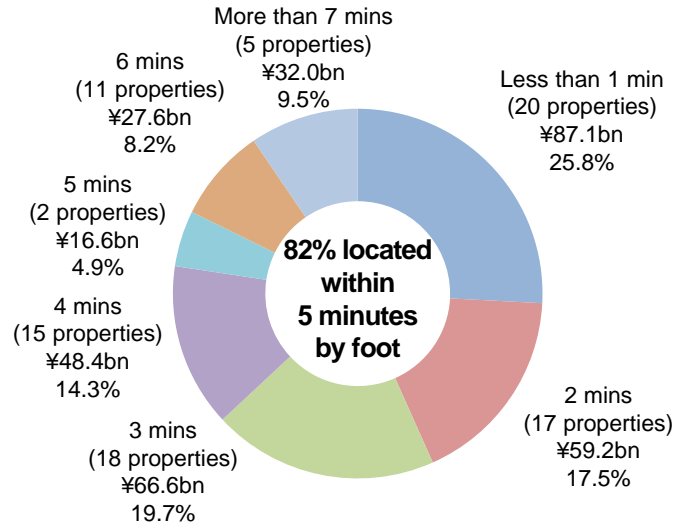
Note: Result on survey that interviewed the person in charge of general affairs.

Characteristics of KDO office buildings (as of the end of the 19th fiscal period (2014/10))

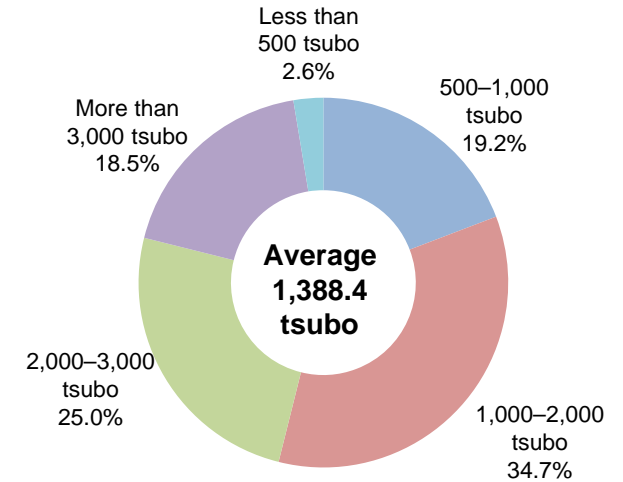
1 By acquisition price



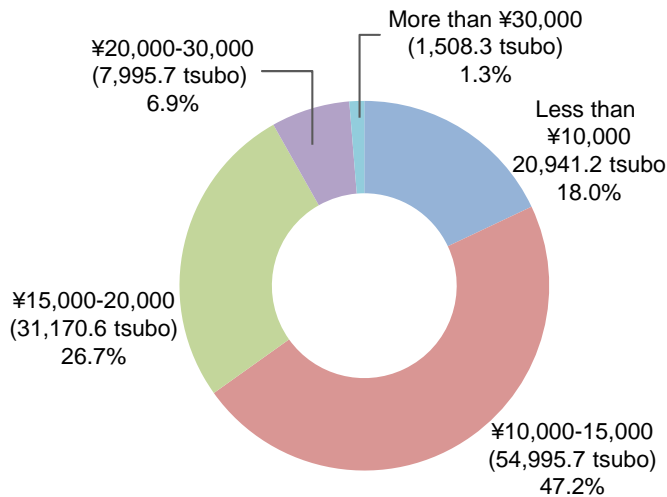
2 By distance from the nearest station



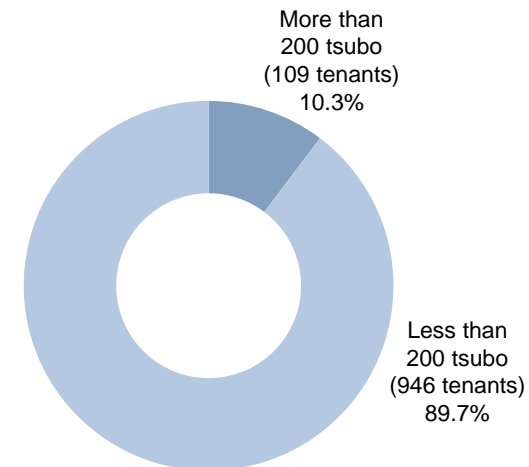
3 By size (based on leasable floor area)



4 By contracted rent (based on leased floor area) (Note)



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



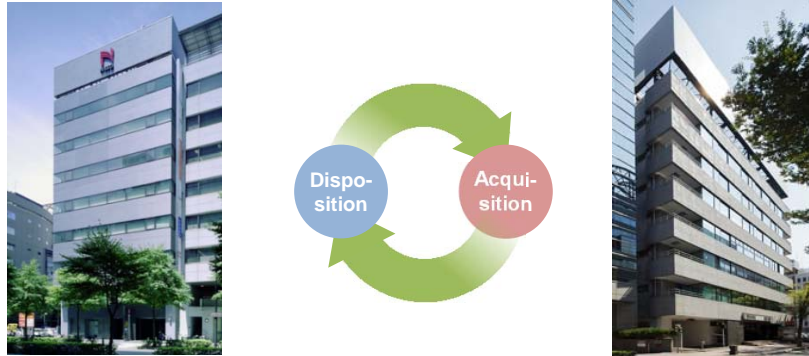
Note: Based on the total leased area (tsubo) (aggregated by tenant name)

Note: Based on the number of tenants in each office buildings

Our track record in improving portfolio quality through property reshuffle KENEDIX Office Investment Corporation

- Property reshuffle in Shin-Yokohama and Osaka Honmachi areas
- Achieved improvement in portfolio revenue and quality through property reshuffle

Shin-Yokohama area

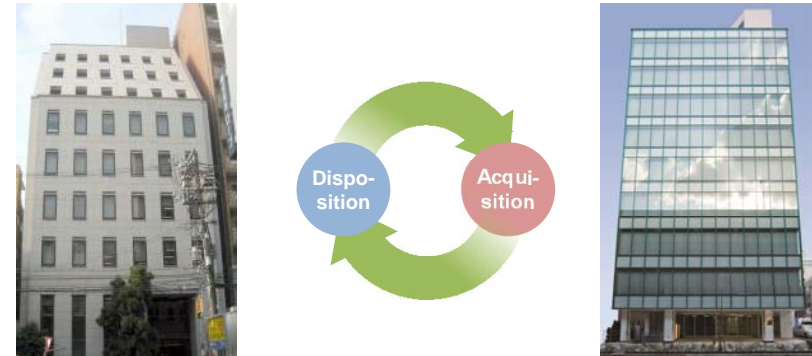


Property name	Nissou Dai-17 Building
Disposition date	Aug 2014
Disposition price	1,650 mn yen
Total floor area	4,016.61m ²
Occupancy rate	100.0% (Note 1)
Actual NOI yield	1.8% (Note 2)

Property name	Shin-Yokohama 214 Building
Acquisition date	Dec 2014
Acquisition price	2,200 mn yen
Total floor area	6,478.89m ²
Occupancy rate	83.0% (Note 1)
Appraisal NOI yield	6.0%

Improvement in yield	NOI yield 1.8% (actual)	➤	Appraisal NOI yield 6.0%	+4.2%
Increase in leasable area (Note 1)	2,730.85m ²	➤	4,608.57m²	+1,877.72m²
Diversification of tenants (Note 1)	9 tenants	➤	14 tenants	+5 tenants

Osaka Honmachi area



Property name	KDX Minami Semba Dai-1 Building
Disposition date	Jul 2014
Disposition price	950 mn yen
Total floor area	4,236.59m ²
Occupancy rate	81.2% (Note 1)
Actual NOI yield	2.8% (Note 2)

Property name	KDX Minami-Honmachi Building
Acquisition date	Dec 2014
Acquisition price	2,200 mn yen
Total floor area	7,694.03m ²
Occupancy rate	98.8% (Note 1)
Appraisal NOI yield	5.9%

Improvement in yield	NOI yield 2.8% (actual)	➤	Appraisal NOI yield 5.9%	+3.1%
Improvement in occupancy rate	81.2%	➤	98.8%	+17.6%
Decrease in age of building (Note 1)	21.4 yrs	➤	4.6 yrs	-16.8 yrs
Increase in leasable area (Note 1)	3,106.73m ²	➤	5,285.95m²	+2,179.22m²

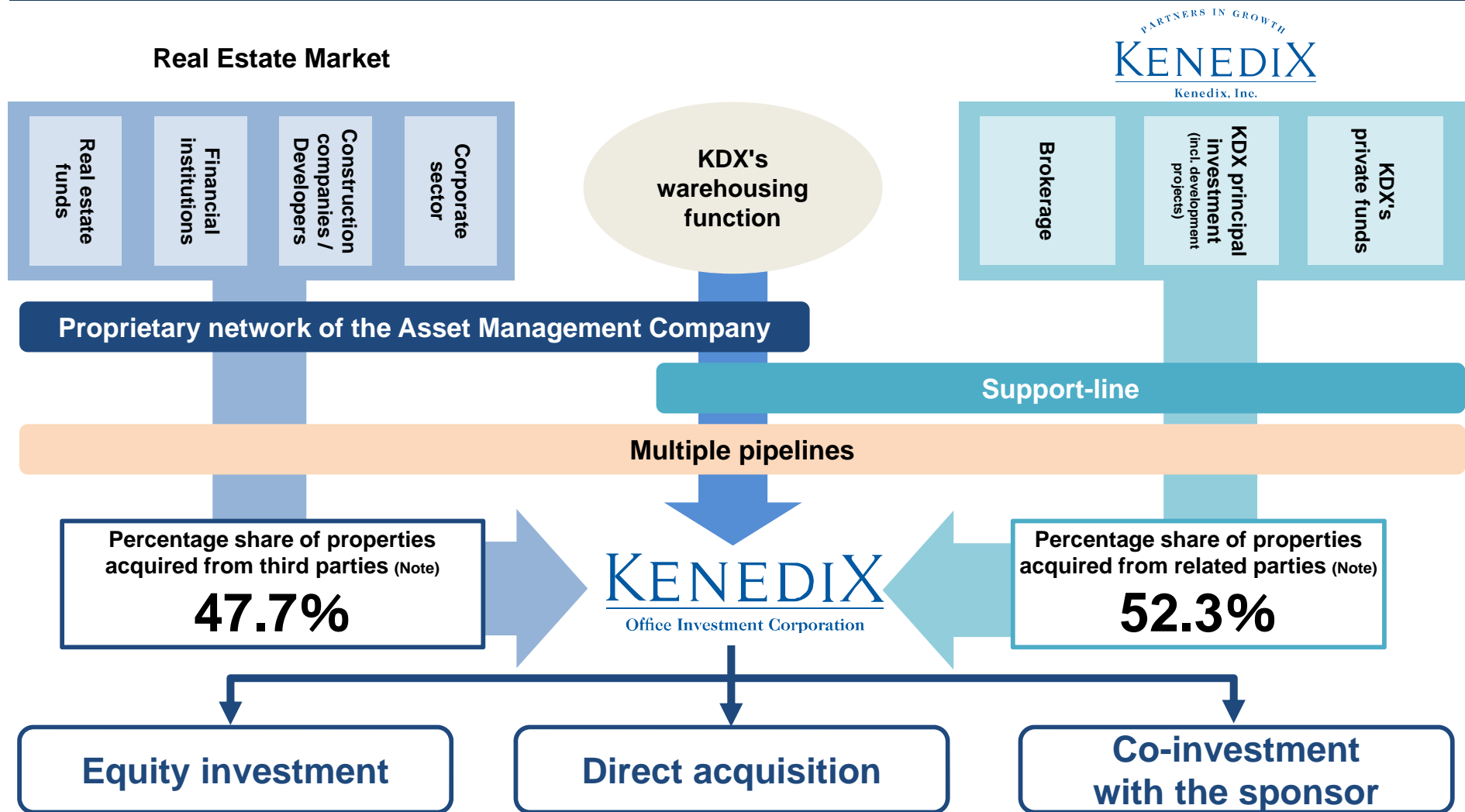
Note 1: Occupancy rate, leasable area and the number of tenants for Nissou Dai-17 Building is as of the end of the month (July 31, 2014) immediately prior to disposition date. Occupancy rate, leasable area and the number of tenants for Shin-Yokohama 214 Building is as of July 31, 2014. If a same end-tenant enters into lease agreements in a multiple buildings / a single building or leases a multiple floors / office space, such tenant is aggregated based on their names and is counted as 1 tenant. For KDX Minami Semba Dai-1 Building, age of building is as of the disposition date (July 31, 2014) and occupancy rate and leasable area as of the end of the month (June 30, 2014) immediately prior to disposition date. Figures for KDX Minami-Honmachi Building is as of July 31, 2014.

Note 2: Actual NOI yield of the sold properties is calculated by KFM using the following formula: Leasing NOI based on actual results of the 17th (2013/10) and 18th (2014/4) fiscal periods / book value as of the end of the 18th fiscal period (April 30, 2014), where leasing NOI = leasing revenue – leasing expense + depreciation. The figure is rounded to the first decimal place.

Property sourcing and acquisition methods

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

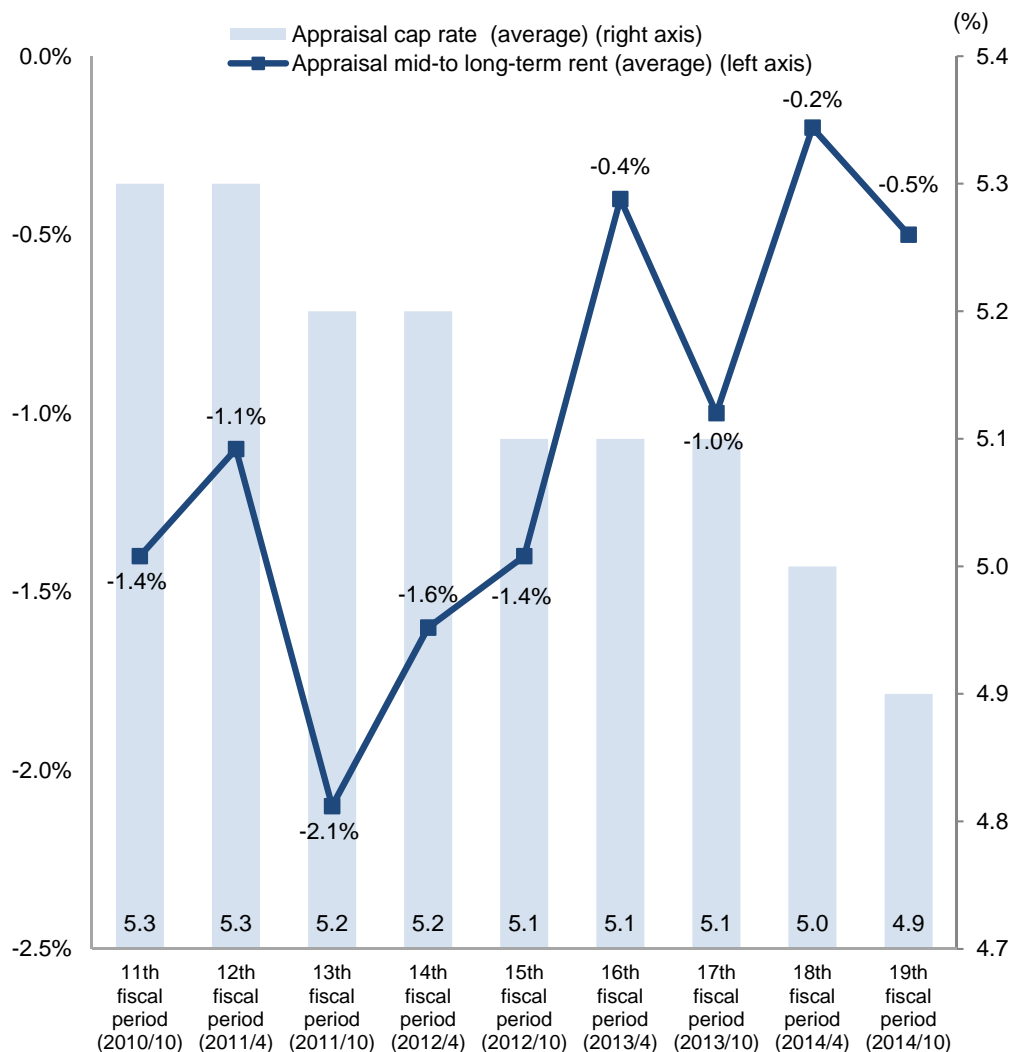
Property acquisition track record supported by our multiple pipelines and diversification of acquisition methods



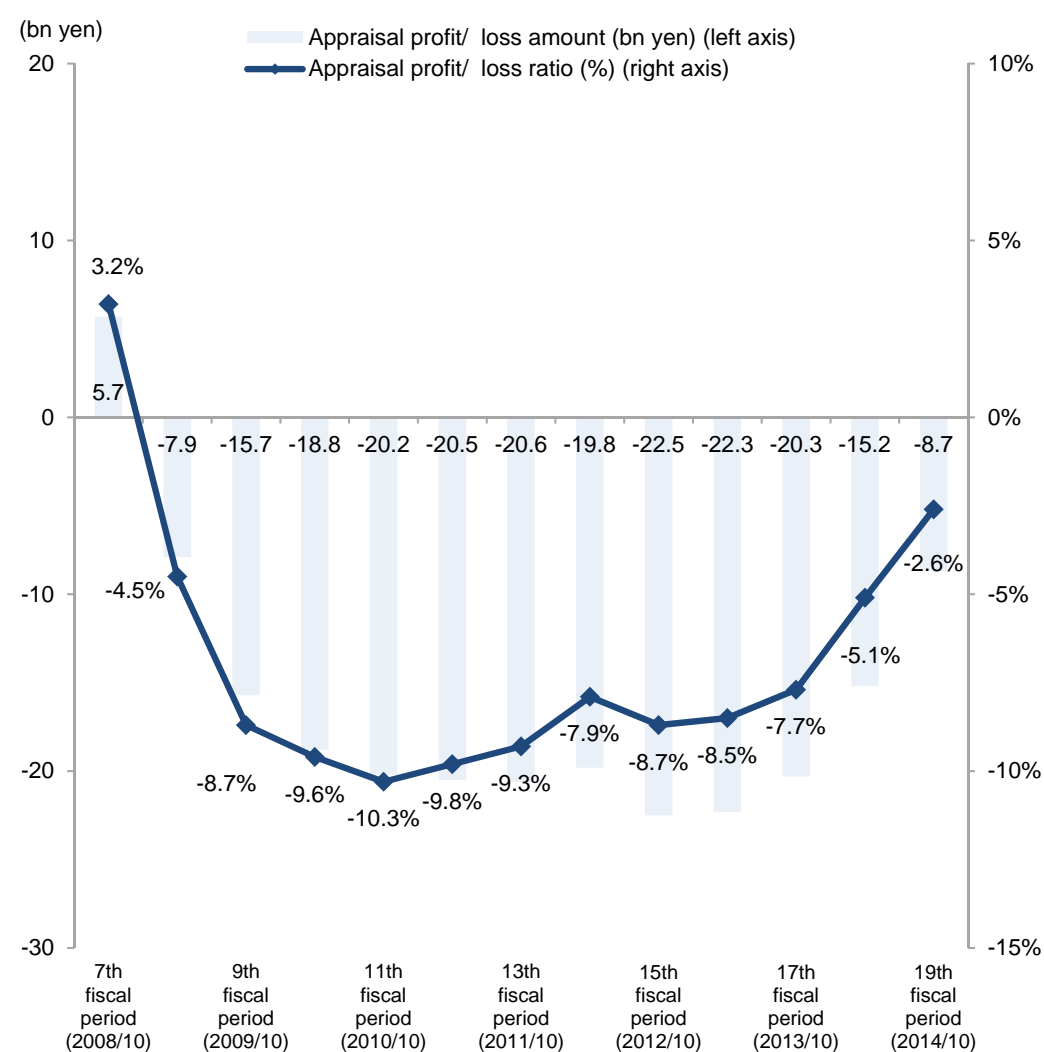
Note: Percentage share of properties is calculated by the sum of (anticipated) acquisition prices for each acquisition source divided by total anticipated (acquisition) price for the properties which we will own after the offering in Nov 2014. Figures are rounded to the first decimal place.

Historical appraisal value of office buildings

Appraisal cap rate and change in appraisal mid- to long-term rent level (Note 1)



Office buildings: Appraisal profit/loss amount and ratio (Note 2)



Note 1: Figures are average appraisal cap rate and percentage changes in mid- to long- term rent level for office buildings owned at the end of each fiscal period (excluding the properties sold). For the properties acquired during each fiscal period, the mid- to long-term rent and cap rate described in appraisal report at the time of acquisition are used as the values as of the end of the previous fiscal period. Figures are a weighted average value based on acquisition price and are rounded to the first decimal place.

Note 2: Appraisal profit/loss is calculated by subtracting book values from appraisal values for office properties owned (excluding properties sold) at the end of each fiscal period. The ratio is calculated by dividing the appraisal profit/loss by the total book value and is rounded to the first decimal place.

Appraisal values and cap rates as of the end of the 19th fiscal period (1)

No	Property name	Appraiser	Acquisition price (mn yen) (A)	End of 19th fiscal period (As of Oct 31, 2014)				End of 18th fiscal period (As of Apr 30, 2014)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen) (B)	Appraisal value (mn yen) (C)	Capitalization method cap (D)	Appraisal value vs book value (C)÷(B)-1	Appraisal value (mn yen) (E)	Capitalization method cap rate (F)	Changes (C)-(E)	% changes (C)÷(E)-1	Changes (D)-(F)
A001	KDX Nihonbashi 313 Building	Daiwa	5,940	5,980	6,650	4.4%	11.2%	6,520	4.5%	130	2.0%	-0.1%
A003	Higashi-Kayabacho Yuraku Building	JREI	4,450	4,231	4,900	4.7%	15.8%	4,880	4.8%	20	0.4%	-0.1%
A004	KDX Hatchobori Building	Daiwa	3,680	3,384	3,040	4.7%	-10.2%	3,220	4.8%	-180	-5.6%	-0.1%
A005	KDX Nakano-Sakaue Building	Daiwa	2,533	2,400	2,270	4.9%	-5.4%	2,270	5.0%	-	-	-0.1%
A006	Harajuku F.F. Building	JREI	2,450	2,410	3,070	5.1%	27.4%	3,030	5.2%	40	1.3%	-0.1%
A007	FIK Minami Aoyama	JREI	2,270	2,226	2,370	4.4%	6.5%	2,330	4.5%	40	1.7%	-0.1%
A008	Kanda Kihara Building	Daiwa	1,950	1,825	1,640	4.7%	-10.1%	1,670	4.8%	-30	-1.8%	-0.1%
A012	Portus Center Building	Daiwa	5,570	4,346	4,860	6.1%	11.8%	4,760	6.2%	100	2.1%	-0.1%
A013	KDX Kojimachi Building	JREI	5,950	5,640	4,350	4.2%	-22.9%	4,350	4.3%	-	-	-0.1%
A014	KDX Funabashi Building	JREI	2,252	2,313	1,980	6.0%	-14.4%	1,950	6.1%	30	1.5%	-0.1%
A015	KDX Hamacho Building	JREI	2,300	2,183	2,260	5.0%	3.5%	2,230	5.1%	30	1.3%	-0.1%
A016	Toshin 24 Building	JREI	5,300	4,981	4,130	5.5%	-17.1%	4,020	5.6%	110	2.7%	-0.1%
A017	KDX Ebisu Building	JREI	4,640	4,503	4,380	4.5%	-2.7%	4,300	4.6%	80	1.9%	-0.1%
A019	KDX Hamamatsucho Building	Daiwa	3,460	3,142	3,180	4.3%	1.2%	3,130	4.4%	50	1.6%	-0.1%
A020	KDX Kayabacho Building	JREI	2,780	2,800	2,490	4.9%	-11.1%	2,450	5.0%	40	1.6%	-0.1%
A021	KDX Shinbashi Building	JREI	3,728	3,802	4,170	4.2%	9.7%	3,820	4.4%	350	9.2%	-0.2%
A022	KDX Shin-Yokohama Building	JREI	2,520	2,357	2,100	5.8%	-10.9%	2,160	5.9%	-60	-2.8%	-0.1%
A025	KDX Minami Semba Dai-2 Building	JREI	1,560	1,317	978	5.7%	-25.7%	978	5.8%	-	-	-0.1%
A026	KDX Kiba Building	JREI	1,580	1,510	1,380	5.3%	-8.6%	1,380	5.4%	-	-	-0.1%
A027	KDX Kajicho Building	Daiwa	2,350	2,331	2,250	4.7%	-3.5%	2,280	4.8%	-30	-1.3%	-0.1%
A028	KDX Nogizaka Building	JREI	1,065	1,101	683	5.3%	-38.0%	683	5.3%	-	-	-
A029	KDX Higashi-Shinjuku Building	Daiwa	2,950	3,113	3,390	4.8%	8.9%	3,370	4.9%	20	0.6%	-0.1%
A030	KDX Nishi-Gotanda Building	JREI	4,200	3,993	3,860	4.9%	-3.3%	3,810	5.0%	50	1.3%	-0.1%
A031	KDX Monzen-Nakacho Building	Daiwa	1,400	1,361	1,160	5.3%	-14.8%	1,140	5.4%	20	1.8%	-0.1%
A032	KDX Shiba-Daimon Building	JREI	6,090	6,134	4,660	4.7%	-24.0%	4,570	4.8%	90	2.0%	-0.1%
A033	KDX Okachimachi Building	Daiwa	2,000	2,084	1,900	4.7%	-8.8%	1,880	4.8%	20	1.1%	-0.1%
A034	KDX Hon-Atsugi Building	Daiwa	1,305	1,214	1,090	6.0%	-10.2%	1,070	6.1%	20	1.9%	-0.1%
A035	KDX Hachioji Building	Daiwa	1,155	1,253	990	5.7%	-21.0%	979	5.8%	11	1.1%	-0.1%
A037	KDX Ochanomizu Building	JREI	6,400	6,517	6,460	4.5%	-0.9%	6,320	4.6%	140	2.2%	-0.1%
A038	KDX Nishi-Shinjuku Building	JREI	1,500	1,558	1,150	4.9%	-26.2%	1,140	5.0%	10	0.9%	-0.1%
A039	KDX Toranomon Building	JREI	4,400	4,728	3,500	4.2%	-26.0%	3,440	4.3%	60	1.7%	-0.1%
A040	Toranomon Toyo Building	JREI	9,850	9,935	10,500	4.4%	5.7%	10,500	4.4%	-	-	-
A041	KDX Shinjuku 286 Building	JREI	2,300	2,352	2,360	4.5%	0.3%	2,300	4.6%	60	2.6%	-0.1%

* Notes are shown on P.44.

Appraisal values and cap rates as of the end of the 19th fiscal period (2)

No	Property name	Appraiser	Acquisition price (mn yen)	End of 19th fiscal period (As of Oct 31, 2014)				End of 18th fiscal period (As of Apr 30, 2014)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen) (B)	Appraisal value (mn yen) (C)	Capitalization method cap (D)	Appraisal value vs book value (C)÷(B)-1	Appraisal value (mn yen) (E)	capitalization method cap rate (F)	Changes (C)-(E)	% changes (C)÷(E)-1	Changes (D)-(F)
A042	Karasuma Building	Daiwa	5,400	5,272	5,070	5.3%	-3.8%	5,030	5.4%	40	0.8%	-0.1%
A044	KDX Sendai Building	Daiwa	2,100	2,081	1,580	5.9%	-24.1%	1,440	6.0%	140	9.7%	-0.1%
A045	KDX Roppongi 228 Building	JREI	3,300	3,418	2,120	4.6%	-38.0%	2,120	4.7%	-	-	-0.1%
A046	Hiei Kudan-Kita Building	Daiwa	7,600	7,564	7,610	4.3%	0.6%	7,560	4.4%	50	0.7%	-0.1%
A047	KDX Shin-Yokohama 381 Building	JREI	5,800	5,675	4,080	5.7%	-28.1%	4,010	5.8%	70	1.7%	-0.1%
A048	KDX Kawasaki-Ekimae Hon-cho Building	JREI	3,760	3,658	2,990	5.8%	-18.3%	2,990	6.0%	-	-	-0.2%
A050	KDX Ikejiri-Oohashi Building	JREI	2,400	2,411	1,520	5.3%	-37.0%	1,510	5.4%	10	0.7%	-0.1%
A051	KDX Hamacho Nakanohashi Building	JREI	2,310	2,295	1,820	4.9%	-20.7%	1,800	5.0%	20	1.1%	-0.1%
A052	KDX Kanda Misaki-cho Building	JREI	1,380	1,360	959	5.0%	-29.5%	959	5.1%	-	-	-0.1%
A053	KDX Hakata-Minami Building	JREI	4,900	4,688	3,460	6.4%	-26.2%	3,320	6.5%	140	4.2%	-0.1%
A054	KDX Kitahama Building	JREI	2,220	2,130	1,540	5.9%	-27.7%	1,530	5.9%	10	0.7%	-
A055	Shin-toshin Maruzen Building	JREI	2,110	2,123	1,580	5.0%	-25.6%	1,570	5.1%	10	0.6%	-0.1%
A056	KDX Jimbocho Building	JREI	2,760	2,906	2,010	4.8%	-30.9%	1,980	4.9%	30	1.5%	-0.1%
A057	KDX Gobancho Building	JREI	1,951	1,938	1,410	4.5%	-27.3%	1,380	4.6%	30	2.2%	-0.1%
A058	KDX Nagoya Sakae Building	Daiwa	7,550	7,148	4,940	4.9%	-30.9%	4,840	5.0%	100	2.1%	-0.1%
A059	KDX Iwamoto-cho Building	JREI	1,864	1,737	1,370	5.0%	-21.2%	1,350	5.1%	20	1.5%	-0.1%
A060	KDX Harumi Building	JREI	10,250	9,340	8,470	4.6%	-9.3%	8,470	4.7%	-	-	-0.1%
A061	KDX Hamamatsucho Dai-2 Building	Daiwa	2,200	2,265	1,930	4.3%	-14.8%	1,890	4.4%	40	2.1%	-0.1%
A062	Koishikawa TG Building	JREI	3,080	3,074	3,200	4.7%	4.1%	3,250	4.8%	-50	-1.5%	-0.1%
A063	Gotanda TG Building	JREI	2,620	2,757	2,790	4.8%	1.2%	2,620	4.9%	170	6.5%	-0.1%
A064	KDX Nihonbashi 216 Building	JREI	2,010	1,918	1,840	4.3%	-4.1%	1,890	4.4%	-50	-2.6%	-0.1%
A066	KDX Shinjuku Building	JREI	6,800	6,894	6,780	4.2%	-1.7%	6,710	4.3%	70	1.0%	-0.1%
A067	KDX Ginza 1chome Building	Daiwa	4,300	4,255	5,170	4.1%	21.5%	5,080	4.2%	90	1.8%	-0.1%
A068	KDX Nihonbashi Honcho Building	Daiwa	4,000	3,978	4,420	4.5%	11.1%	4,330	4.6%	90	2.1%	-0.1%
A069	KDX Kobayashi-Doshomachi Building	JREI	2,870	2,491	2,680	6.4%	7.6%	2,680	7.0%	-	-	-0.6%
A070	KDX Sapporo Building	Daiwa	2,005	2,023	2,010	5.5%	-0.7%	2,050	5.6%	-40	-2.0%	-0.1%
A071	KDX Iidabashi Building	Daiwa	4,670	4,622	5,210	4.5%	12.7%	5,140	4.6%	70	1.4%	-0.1%
A072	KDX Higashi-Shinagawa Building	Daiwa	4,590	4,827	4,640	4.7%	-3.9%	4,770	4.8%	-130	-2.7%	-0.1%
A073	KDX Hakozaki Building	Daiwa	2,710	2,817	2,920	4.9%	3.6%	2,890	5.0%	30	1.0%	-0.1%
A074	KDX Shin-Nihonbashi Building	Daiwa	2,300	2,197	2,570	4.3%	16.9%	2,520	4.4%	50	2.0%	-0.1%
A075	KDX Nihonbashi Kabutocho Building	JREI	11,270	11,364	11,700	4.5%	3.0%	11,700	4.6%	-	-	-0.1%
A078	KDX Tachikawa Ekimae Building	JREI	1,267	1,311	1,420	5.6%	8.3%	1,390	5.7%	30	2.2%	-0.1%
A079	KDX Nagoya Ekimae Building	JREI	7,327	7,957	7,710	4.9%	-3.1%	7,710	5.0%	-	-	-0.1%

* Notes are shown on P.44.

Appraisal values and cap rates as of the end of the 19th fiscal period (3)

No	Property name	Appraiser	Acquisition price (mn yen)	End of 19th fiscal period (As of Oct 31, 2014)				End of 18th fiscal period (As of Apr 30, 2014)		Period-end appraisal value		Direct capitalization method cap rate
				Book value (mn yen) (B)	Appraisal value (mn yen) (C)	Capitalization method cap (D)	Appraisal value vs book value (C)÷(B)-1	Appraisal value (mn yen) (E)	capitalization method cap rate (F)	Changes (C)-(E)	% changes (C)÷(E)-1	Changes (D)-(F)
A080	Nagoya Nikko Shoken Building	JREI	4,158	4,237	4,120	5.3%	-2.8%	4,060	5.4%	60	1.5%	-0.1%
A081	Sendai Nikko Building	JREI	950	1,042	1,030	5.7%	-1.2%	1,030	5.8%	-	-	-0.1%
A082	KDX Higashi Umeda Building	Daiwa	2,770	2,713	3,480	4.8%	28.2%	3,400	4.9%	80	2.4%	-0.1%
A083	KDX Fuchu Building	Daiwa	6,120	6,084	6,750	5.3%	10.9%	6,700	5.4%	50	0.7%	-0.1%
A084	KDX Kasuga Building	JREI	2,800	2,829	3,450	4.7%	21.9%	3,390	4.8%	60	1.8%	-0.1%
A085	KDX Nakameguro Building	Daiwa	1,880	1,896	2,290	4.9%	20.8%	2,260	5.0%	30	1.3%	-0.1%
A086	KDX Omiya Building	Daiwa	2,020	2,232	2,440	5.5%	9.3%	2,430	5.6%	10	0.4%	-0.1%
A087	Itopia Nihonbashi SA Building	Daiwa	2,200	2,265	2,310	4.8%	1.9%	2,280	4.9%	30	1.3%	-0.1%
A088	Welship Higashi-Shinjuku	Daiwa	1,900	1,909	2,310	4.7%	20.9%	2,160	4.8%	150	6.9%	-0.1%
A089	KDX Takanawadai Building	JREI	5,250	5,295	5,730	4.7%	8.2%	5,430	4.8%	300	5.5%	-0.1%
A090	KDX Ikebukuro Building	Daiwa	3,900	3,867	4,290	4.4%	10.9%	4,260	4.5%	30	0.7%	-0.1%
A091	KDX Mita Building	JREI	3,180	3,186	3,490	4.6%	9.5%	3,470	4.7%	20	0.6%	-0.1%
A092	KDX Akihabara Building	JREI	2,600	2,604	2,840	4.5%	9.1%	2,770	4.6%	70	2.5%	-0.1%
A093	Aplus Tokyo Building	Daiwa	4,350	4,557	4,690	4.5%	2.9%	4,580	4.6%	110	2.4%	-0.1%
A094	KDX Musashi-Kosugi Building	JREI	12,000	11,942	13,200	4.9%	10.5%	12,500	5.1%	700	5.6%	-0.2%
A095	KDX Toyosu Grand Square (Note 3)	Daiwa	8,666	8,641	9,130	5.0%	5.7%	9,010	5.1%	120	1.3%	-0.1%
A096	Grace Building Takadanobaba (Note 3)	Daiwa	3,650	3,674	3,910	4.8%	6.4%	3,800	4.9%	110	2.9%	-0.1%
A097	Fumix STM Building (Note 3)	Daiwa	2,350	2,349	2,500	6.1%	6.4%	2,450	6.2%	50	2.0%	-0.1%
A098	Hiroshima Ekimae-dori Mark Building (Note 3)	JREI	1,300	1,364	1,380	6.3%	1.2%	1,370	6.3%	10	0.7%	-
A099	Tosen Ikebukuro Building (Note 3)	Daiwa	1,934	1,959	1,970	4.7%	0.5%	1,970	4.7%	-	-	-
A100	Senri Life Science Center Building (Note 3)	Daiwa	13,000	13,074	13,200	5.1%	1.0%	13,200	5.1%	-	-	-
A101	Urban Square Yokohama (Note 3)	Daiwa	7,210	7,263	7,600	4.9%	4.6%	7,600	4.9%	-	-	-
Subtotal: Office buildings			337,741	334,542	325,780	4.9%	-2.6%	321,529	5.0%	4,251	1.3%	-0.1%
B018	Venus Hibarigaoka	JREI	1,800	1,708	1,590	6.1%	-6.9%	1,570	6.3%	20	1.3%	-0.2%
B019	Residence Charmante Tsukishima	JREI	5,353	4,756	4,900	4.8%	3.0%	4,710	5.0%	190	4.0%	-0.2%
Subtotal: Residential			7,153	6,465	6,490	5.1%	0.4%	6,280	5.3%	210	3.3%	-0.2%
C001	Frame Jinnan-zaka	JREI	9,900	9,564	9,920	4.1%	3.7%	9,600	4.2%	320	3.3%	-0.1%
C002	KDX Yoyogi Building	JREI	2,479	2,501	2,020	5.0%	-19.2%	1,980	5.1%	40	2.0%	-0.1%
C004	Ginza 4chome Tower	JREI	9,800	9,787	11,300	3.7%	15.4%	11,000	3.8%	300	2.7%	-0.1%
Subtotal: Central urban retail			22,179	21,853	23,240	4.0%	6.3%	22,580	4.1%	660	2.9%	-0.1%
D002	Shinjuku 6-chome Building (land)	Daiwa	2,880	2,973	2,960	4.2%	-0.5%	2,900	4.3%	60	2.1%	-0.1%
Subtotal: Others			2,880	2,973	2,960	4.2%	-0.5%	2,900	4.3%	60	2.1%	-0.1%
Total			369,954	365,835	358,470	4.8%	-2.0%	353,289	4.9%	5,181	1.5%	-0.1%

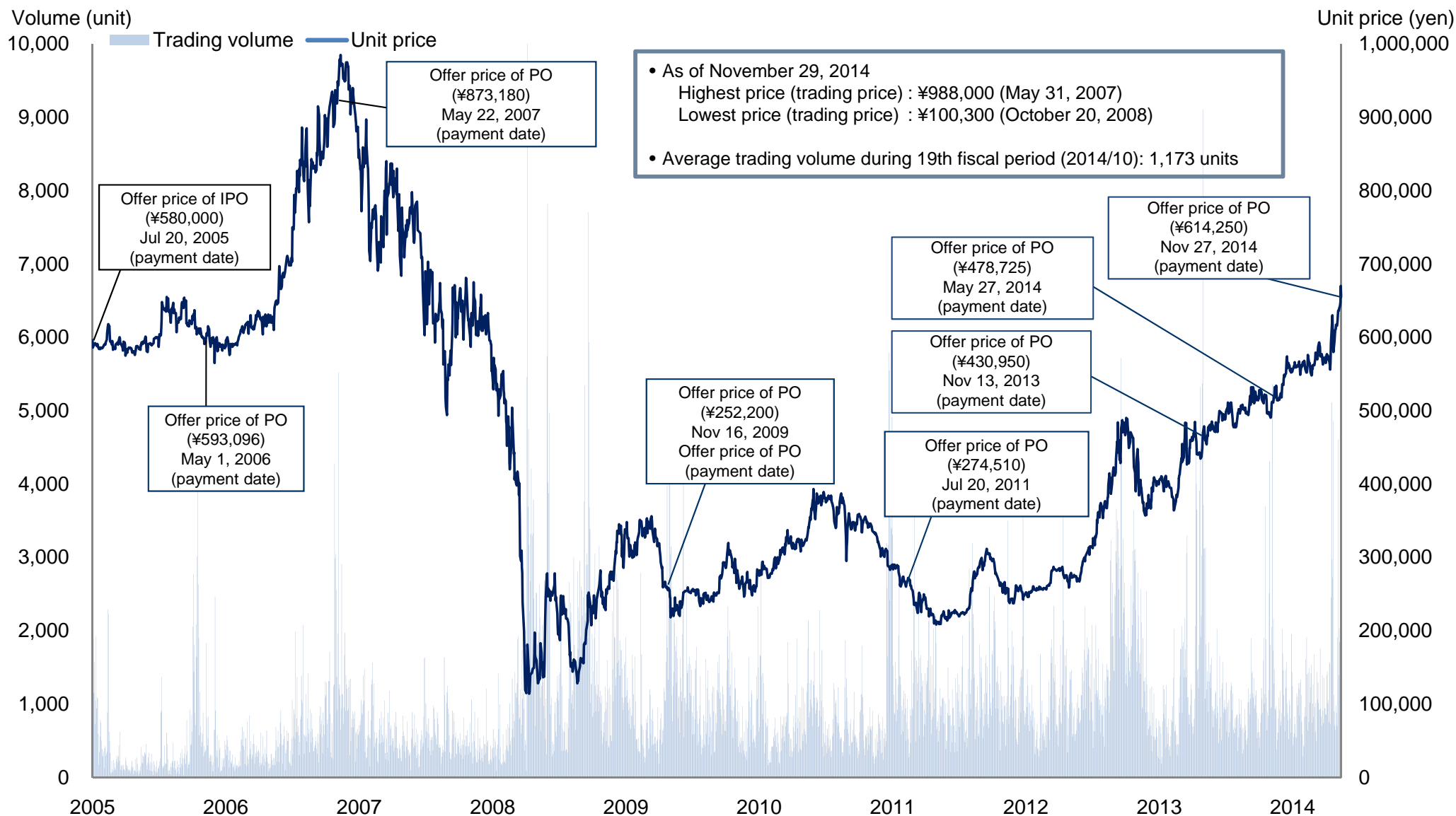
Note 1: Ratios for acquisition price, appraisal value and book value are rounded to the first decimal place.

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

Note 3: For the properties newly acquired in the 19th fiscal period (2014/10), the appraisal values included in the relevant appraisal report obtained at the time of acquisition are considered as the appraisal values as of the end of the previous fiscal period in calculating the change in appraisal value (period-over-period).

Unit price and trading volume since IPO

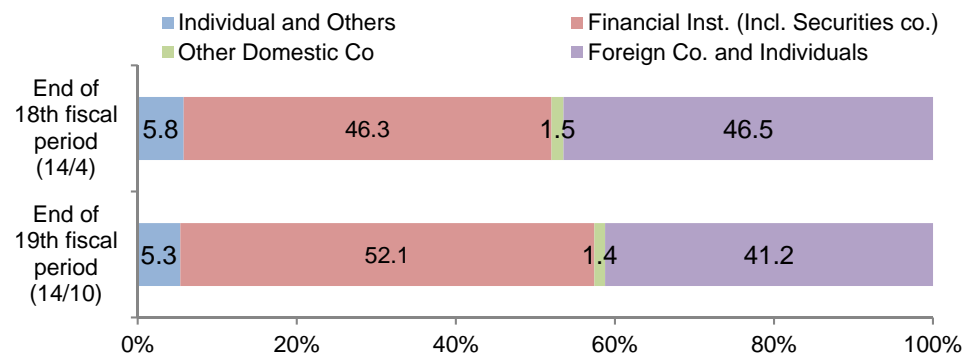
KDO unit price and trading volume performance (from the listing date to November 29, 2014)



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

KDO Unitholders (as of the end of the 19th fiscal period (2014/10))

Change in % share of investment units by unitholders



Top 10 unitholders

Name	# of units held (unit)	Percentage share (%) (Note)
Japan Trustee Services Bank, Ltd. (Trust Acct.)	59,140	16.65
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	41,253	11.62
The Master Trust Bank of Japan, Ltd. (Trust Acct.)	32,536	9.16
The Nomura Trust and Banking Co., Ltd. (Investment Trust Acct.)	18,518	5.21
The Bank of New York Mellon SA/NV 10	12,919	3.63
Nomura Bank (Luxemburg) S.A.	12,000	3.38
State Street Bank and Trust Company	7,024	1.97
Nomura Securities Co., Ltd.	6,849	1.92
MSIP CLIENT SECURITIES	6,488	1.82
JP Morgan Chase & Co. 385174	6,016	1.69
Total	202,743	57.10

Note: The percentage share (total units owned to total units outstanding) is rounded down to the second decimal place.

Number of unitholders

	Foreign Co. and Individuals	Other Domestic Co	Financial Inst. (Incl. Securities co.)	Individual and Others	Total
End of 18th fiscal period (2014/4)	224	115	53	6,594	6,986
End of 19th fiscal period (2014/10)	226	123	71	6,638	7,058

Reference: Reporting of major unitholders (as of December 4, 2014) (Note)

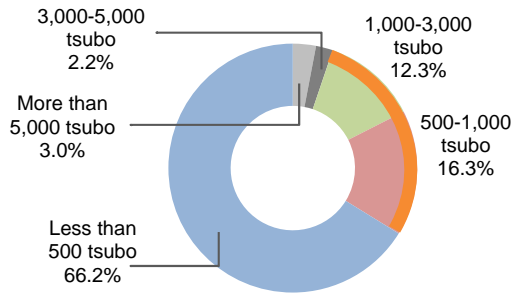
Name	Submitted on	# of units held (unit)
CBRE Clarion Securities LLC	2013/12/13	21,840
Mizuho Asset Management Co., Ltd.	2013/12/27	33,499
Mizuho Asset Management Co., Ltd.		16,501
Shinko Asset Management Co., Ltd.		16,998
Sumitomo Mitsui Trust Bank, Limited	2014/10/21	23,193
The Sumitomo Trust Bank, Limited		457
Sumitomo Mitsui Trust Asset Management Co., Ltd.		14,641
Nikko Asset Management Co., Ltd.		8,095

Note: The table includes major unitholders that owns more than 5% of the maximum units outstanding after the offering in Nov 2014 (404,885 units, including the third-party allotment)

Office building market

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

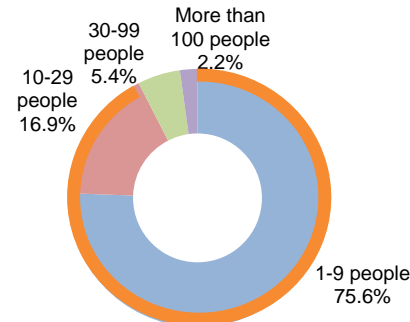
Office market by GFA (based on total area)



Note: The above data covers rental office buildings located in Tokyo Central 5 wards that were surveyed by CBRE K.K.. The above data may not include the data of all properties in the Tokyo Central 5 wards (as of 2011/3).

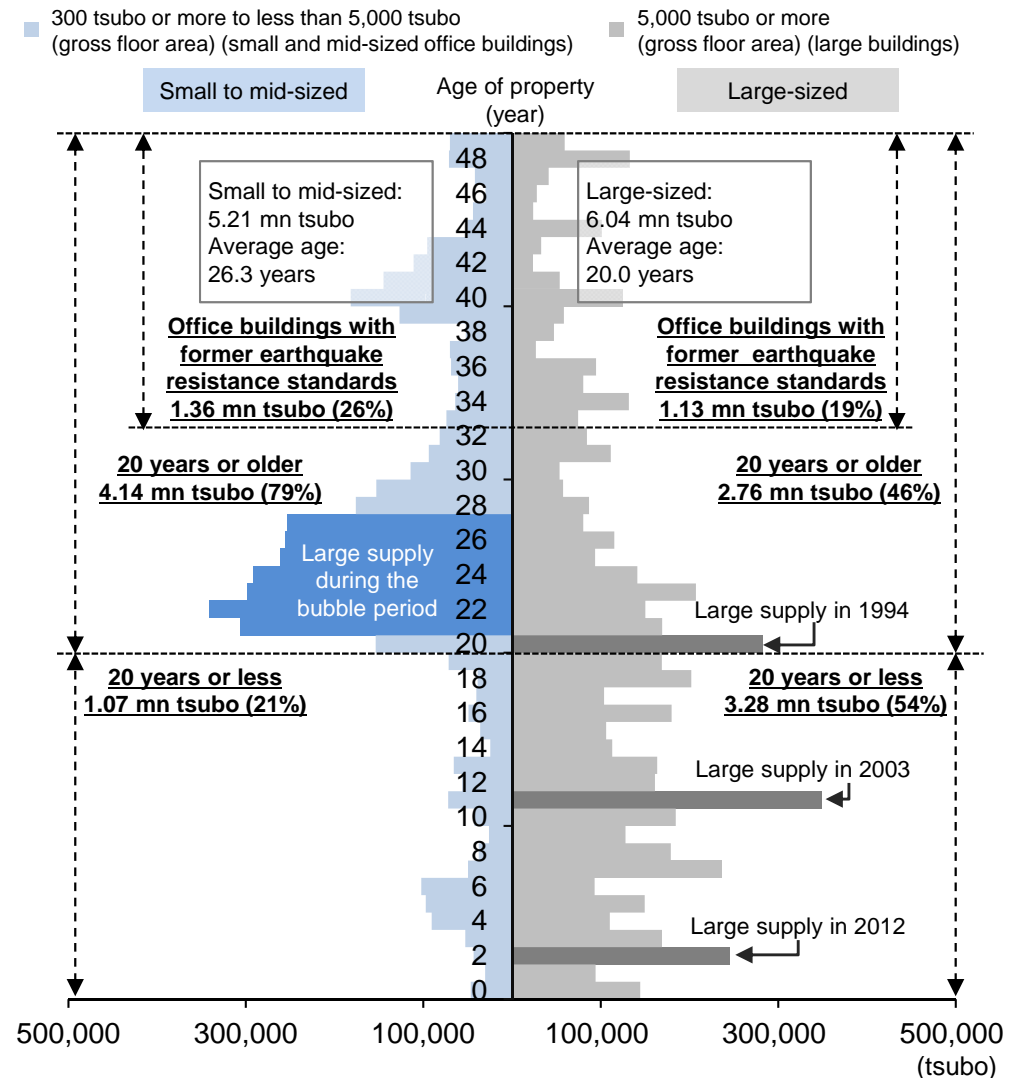
Source: Survey conducted by CBRE K.K. based on KFM's request "Market survey of Medium-sized buildings"(2011/5)

Office market by the number of employees (Tokyo)



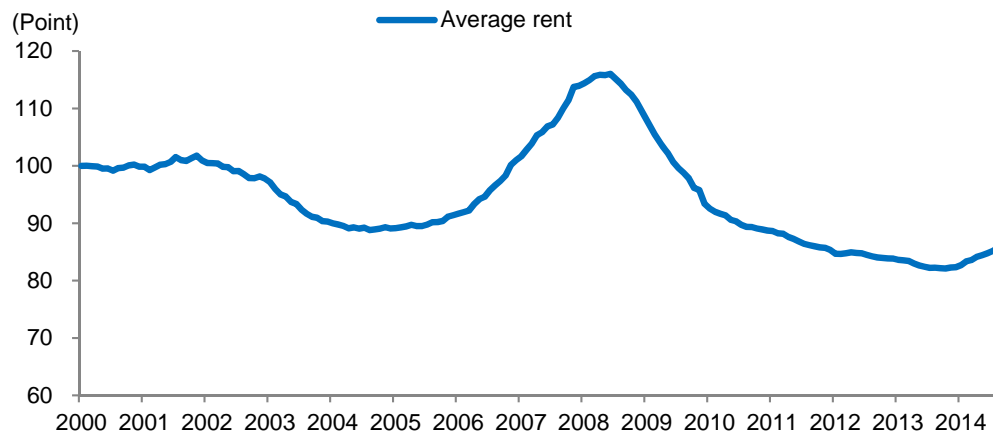
Source: Created by KFM based on "2012 Economic census-activity investigation report (Tabulations across Industries for Tokyo (as of June 25, 2014))"

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



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

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

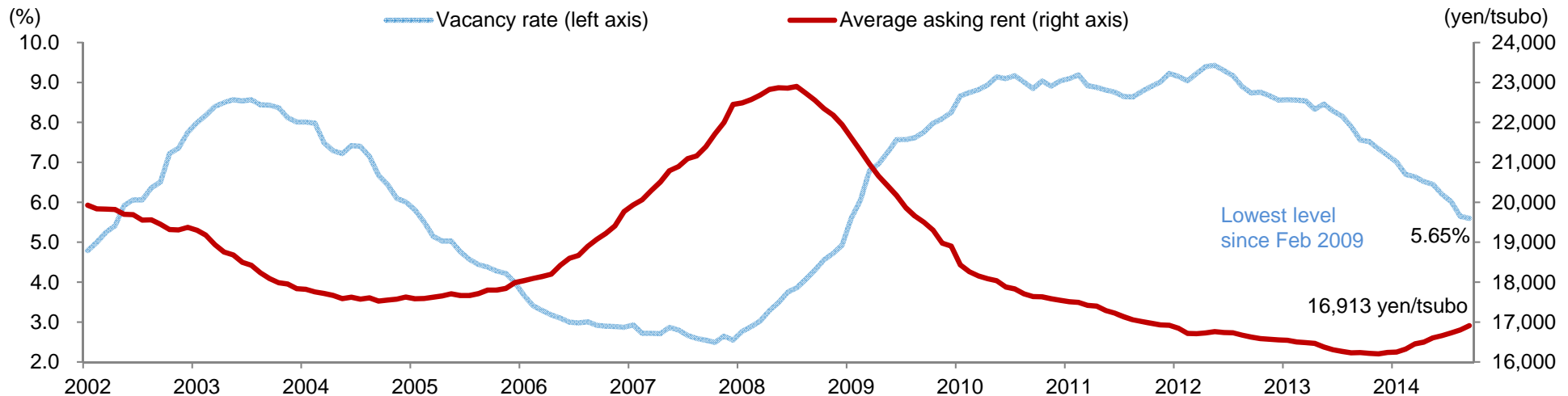


Note: The data covers the period between March 2000 and October 2014 and shows indexed value of monthly average newly contracted rent with the value for March 2000 given a value of 100.

Source: Compiled by KFM using "Office Data by area, Tokyo Central 5 wards" prepared by Miki Shoji.

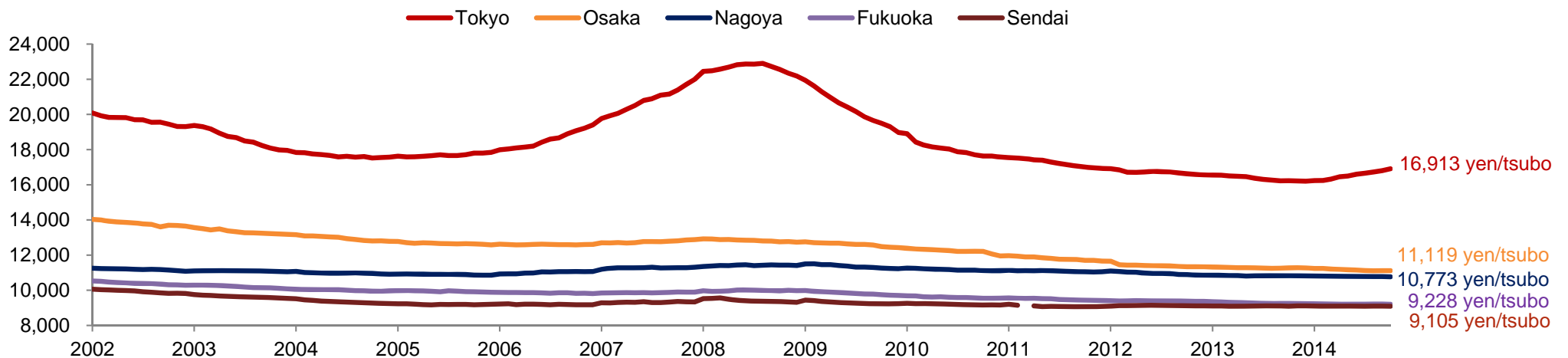
Reference data (1)

Changes in asking rent and vacancy rate in Tokyo Central 5 wards (from Jan 2002 to Oct 2014)



Note: Covers office buildings with standard floor area over 100 tsubo in Tokyo business districts (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards).
Source: Miki Shoji "Latest Office Building Markets in Tokyo (central 5 wards)" (from January 2002 to October 2014)

Changes in rent levels by region (from Feb 2002 to Oct 2014)



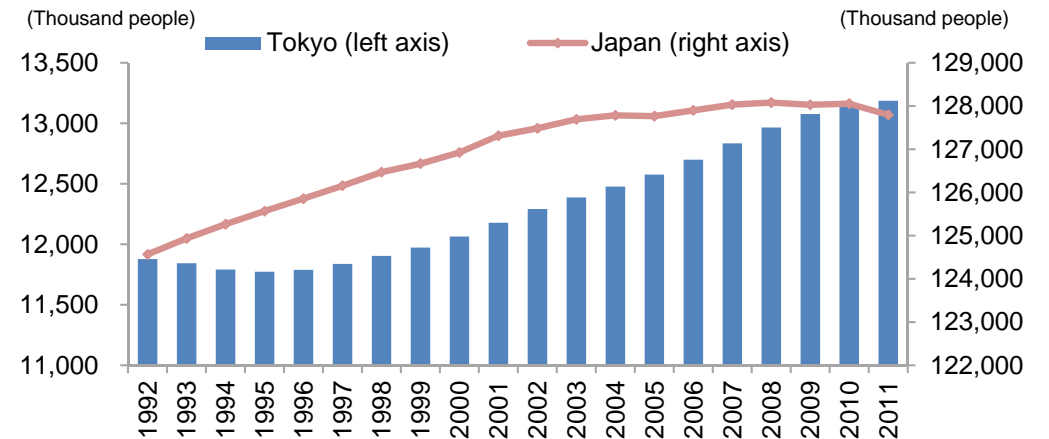
Note: Rent data of business districts and its sub areas. Tokyo covers office buildings with standard floor area over 100 tsubo in Tokyo Central 5 wards (Chiyoda, Chuo, Minato, Shinjuku and Shibuya wards)
Source: Compiled by KFM using the data prepared by Miki Shoji (from February 2002 to October 2014)

Reference data (2)

Economic foundations etc. of Tokyo			
	Japan	Tokyo	Date
Gross Production (Nominal GDP)	¥473,282.6 bn	¥92,387.8 bn (#1 in Japan: 19.5%)	FY 2011
# of offices	5.76 mn	0.7 mn (#1 in Japan: 11.5%)	July 1, 2012
# of employees	55.83 mn	8.65 mn (#1 in Japan)	July 1, 2012
Total population	127.79 mn	13.18 mn (#1 in Japan)	Oct 1, 2011
Population of productive age (15–64 years old)	81.03 mn	8.85 mn (#1 in Japan: 10.9%)	Oct 1, 2010

Source: National Census and "Kurashi to toukei 2013 (Life and statistics 2013)" on the Tokyo metropolitan government website.

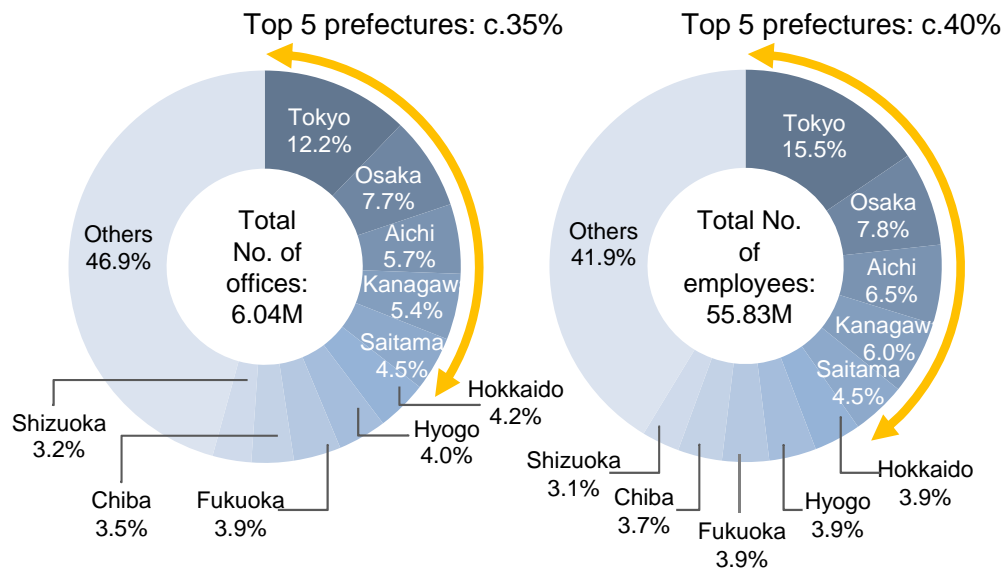
Change in population of Tokyo and Japan (1992-2011)



Source: "Change in population 1872-2012(Tokyo and Japan)", Bureau of General Affairs, Tokyo Metropolitan Government

Note: The data for 2011 is an estimate.

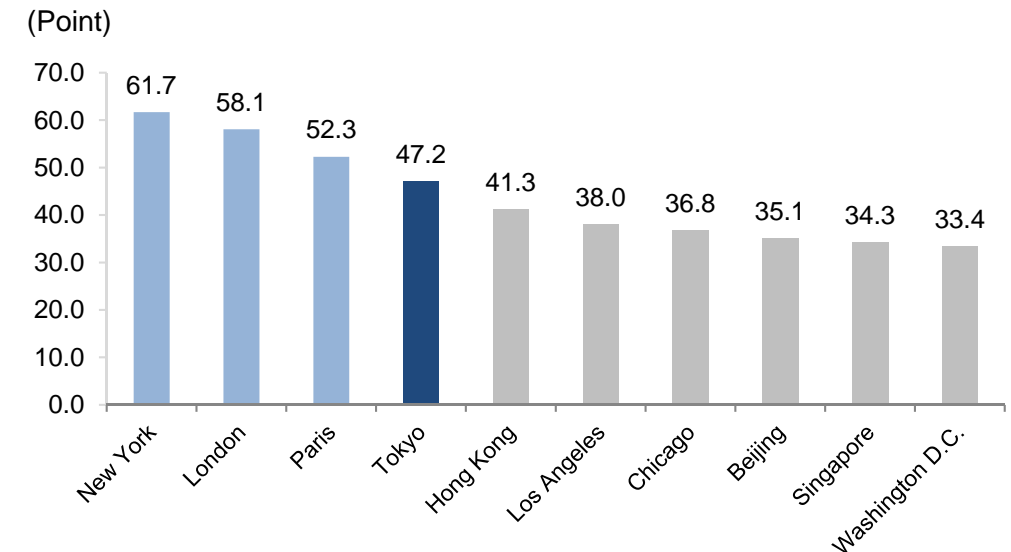
Breakdown of number of offices and employees by prefecture (2012)



Source: MIAC, Statistics Bureau "2012 Economic census-basic survey" (Feb, 2012)

Note: Data of top 10 prefectures listed in each chart.

Global Cities Index (A.T. Kearney Global Cities Index (2014))



Source: 2014 Global Cities Index and Emerging Cities Outlook

Note: "Global Cities Index" evaluates world's major 66 cities and ranks them according to 25 metrics across five dimensions: "Business activity" (30%), "Human capital" (30%), "Information exchange" (15%), "Cultural experience" (15%), and "Political engagement" (10%).

Management structure of KFM

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 Investment Management Dept., Office REIT Div.		●
General Manager of Planning Dept., Office REIT Div.		●
General Manager of Finance & Accounting Dept.		●
External member (lawyer)	●	
External member (real estate appraiser) (Note)		●

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

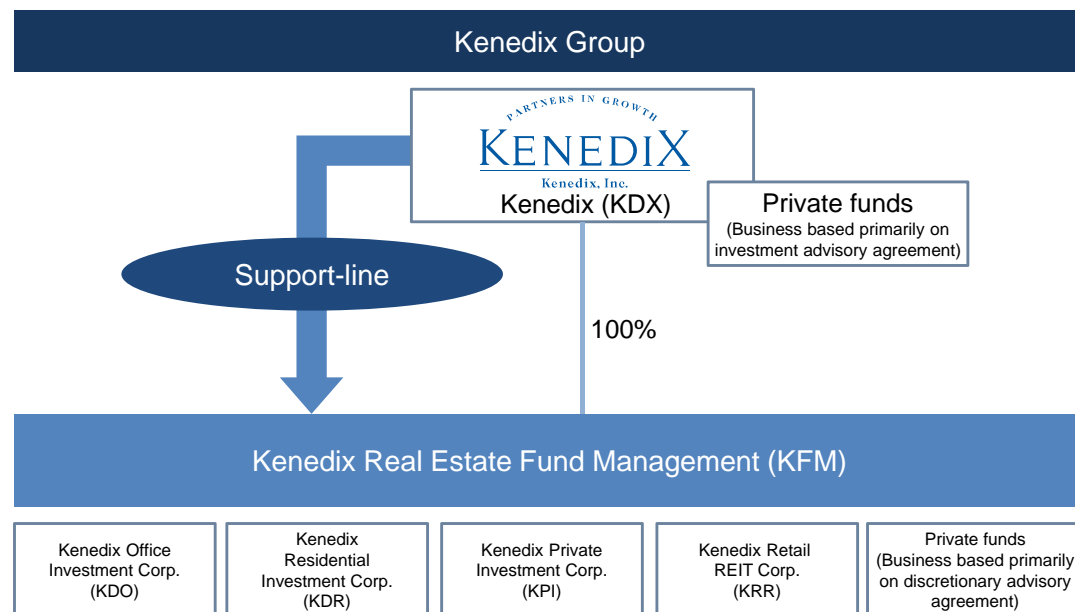
Rules on transactions with interested parties

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

Asset management company's 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% if interested parties)
Disposition fee	Capped at 0.5% of sale price

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



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

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 ²)
Tokyo 23 wards	More than 2,000, less than 13,000
Outside Tokyo 23 wards	More than 3,000, less than 20,000

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

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

Note 2: Specifically for properties with GFA below 20,000m² for Tokyo 23 wards and below 30,000m² for outside of Tokyo 23 wards.

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

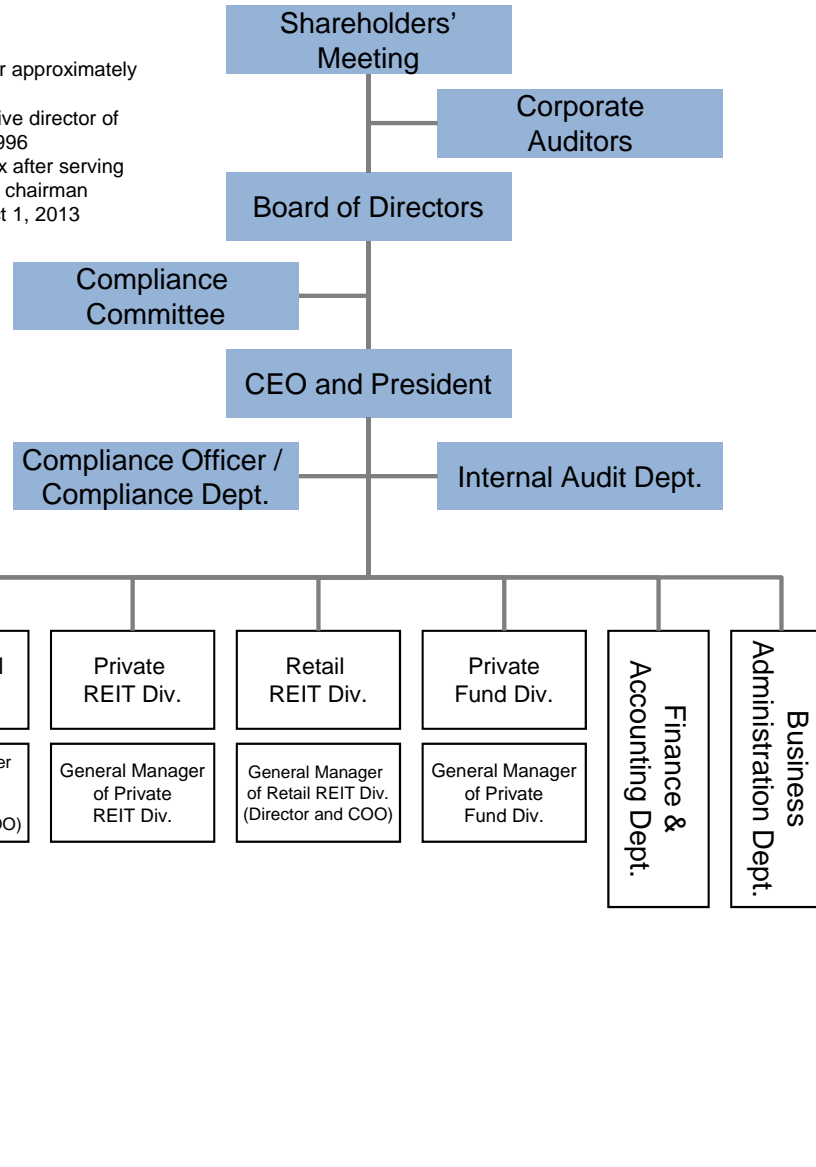
Organization Chart

Organization chart



Ryosuke Homma
CEO and President

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



Office REIT Division: Key members



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

- Worked for Mitsubishi UFJ Trust and Banking Corporation for approximately 17 years (Real Estate Division, Real Estate Project Origination Division)
- After working as CEO for Joint Asset Management Co., Ltd., joined Kenedix Office Partners, Inc. and was a member of the Financial Planning Division for approximately 2 years
- Appointed CEO and President of Kenedix Office Partners, Inc. on Feb 2, 2012
- Appointed Director and COO, General Manager of Office REIT Div. on Oct 1, 2013



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

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



Hikaru Teramoto
General Manager of
Planning Dept.
Office REIT Division

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

Finance & Accounting Dept.



Tetsushi Ichikawa
General Manager of
Finance & Accounting Dept.

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

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