

KENEDIX

Office Investment Corporation

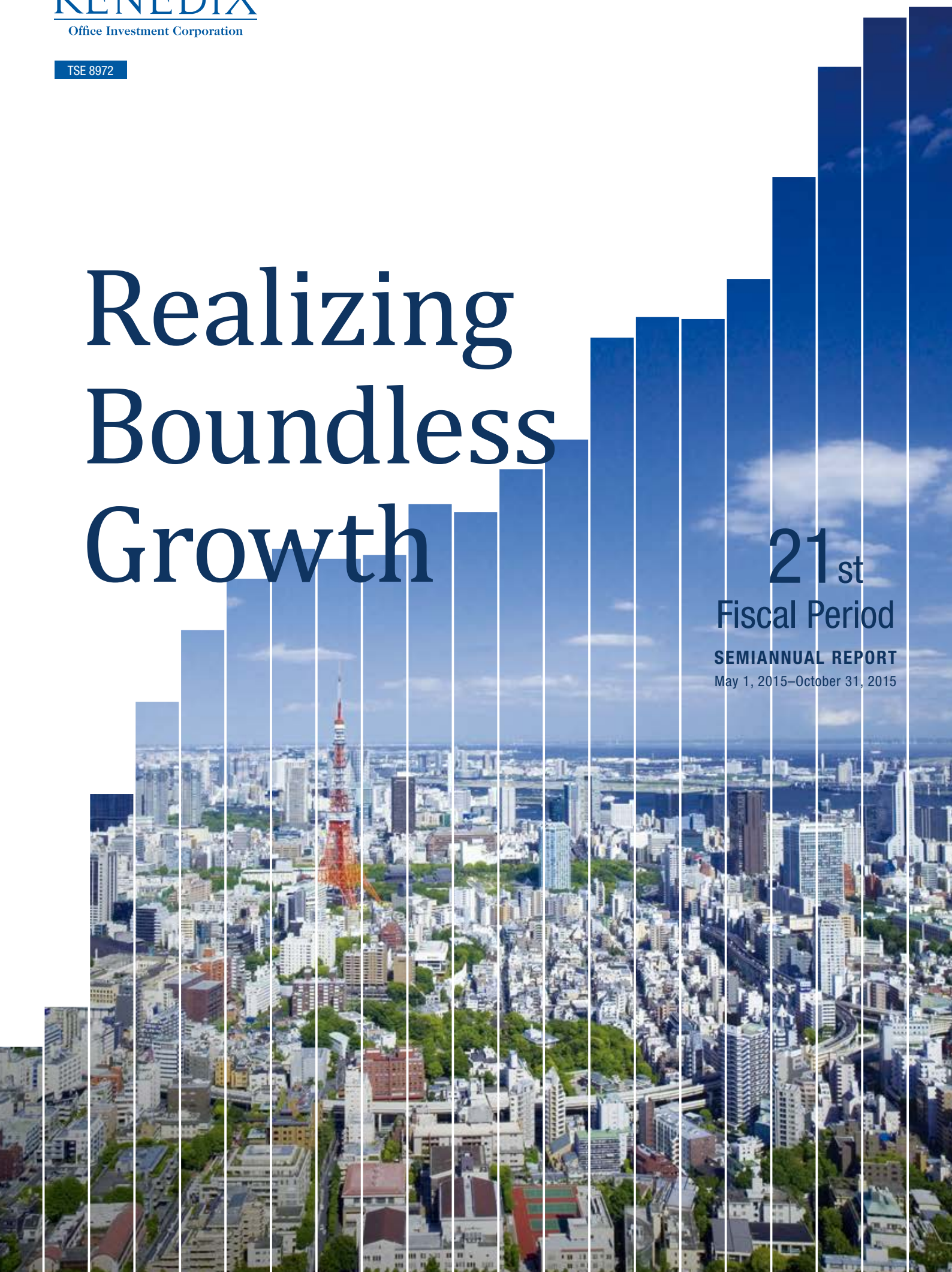
TSE 8972

Realizing Boundless Growth

21st
Fiscal Period

SEMIANNUAL REPORT

May 1, 2015–October 31, 2015



A New Stage for New Value

Kenedix Office Investment Corporation is a J-REIT with a focus on investments in mid-sized office buildings in the Tokyo Metropolitan Area, which, in July 2015, celebrated ten years since it was listed on the Tokyo Stock Exchange (8972). Through steady expansion of asset scale, its portfolio has grown from 31 properties with a total acquisition price of 69.1 billion yen when it commenced operations, to 97 properties with a total acquisition price of 388.3 billion yen in October 2015, asserting its position as the No.1 J-REIT that focuses on mid-sized office buildings. Going forward, the Investment Corporation will continue striving to develop its solid portfolio by improving portfolio quality through asset reshuffle and other initiatives, while endeavoring to implement stable financial operations.

Enhance
profitability,
earnings stability
and financial
position

ACHIEVEMENT

Internal growth Steadily ensured a rise in the number of properties with increased revenues Rent revenues from existing properties demonstrate an upward trend			
Rent gap with market rent being filled on overall average 21st fiscal period:	Unit rent for new tenants period over period:	Change in rent level at time of rent revision in 21st fiscal period:	
0 %	+3.3 %	+1.107 mn yen/month	
External growth Improved portfolio quality through asset reshuffle Secured gains from property dispositions and increased retained earnings			
Asset size	# of properties	Balance of reserve for reduction entry	
388.3 bn yen	97 properties	1.54 bn yen	
End of 21st fiscal period			
Financial strategy Promoted financial strategy to stabilize financial position over the long term			
Cost of interest-bearing debt	Average remaining period to maturity	LTV	Appraisal profit
1.39 %	4.3 years	42.8 %	10.9 bn yen
-0.06% period over period	+0.2 years period over period	±0% period over period	1.9 bn yen End of 20th fiscal period
End of 21st fiscal period			

POSITIONING

- Investment and management, primarily of mid-sized office buildings, in the Tokyo Metropolitan Area
1. Large number of properties
 - ▶ Possible to select outstanding properties from a large selection
 2. High liquidity
 - ▶ Possible to create flexible and responsive investment strategies
 3. Large tenant base
 - ▶ Stable rental incomes can be expected

DIRECTION

OUR STRATEGY

01

Accelerate increases in rent revenues

- ▶ Seek to increase rent per unit for new tenants and improve actual occupancy rate
- ▶ Promote negotiation on rent revision and prevention of rent reduction
- ▶ Allocate Capex more efficiently and strategically

02

Continue selective investment and property reshuffle

- ▶ Continue selective investment in the Tokyo Metropolitan Area
- ▶ Acquire properties meeting our criteria through diversified acquisition methods
- ▶ Proactively promote asset reshuffle

03

Continue strengthening financial position

- ▶ Lower the average interest rate and further extend the average remaining period to maturity
- ▶ Respond quickly and flexibly to acquisition opportunities, maintaining the conservative LTV level



Naokatsu Uchida

Executive Director
Kenedix Office Investment Corporation

Enhancing Our Possibilities, Entering Our New Growth Stage

In July 2015, we celebrated our 10th anniversary of listing on the REIT Market of the Tokyo Stock Exchange. Over the years, we have sharpened our focus to mainly invest in mid-sized office buildings in the Tokyo Metropolitan Area. Starting with 31 properties (total acquisition price of 69.1 billion yen), we have steadily expanded our portfolio size to 97 properties (total acquisition price of 388.3 billion yen). We have also managed to improve our portfolio quality through property reshuffles. As the No. 1 J-REIT that focuses on mid-sized office buildings, we will continue with our strategy, balancing external and internal growth, backed by sound financial management.

01

Gradual Establishment of Measures during 21st Fiscal Period to Target Future Growth

In the 21st fiscal period (ended October 31, 2015), we focused our efforts on the gradual establishment of measures to target future growth over the next period and beyond. Taking into account the overheating trend of the real estate transaction market, and, with the goal of assembling assets geared toward improved profitability, we have been carefully selecting new properties in which to invest while selling off others, rather than haphazardly pursuing the rapid expansion of our asset portfolio. As a result, we acquired two mid-sized office buildings and sold two existing assets, one regional property, and one small-scale urban property. Following these acquisitions and dispositions, our portfolio at the end of the period (October 31, 2015) stood at 97 properties with a total acquisition price of 388.3 billion yen.

In the office rental market, asking rents are increasing, particularly for buildings in central Tokyo. Rental revenue is therefore trending steadily upward, as unit rents for properties owned by the Investment Corporation are higher for new tenants moving in than those who have moved out, and we have negotiated upward rent revisions with existing tenants.

From a financial perspective, we maintained the course of the previous period, extending borrowing periods and realizing a decrease in average interest rate. We continued to promote steady financial management with a long-term view and at the end of the period (October 31, 2015), the loan-to-value (LTV) ratio had been maintained at a conservative 42.8%. We also added Mie Bank as a new lender in an effort to further expand and diversify our sources of funding.

The dividend for the period (October 31, 2015) was 10,300 yen as originally forecast, distributed after allocating a portion of income from property sales to retained earnings as a reserve for reduction entry. Our basic policy is to use this reserve when circumstances arise such as temporary reductions in revenue or when one-off expenses or losses are incurred. Going forward, we will continue to aspire toward the realization of stable, sustained dividend growth.

02

Aiming to Secure Stable Earnings and Uphold Sustained Growth of Our Investment Assets

Active dealings remain in the office building transaction market due to a large appetite for real estate investment from both domestic and foreign investors. The competition for acquisitions is fierce, and opportunities to acquire properties at prices justifiable over the medium-to-long term are scarce. Against this backdrop, the Investment Corporation is working hard to seek out and secure prospects for acquisition by leveraging various methods of investment.

The strength of the Investment Corporation lies in its ability to continuously secure opportunities for property acquisition by leveraging the independent network provided by the asset management company and the support line of sponsor company, in addition to the various solutions it employs to process information it has acquired. Our expertise in judging opportunities and the management know-how we have accumulated over 10 years of dealing in mid-sized office buildings are valuable strengths in building a portfolio to realize stable revenue and growth going forward.

In managing our portfolio assets, we are working to enhance earnings from rental income through the provision of office environments that garner high customer satisfaction. This is based on our philosophy of “a tenant-oriented approach will lead to revenues and growth.” Hard elements such as air-conditioning and common areas including restrooms are important to realizing this, as are soft elements, including security and disaster management. By enhancing property value and raising tenant satisfaction in these ways, we are working diligently to justify increased rents to our customers.

In financial operations, we intend to strengthen our financial base and, through the maintenance of a conservative LTV ratio, support our property acquisition capacity going forward. A secure backing is also necessary to ensure stable financial operations over the long term, and, to this end, we aim to continue building firm and trusting relationships with financial institutions.

03

Steadily Implementing Measures to Tackle the Long-Term Market Environment

The J-REIT market is shaped by the influence of various elements and factors arising in areas such as real estate and financial markets, and we believe that it is important to demonstrate managerial flexibility while accurately anticipating changes in external environments.

Concerning new supply of office buildings, a large supply comparable with that of 2012 is expected to materialize in 2018 and 2019 over two consecutive years, which will mainly comprise large-sized buildings. New supply of small- and mid-sized office buildings continues to be limited, solidifying the trend toward an aging market. The ratio of buildings constructed under former earthquake resistance standards is high, and in locations that lack competitiveness, there are scattered examples of property revival for new applications, such as housing and more recently, hotels.

Effective management and updated facilities, in addition to factors such as location and building specifications, are important to ensure that our mid-sized office buildings are chosen by tenants. We intend to win out among the competition in mid-sized office buildings by conducting fine-tuned building management that reflects portfolio-level property management and an inclination toward elevated tenant satisfaction.

Going forward, the Investment Corporation aspires to meet the expectations of investors as the No. 1 owner of mid-sized office buildings and fulfill its social mission to offer mid-sized office buildings that represent raised environmental value through initiatives such as reducing energy consumption.



INTERNAL GROWTH

Despite occupancy rates falling temporarily below the 95% level due to a key tenant moving out, Occupancy rate of properties subjected to proactive leasing activities has been steadily improving

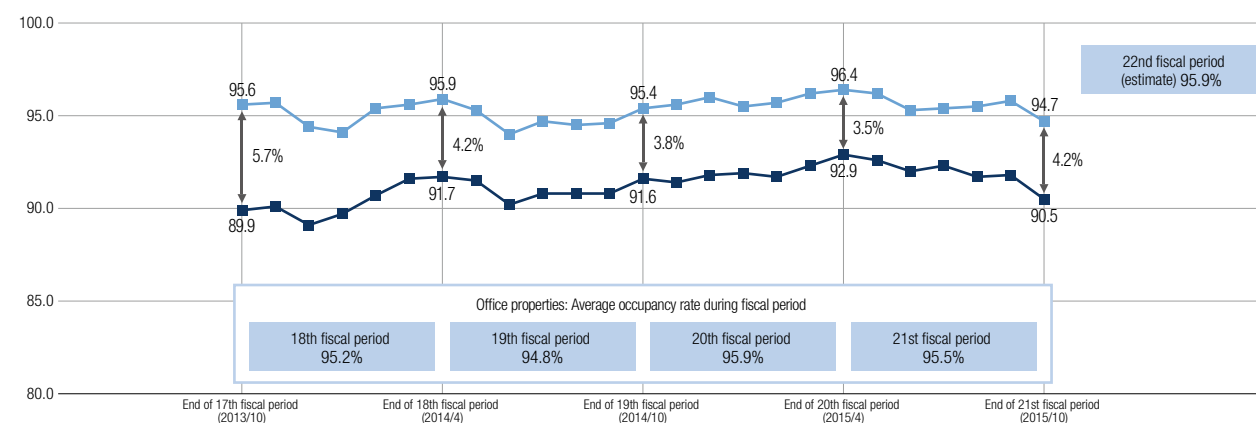
The average occupancy rate for office buildings during the 21st fiscal period (ended October 2015) reached 95.5%. However, due to the impact of a key tenant moving out of the KDX Iidabashi Square, the occupancy rate fell to 94.7% at the 21st fiscal period-end, dropping 1.7 points compared to the 20th fiscal period (ended April 2015).

(Excluding the KDX Iidabashi Square, the occupancy rate for office buildings at the end of the fiscal period under review was 95.7%.)

Meanwhile, the occupancy rate improvement of properties subjected to proactive leasing activities such as the KDX Higashi-Shinagawa Building and the KDX Kawasaki-Ekimae Hon-cho Building has steadily progressed due to accurate leasing activities that consider on the special characteristics of each property. Accordingly, the occupancy rate for these properties has been maintained and improved.

Occupancy rate performance of office buildings (Note)

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



Note: Occupancy rate (contracted area based) is calculated by dividing the contract based leased area by leasable area and actual occupancy rate (excl. free rent area) is calculated by dividing the leased area subtracting the free rent area by leasable area. The figures are rounded to the first decimal place. Average occupancy rate of office buildings during fiscal period is a simple average of month-end occupancy rates of owned office buildings during each period. Furthermore, the estimated average occupancy rate for 22nd fiscal period (2016/4) is the assumed figure used in the earnings forecast.

Recovery and Improvement in the Occupancy Rate for Properties subjected to proactive leasing activities

KDX Higashi-Shinagawa Building

June 30, 2014	Dec. 31, 2015	Change in occupancy
56.7%	88.4%	+31.7%
Space leased	Space vacated	Difference
1,398.55 tsubo	716.16 tsubo	+682.39 tsubo

■ Attracted the tenant planning to move out of KDX Ochanomizu Bldg. into this property by leveraging the relationship with the tenant
 ■ Flexibly responded to various tenant needs such as floor partitions

KDX Kawasaki-Ekimae Hon-cho Building

June 30, 2015	Jan. 31, 2016 (estimate)	Change in occupancy
100%	100%	—
Space leased (Note 3)	Space vacated (Note 3)	Difference
1,550.82 tsubo	1,550.31 tsubo	—

■ Successfully concluded a leasing contract with a new tenant that the existing tenant introduced to us without downtime and under more favorable leasing terms, although the existing tenant currently occupying the whole building submitted a cancellation notice at the end of June 2015

KDX Toyosu Grand Square (Note 4)

July 31, 2015	Mar. 31, 2016 (estimate)	Change in occupancy
85.5%	100%	+14.5%
Space leased	Space vacated	Difference
3,885.10 tsubo	1,820.73 tsubo	+2,064.37 tsubo

■ Successfully improved the occupancy rate, which was expected to fall to the 70% level as of the end of Sep. 2015, by meeting various demands of the tenants
 ■ Plan for 100% occupancy rate at the end of Mar. 2016 due to the conclusion of the lease agreements

Notes: 1. "Space leased" and "Space vacated" on this page indicate the accumulated leased/vacated space based on the same period for the calculation of "Change in occupancy".
 2. Estimated occupancy rates on this page are based on leasable areas as of Oct. 31, 2015 and lease agreements contracted as of Jan. 18, 2016.
 3. As a result of re-calculating leasable area, there is a difference between space leased and vacated.
 4. KDO owns 25% co-ownership of this building. Figures shown in the table are for the whole property.

Pentel Building

Upon acquisition (March 2015)	Dec. 31, 2015	Change in occupancy
100%	94.9%	-5.1%
Space leased	Space vacated	Difference
440.93 tsubo	507.43 tsubo	-66.50 tsubo

■ Occupancy rate successfully recovered to 94.9% by leveraging our leasing expertise in the Kayabacho-area, although the occupancy rate was expected to fall to 61.4% due to submission of cancellation notice as a time of acquisition

KDX Sakura-dori Building

Upon acquisition (Jan. 31, 2015)	Jan. 31, 2016 (estimate)	Change in occupancy
84.8%	98.3%	+13.5%
Space leased	Space vacated	Difference
560.21 tsubo	58.48 tsubo	+501.73 tsubo

■ Successfully improved the occupancy rate by leveraging our abundant leasing experience in the Nagoya area
 ■ Promoted value-upgrading works such as the renovation of rest rooms, etc. The building is expected to be almost fully occupied as of the end of January 2016

KDX Hiroshima Building

Upon acquisition (Sep. 30, 2014)	Oct. 31, 2015	Change in occupancy
73.3%	82.3%	+9.0%
Space leased	Space vacated	Difference
207.17 tsubo	98.67 tsubo	+108.50 tsubo

■ Steadily improving occupancy rate by matching leasing needs from small/medium-sized tenants with office floors that can be flexibly divided and leased separately
 ■ Expect occupancy rate to improve to 90.5% as of Apr. 30, 2016 with application for vacant space from a potential tenant

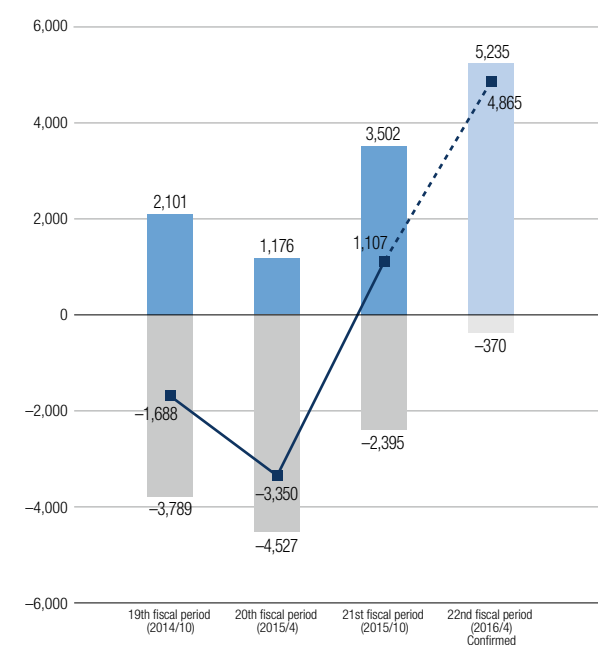
Steadily pushing forward with upward rent revisions as unit rents for new tenants exceed those of tenants who have moved out

In the office rental market, asking rents are increasing, particularly for buildings located in central Tokyo. For properties owned by the Investment Corporation, we actively made efforts to negotiate upward rent revisions with tenants who were renewing their leases, primarily those tenants whose unit rents were below the market level. In doing so, we achieved favorable results in upward rent revisions and exceeded our 20th fiscal period performance in both the number of upward rent revisions and the difference in rent increases and decreases. Moreover, unit rents for new tenants moving in reached a higher level than the unit rents of tenants who have moved out. As such, rent revenues are trending steadily upward.

In addition, the average portfolio rent gap for office buildings owned by the Investment Corporation was filled at the 21st fiscal period end. We believe that filling this gap helps us to actively make upward rent revisions and raise rent levels at the time new tenants move in. Going forward, we will continue to pay attention to the trend of tenants with unit rents that deviate greatly from market levels. At the same time, we will work to increase rent revenues by actively carrying out negotiations to increase unit rents and making focused efforts to provide an office environment that offers a high-level of customer satisfaction.

Change in rent per unit upon rent revision (based on monthly rent) (Note)

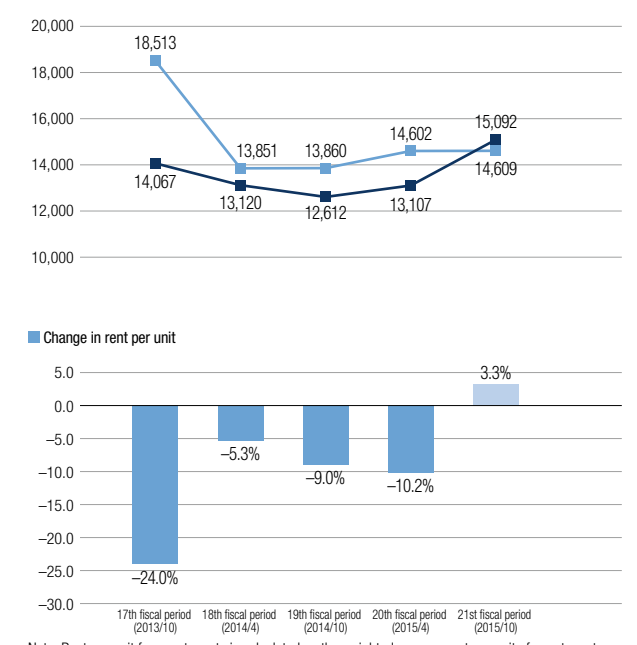
■ Increase in rent ■ Decrease in rent ■ Increased rent – decreased rent
(thousand yen)



Note: Difference in monthly rent per unit before and after rent revision, is calculated separately for each tenant. Numbers are rounded to the nearest thousand yen. The data for 22nd fiscal period (2016/4) confirmed is based on rent revision confirmed as of Dec 1, 2015.

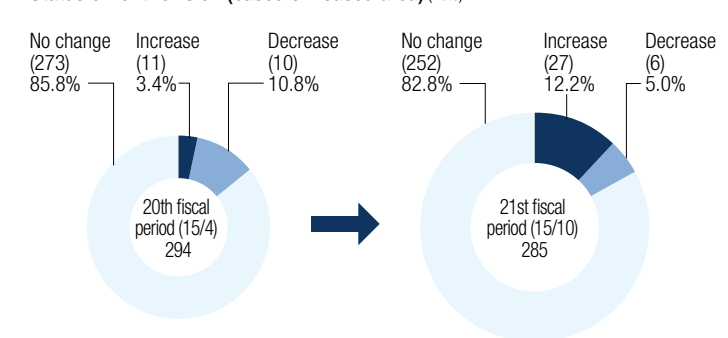
Historical rent per unit and % change upon tenant replacement (Note)

■ Rent per unit for new tenants ■ Rent per unit for moved-out tenants
(yen/tsubo)



Note: Rent per unit for new tenants is calculated as the weighted average rent per unit of new tenants, based on areas where the rents of the new tenants are comparable with those of the moved-out tenants. Rent per unit for moved-out tenants is calculated as the weighted average rent of moved-out tenants for the same areas.

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



Note: Status of rent revisions (increase/decrease/no change) by percentage is based on leased area with respect to contracts that are renewed or revised during relevant fiscal period. Numbers are rounded to the first decimal place. The numbers in brackets show the number of cases.

EXTERNAL GROWTH

Effectively conducting asset reshuffle to improve both the scale and quality of our portfolio

Taking into account the overcompetition of the real-estate transaction market and, with the goal of assembling assets geared toward improved profitability, in the fiscal period ended October 31, 2015 we carefully selected new properties in which to invest while selling off others, rather than haphazardly pursuing the rapid expansion of our asset portfolio.

In property acquisitions, we acquired two mid-sized office buildings (Hamamatsucho Center Building and Shin Osaka Center Building), which are within close proximity to terminal rail stations and meet our criteria. We also sold two properties – one regional property (Nagoya Nikko Shoken Building), and one small-scale urban property (KDX Nogizaka Building).

By using proceeds from sales of properties and cash on hand effectively in asset reshuffle, we have been able to realize a net increase in Net Operating Income (NOI) without raising the loan-to-value ratio (LTV ratio). We also managed to boost the proportion of our portfolio that lies within the Tokyo central 5 wards while reducing the average age of the properties that we own. Furthermore, we are also managing to increase retained earnings by securing gains from sales.

As a result of these acquisitions and dispositions, our portfolio at the end of the fiscal period (October 31, 2015) stood at 97 properties with a total acquisition price of 388.3 billion yen.

Asset reshuffle in 21st fiscal period (2015/10)

Property acquisitions

Selected investments based on locational advantages and tenant demand

Hamamatsucho Center Building
(Acquired on Sep. 1, 2015)

- High accessibility
 - 2-minute walk from Hamamatsucho and Daimon stations
- Our abundant knowhow in Hamamatsucho area
 - Owning 3 office buildings in this area

Central Tokyo

Shin Osaka Center Building
(Acquired on Sep. 1, 2015)

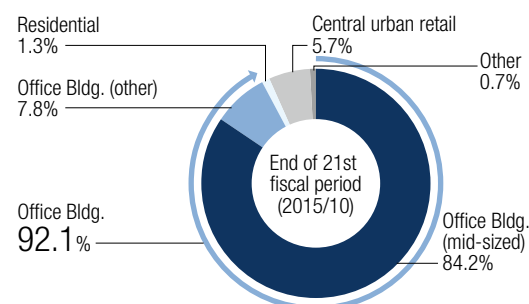
- Accessible from Shin Osaka station via pedestrian deck
 - 3-minute walk from the station
- Advantage in leasing
 - High visibility from the station
 - Flexible floor plans

Other regional area

Total acquisition price	8,500 mn yen
Total appraisal value (Note 3)	8,670 mn yen
Total acquisition price/Total appraisal value	98.0%

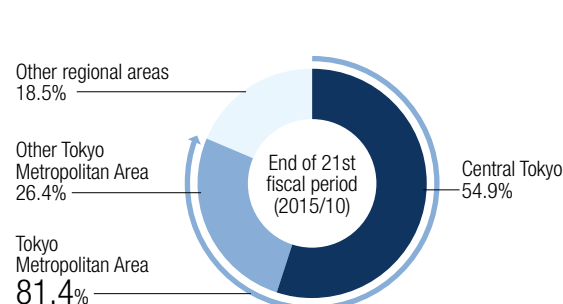
Notes: 1. Portfolio size expansion indicates the difference between the total acquisition price of the properties acquired and that of the properties sold. Net increase in NOI indicates the difference between the total estimated NOI of the properties acquired upon acquisition and the total annualized actual NOI in 21st fiscal period for the properties sold.
2. Rejuvenation of building age indicates the difference between the weighted average building age of the properties acquired (based on acquisition price) and that of properties sold (based on disposition price).
3. Appraisal values on acquisition or disposition.

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



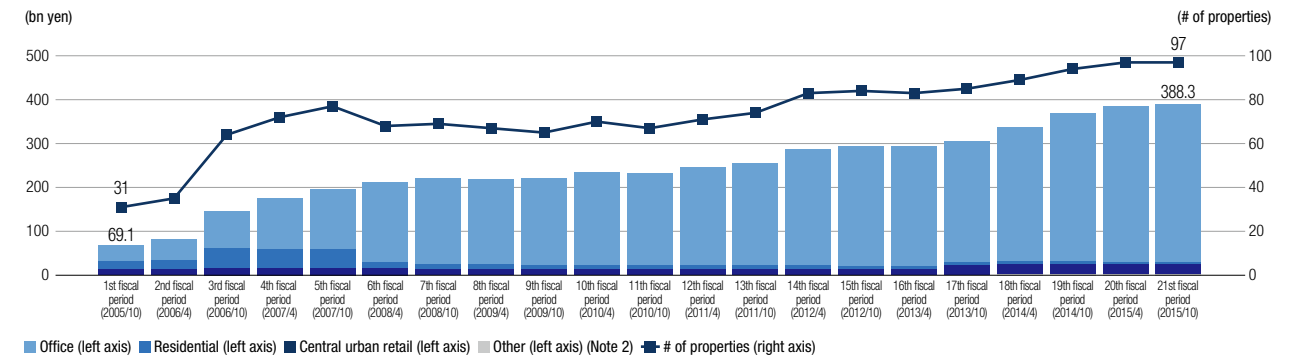
Note: Portfolio breakdown by asset type based on acquisition price (truncated to the first decimal place).

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



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

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



Notes: 1. Figures are truncated to the nearest 100 million yen. Figures in this material are truncated to the nearest unit unless otherwise stated.

2. "Other" properties include Kanazawa Nikko Building for 14th fiscal period (2012/4) and 15th fiscal period (2012/10), and Shinjuku 6chome Building (Land) for 18th fiscal period (2014/4) onward.

Realizing improved profitability and stability and a reinforced financial base through dynamic acquisition/disposition of properties that anticipate movement in the markets

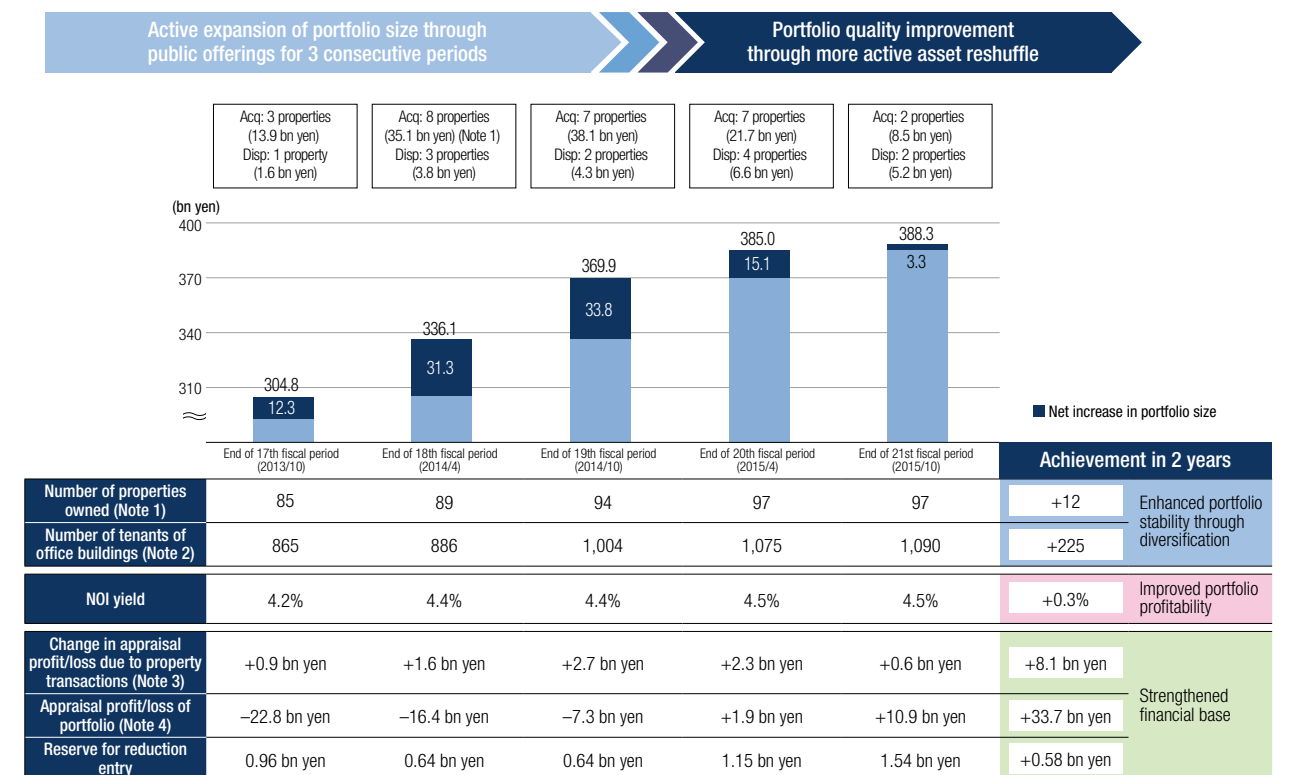
The office building transaction market is continuously in the midst of an active situation due to a large appetite for real-estate investment from both domestic and foreign investors.

If we look back over the last two years we can see that, up to 2014, there were three consecutive periods where we raised capital through public offerings and proactively expanded the scale of our portfolio.

However, over 2015, the competition to acquire properties was fierce, and

opportunities to acquire properties at prices justifiable over the medium- to long-term have been scarce. As a result, we are now focusing instead on improving the quality of our existing portfolio, in addition to asset reshuffle.

Going forward, the Investment Corporation will continue to strive toward the realization of property acquisitions that reflect our current policies by leveraging various methods of investment.



Notes: 1. 1 of the 8 properties acquired in the 18th fiscal period (2014/4) is the additional portion in KDX Shinbashi Building, and is counted together with the existing portion as 1 property in calculation of the number of properties owned.
2. End-tenants' leasing spaces in multiple buildings or multiple areas in the same building are counted as 1 tenant in calculating the number of tenants of office buildings.
3. Change in appraisal profit/loss due to property transactions is calculated by adding the difference between the appraisal value and the acquisition price of properties acquired and subtracting the difference between the appraisal value and the book value of the properties disposed of.
4. Appraisal profit/loss of portfolio is calculated as the difference between the total appraisal value and total book value of the properties owned as of the end of each period.

FINANCIAL STRATEGY

Extending the average remaining term to maturity of interest-bearing debt while realizing a reduction in financial costs

The average remaining term to maturity of interest-bearing debt at the end of the 21st fiscal period (ended October 31, 2015) was 4.3 years. The average term at the end of the previous fiscal period (ended April 30, 2015) was 4.1 years. We have therefore realized an extension of 0.2 years. Moreover, the average interest rate for interest-bearing debt at the end of the 21st fiscal period (ended October 31, 2015) was 1.39%. The

average interest rate for the end of the previous fiscal period (ended April 30, 2015) was 1.45%. We have therefore realized a reduction of 0.06%.

The average interest rate for long-term interest-bearing debt due for the 22nd fiscal period is a relatively high 2.18%. We are continuously aiming to realize further reductions in financial cost through refinancing.

Maintaining conservative financial operations and expanding bank formation

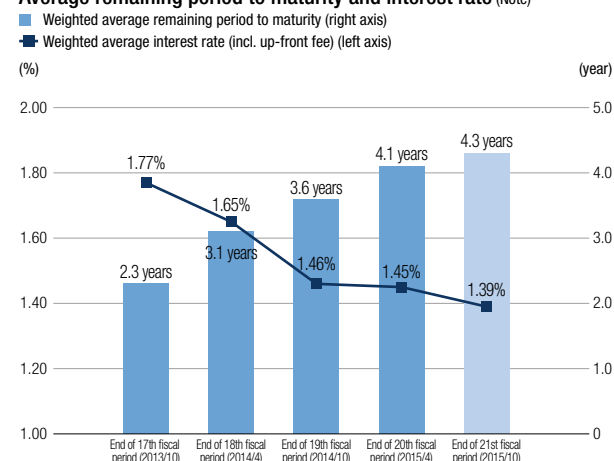
The loan-to-value ratio (LTV ratio) at the end of the 21st fiscal period (ended October 31, 2015) stood at a conservative 42.8%, the same as that recorded for the previous fiscal period (ended April 30, 2015). If we allow the LTV ratio to rise to 45.0%, we will have an investment capacity of approximately 16 billion yen. Moreover, the ratio of fixed interest debt has been maintained at a high level of 95.7% in order to hedge against

the risk of rising interest rates in the future.

We have also added Mie Bank as a new lender. As a result, we expanded lender formation to 15 financial institutions, realizing further expansion and diversification of our sources of funding.

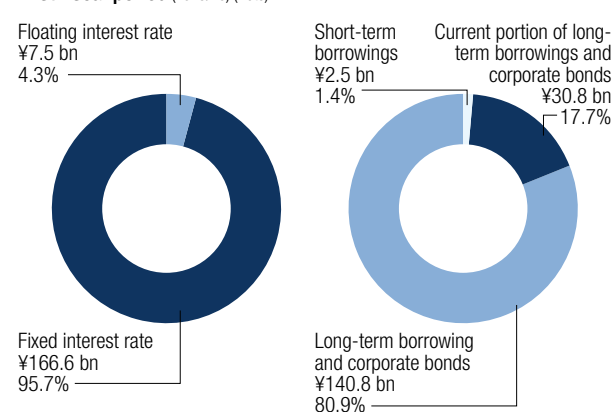
Going forward, we will continue with our policy of maintaining sound financial management with an eye on both risks and opportunities.

Average remaining period to maturity and interest rate (Note)



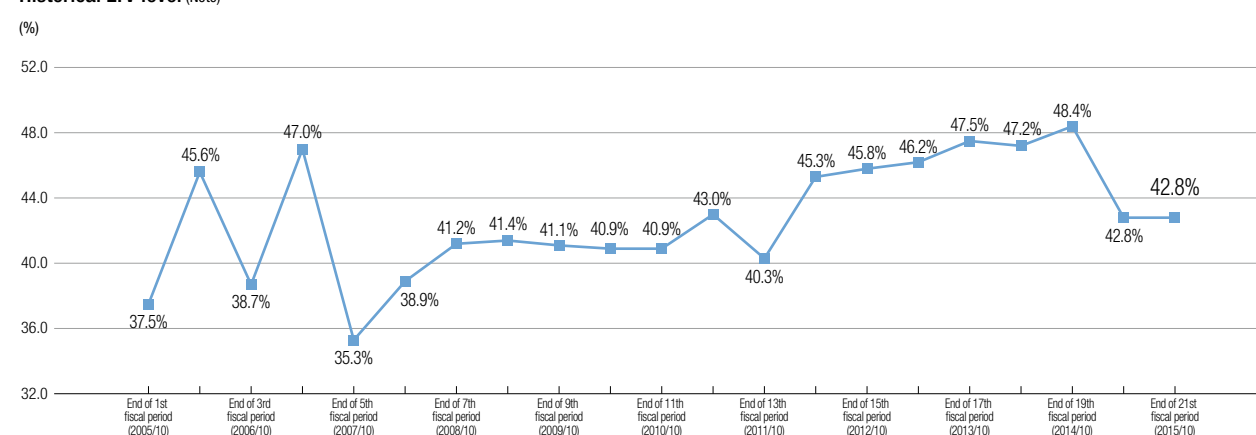
Note: Average remaining period to maturity and interest rate are weighted averages based on outstanding debts at the end of each fiscal period (Average remaining period to maturities and interest rate are rounded to the first and second decimal places respectively).

Status of fixed interest rate and terms of debt (as of the end of the 21st fiscal period (2015/10) (Note))



Note: Fixed interest 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)

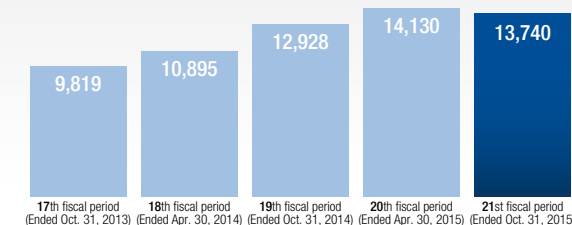


Note: LTV = the balance of interest-bearing debt / total assets, as of the end of the relevant fiscal period (rounded to the first decimal place)

BUSINESS RESULTS

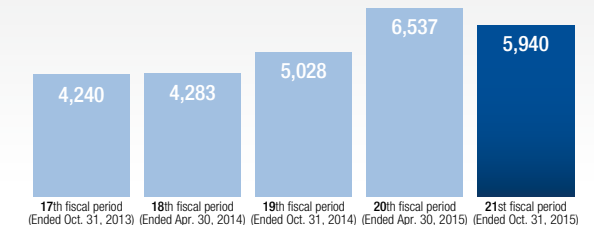
Operating Revenues

13,740 million yen



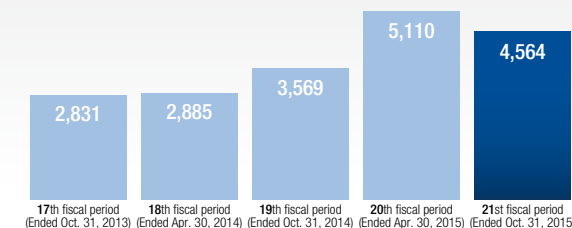
Operating Income

5,940 million yen



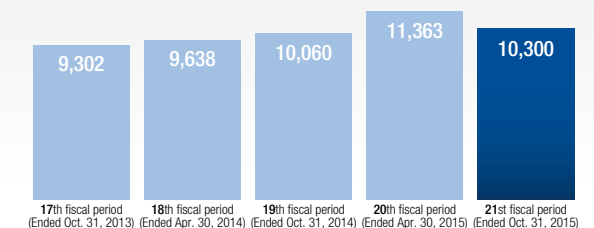
Net Income

4,564 million yen



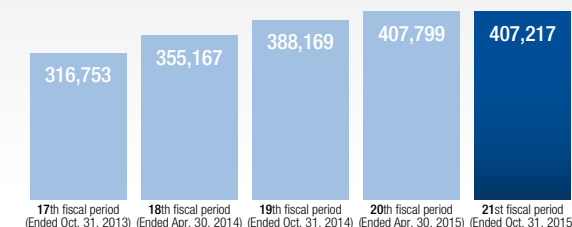
Distribution per Unit

10,300 yen



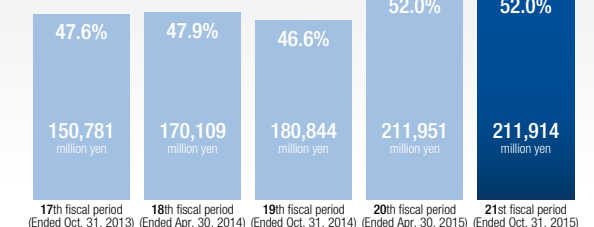
Total Assets

407,217 million yen



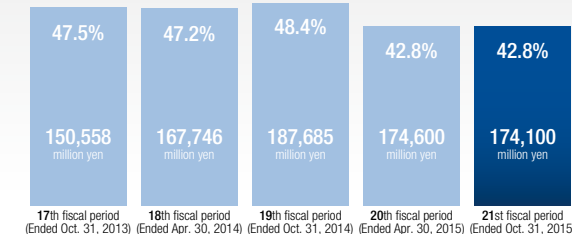
Net Assets Ratio & Unitholders' Equity

Net Assets Ratio 52.0 %



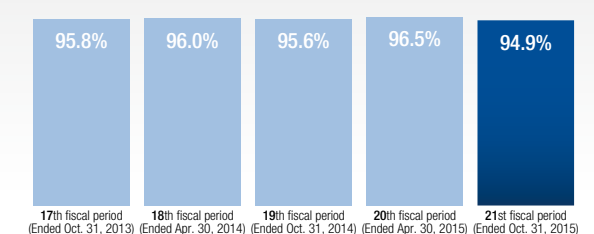
LTV Ratio & Interest-Bearing Debt

LTV Ratio 42.8 %



Portfolio Occupancy Rate

94.9 %



PORTFOLIO
(As of October 31, 2015)

 The properties acquired during the 21st fiscal period are marked with red boxes.

	No.	Property Name	Location	Acquisition Price (mn yen) (Note 1)	Year Built (Note 2)	Occupancy Rate (Note 3)
Office (Tokyo Metropolitan Area)	A-1	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	Apr. 1974	100.0%
	A-3	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	Jan. 1987	100.0%
	A-4	KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	Jun. 1993	100.0%
	A-5	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	Aug. 1992	94.8%
	A-6	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	Nov. 1985	100.0%
	A-7	KDX Minami Aoyama Building	Minato-ku, Tokyo	2,270	Nov. 1988	100.0%
	A-8	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	May 1993	100.0%
	A-13	KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	May 1994	100.0%
	A-14	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	95.6%
	A-16	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	100.0%
	A-17	KDX Ebisu Building	Shibuya-ku, Tokyo	4,640	Jan. 1992	100.0%
	A-19	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	Sep. 1999	100.0%
	A-20	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	Oct. 1987	100.0%
	A-21	KDX Shinbashi Building	Minato-ku, Tokyo	3,728	Feb. 1992	100.0%
	A-22	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	83.3%
	A-26	KDX Kiba Building	Koto-ku, Tokyo	1,580	Oct. 1992	76.1%
	A-27	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	Mar. 1990	93.5%
	A-29	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	Jan. 1990	87.3%
	A-30	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	Nov. 1992	100.0%
	A-31	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	Sep. 1986	84.3%
	A-32	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	Jul. 1986	100.0%
	A-33	KDX Okachimachi Building	Taito-ku, Tokyo	2,000	Jun. 1988	100.0%
	A-34	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May 1995	96.7%
	A-35	KDX Hachioji Building	Hachioji, Tokyo	1,155	Dec. 1985	72.7%
	A-37	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	Aug. 1982	96.4%
	A-38	KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	Oct. 1992	100.0%
	A-39	KDX Toranomon Building	Minato-ku, Tokyo	4,400	Apr. 1988	100.0%
	A-40	Toranomon Toyo Building	Minato-ku, Tokyo	9,850	Aug. 1962	90.5%
	A-41	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	Aug. 1989	100.0%
	A-45	KDX Roppongi 228 Building	Minato-ku, Tokyo	3,300	Apr. 1989	100.0%
	A-46	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	Mar. 1988	100.0%
	A-47	KDX Shin-Yokohama 381 Building	Yokohama, Kanagawa	5,800	Mar. 1988	96.3%
	A-48	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	Feb. 1985	100.0%
	A-50	KDX Ikejiri-Ohashi Building	Meguro-ku, Tokyo	2,400	Sep. 1988	100.0%
	A-51	KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	Sep. 1988	100.0%
	A-52	KDX Kanda Misaki-cho Building	Chiyoda-ku, Tokyo	1,380	Oct. 1992	100.0%
	A-55	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	Jul. 1990	100.0%
	A-56	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	May 1994	100.0%
	A-57	KDX Gobancho Building	Chiyoda-ku, Tokyo	1,951	Aug. 2000	100.0%
	A-59	KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	Mar. 2008	100.0%
	A-60	KDX Harumi Building	Chuo-ku, Tokyo	10,250	Feb. 2008	100.0%
	A-61	KDX Hamamatsucho Dai-2 Building	Minato-ku, Tokyo	2,200	Apr. 1992	100.0%
	A-62	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	Nov. 1989	100.0%
	A-63	Gotanda TG Building	Shinagawa-ku, Tokyo	2,620	Apr. 1988	88.5%
	A-64	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	Oct. 2006	100.0%
	A-66	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	May 1993	100.0%
	A-67	KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	Nov. 1991	65.4%
	A-68	KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	Jan. 1984	100.0%
	A-71	KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	Mar. 1990	100.0%
	A-72	KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	Jan. 1993	51.0%
	A-73	KDX Hakozaki Building	Chuo-ku, Tokyo	2,710	Nov. 1993	100.0%
	A-74	KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	Nov. 2002	100.0%
	A-75	KDX Nihonbashi Kabutocho Building	Chuo-ku, Tokyo	11,270	Nov. 1998	100.0%
	A-78	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	Feb. 1990	100.0%
	A-83	KDX Fuchu Building	Fuchu, Tokyo	6,120	Mar. 1996	99.1%

	No.	Property Name	Location	Acquisition Price (mn yen) (Note 1)	Year Built (Note 2)	Occupancy Rate (Note 3)
	A-84	KDX Kasuga Building	Bunkyo-ku, Tokyo	2,800	Jun. 1992	100.0%
	A-85	KDX Nakameguro Building	Meguro-ku, Tokyo	1,880	Oct. 1985	100.0%
	A-86	KDX Omiya Building	Saitama, Saitama	2,020	Apr. 1993	100.0%
	A-87	Itopia Nihonbashi SA Building	Chuo-ku, Tokyo	2,200	Jul. 1995	100.0%
	A-88	KDX Shinjuku 6chome Building	Shinjuku-ku, Tokyo	1,900	Mar. 1990	90.2%
	A-89	KDX Takanawadai Building	Minato-ku, Tokyo	5,250	Oct. 1985	100.0%
	A-90	KDX Ikebukuro Building	Toshima-ku, Tokyo	3,900	Mar. 2009	100.0%
	A-91	KDX Mita Building	Minato-ku, Tokyo	3,180	Mar. 1993	87.5%
	A-92	KDX Akihabara Building	Chiyoda-ku, Tokyo	2,600	Dec. 1973	100.0%
	A-93	KDX Iidabashi Square	Shinjuku-ku, Tokyo	4,350	Jan. 1994	0.0%
	A-94	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	May 2013	100.0%
	A-95	KDX Toyosu Grand Square (Note 4)	Koto-ku, Tokyo	8,666	Apr. 2008	80.8%
	A-96	KDX Takadanobaba Building	Toshima-ku, Tokyo	3,650	Oct. 1988	100.0%
	A-99	KDX Ikebukuro West Building	Toshima-ku, Tokyo	1,934	Jul. 1988	100.0%
	A-101	KDX Yokohama Building	Yokohama, Kanagawa	7,210	Mar. 1994	98.2%
	A-102	KDX Yokohama Nishiguchi Building	Yokohama, Kanagawa	2,750	Oct. 1988	100.0%
	A-103	KDX Shin-Yokohama 214 Building	Yokohama, Kanagawa	2,200	Nov. 1989	83.0%
	A-105	KDX BUREX Toranomon	Minato-ku, Tokyo	1,750	Jul. 2011	100.0%
	A-107	35 Sankyo Building (Note 5)	Chuo-ku, Tokyo	3,600	Aug. 1991	100.0%
	A-108	Pentel Building	Chuo-ku, Tokyo	3,350	Nov. 1990	88.9%
	A-109	Hamamatsucho Center Building	Minato-ku, Tokyo	3,950	Dec. 1985	100.0%
Office (Other Regional Areas)	A-12	Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	95.9%
	A-42	Karasuma Building (Note 5)	Kyoto, Kyoto	5,400	Oct. 1982	99.2%
	A-44	KDX Sendai Building	Sendai, Miyagi	2,100	Feb. 1984	100.0%
	A-53	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun. 1973	88.7%
	A-54	KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	92.8%
	A-58	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Apr. 2009	100.0%
	A-69	KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	Jul. 2009	100.0%
	A-70	KDX Sapporo Building	Sapporo, Hokkaido	2,005	Oct. 1989	100.0%
	A-79	KDX Nagoya Ekimae Building	Nagoya, Aichi	7,327	Apr. 1986	100.0%
	A-82	KDX Higashi Umeda Building	Osaka, Osaka	2,770	Jul. 2009	100.0%
	A-97	KDX Utsunomiya Building	Utsunomiya, Tochigi	2,350	Feb. 1999	100.0%
	A-98	KDX Hiroshima Building	Hiroshima, Hiroshima	1,300	Jan. 1990	82.3%
	A-100	Senri Life Science Center Building	Toyonaka, Osaka	13,000	Jun. 1992	97.3%
	A-104	KDX Minami-Honmachi Building	Osaka, Osaka	2,200	Dec. 2009	100.0%
	A-106	KDX Sakura-dori Building	Nagoya, Aichi	5,900	Aug. 1992	94.6%
	A-110	Shin Osaka Center Building	Osaka, Osaka	4,550	May 1992	96.6%
	Office Subtotal (92 properties)			357,958	Avg. 23.4 years	94.7%
Residential	B-19	Residence Charmante Tsukishima	Chuo-ku, Tokyo	5,353	Jan. 2004	100.0%
	Residential Subtotal (1 property)			5,353	Avg. 11.8 years	100.0%
Central Urban Retail	C-1	Frame Jinnan-zaka	Shibuya-ku, Tokyo	9,900	Mar. 2005	95.2%
	C-2	KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	Aug. 1991	100.0%
	C-4	Ginza 4chome Tower	Chuo-ku, Tokyo	9,800	Nov. 2008	100.0%
	Central Urban Retail Subtotal (3 properties)			22,179	Avg. 10.4 years	98.1%
Other	D-2	Shinjuku 6chome Building (Land)	Shinjuku-ku, Tokyo	2,880	—	100.0%
	Other Subtotal (1 property)			2,880	—	100.0%
	Total (97 properties)			388,371	Avg. 22.5 years	94.9%
Investment Security	G.K. KRF 43 Silent Partnership Equity Interest		Shinjuku-ku, Tokyo	1,107	Dec. 1979	

Notes: 1. Acquisition price is the purchase price of the trust beneficiary interests, etc. acquired by KDO only.
 2. Year built shows the completion date recorded in the land register book. The average value shown in the subtotal section is the weighted average number calculated based on acquisition price with a base date of October 31, 2015. Figures are truncated to the first decimal place.
 3. Occupancy rate is calculated by dividing leased floor area as of October 31, 2015, by leasable floor area and is rounded to the first decimal place. The figure of Shinjuku 6chome Building (Land) is calculated based on the total leasable area indicated in the land lease agreement.
 4. Acquisition price of KDX Toyosu Grand Square is calculated based on the 25% co-ownership of the property.
 5. Effective from February 1, 2016, 35 Sankyo Building and Karasuma Building will be renamed KDX Ginza East Building and KDX Karasuma Building, respectively.

MANAGEMENT TEAM
(As of October 31, 2015)



3 | Hikaru Teramoto 1 | Naokatsu Uchida 2 | Keisuke Sato 4 | Tetsushi Ichikawa

- 1 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 for Joint Asset Management Co., Ltd. as CEO, joined Kenedix Office Partners, Inc. and was a member of the Financial Planning Division for approximately two years
 - Appointed CEO and President of Kenedix Office Partners, Inc. on February 2, 2012
 - Appointed Director and COO, General Manager of Office REIT Division on October 1, 2013
- 2 Keisuke Sato**
General Manager of Investment Management Dept., Office REIT Division

 - Worked for Tokyu Land Corporation for approximately nine 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 August 1, 2012
 - Appointed General Manager of Investment Management Dept., Office REIT Division on October 1, 2013
- 3 Hikaru Teramoto**
General Manager of Planning Dept., Office REIT Division

 - After working for Sakura Bank for six years, worked at Sakura Securities, Daiwa Securities SMBC, and Goldman Sachs in investment banking business for ten 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 August 1, 2012
 - Appointed General Manager of Planning Dept., Office REIT Division on October 1, 2013
- 4 Tetsushi Ichikawa**
General Manager of Finance & Accounting Dept.

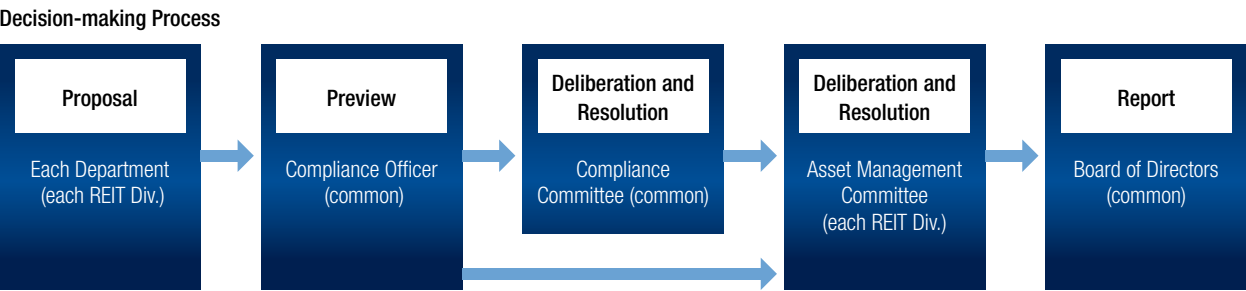
 - Worked for Sumitomo Mitsui Trust Bank for 15 years (Engaged in real estate finance, etc.)
 - Joined Kenedix after having engaged in real estate investment banking and having served as director responsible for asset management business at Touchstone Capital Securities
 - Appointed General Manager of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

CORPORATE GOVERNANCE

Investment and Management Decision-making System

As the asset management company, Kenedix Real Estate Fund Management (KFM) creates guidelines governing our asset management. These Asset Management Guidelines (AMGs) define our investment policy, rules concerning transactions with related parties, distribution policy and disclosure policy.

The structure of the decision-making process is outlined below.



1. Investment Policy

The Investment Management Department of Office REIT Division proposes any revision of the AMGs to the Compliance Officer. After review, the Officer advances the revisions to the Compliance Committee where they are deliberated and resolved. Lastly, the Office REIT Division Asset Management Committee (OAMC) deliberates and reaches resolution on the revisions.

The AMGs may be revised to reflect changes in investment conditions and our investment policy, as well as other reasons such as changes in the legal or regulatory environment. Whenever the AMGs are changed, the General Manager of Office REIT Division must report each revision to the Board of Directors.

2. Decision-making Process on Asset Management

Asset Management Plans

Relevant departments of Office REIT Division may propose property management plans to the Compliance Officer. After review by the Officer, the plans are deliberated and resolved by the Compliance Committee. Following that OAMC deliberates and reaches resolution on these plans. Each time a new property management plan is approved or revised, the General Manager of Office REIT Division must report this to the Board of Directors.

Acquisition and Sale of Properties

The Investment Management Department of Office REIT Division selects properties for possible acquisition according to an agreed-upon process. The Investment Management Department first proposes property acquisitions to the Compliance Officer. When the Officer concludes there are no conflicts or other issues, the Officer then forwards the proposal to the OAMC for final review and resolution.

In the event that the Compliance Officer identifies such issues as related-party transactions, potential regulatory conflicts or other cases the Officer deems to require closer scrutiny, the proposal must be submitted for review and resolution by the Compliance Committee before proceeding to the OAMC for final review and resolution. After a related-party transaction is approved, the Compliance Officer must report this transaction to the Board of Directors.

The Investment Management Department of Office REIT Division also proposes property sales or disposals to the Compliance Officer, who reviews the proposal and, when necessary, forwards it to the Compliance Committee. In the absence of conflicts or other issues, the Compliance Officer may send the proposal directly to the OAMC for final review and resolution.

Environmental Initiatives

KFM undertakes investment management operations in accordance with the following environmental policies:

1. Compliance with Environmental Laws and Regulations
2. Promotion of Energy Conservation Measures
3. Reduction of Environmental Burden
4. Disclosure of Environmental Information
5. Environmental Education

Thanks to continuous efforts, we have won a range of certifications, including the highest ranked Green Star rating from the Global Real Estate Sustainability Benchmark (GRESB) surveys for four consecutive years.



FINANCIAL SECTION

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Financial Summary (Unaudited)

Historical Operating Trends
For the 17th–21st Fiscal Periods

Period	Unit	17th Period (as of Oct. 31, 2013)	18th Period (as of Apr. 30, 2014)	19th Period (as of Oct. 31, 2014)	20th Period (as of Apr. 30, 2015)	21st Period (as of Oct. 31, 2015)
Operating revenues	mn yen	9,819	10,895	12,928	14,130	13,740
(Rental revenues)	mn yen	9,501	10,330	11,295	12,836	13,226
Operating expenses	mn yen	5,578	6,611	7,899	7,593	7,800
(Property-related expenses)	mn yen	4,845	5,047	5,557	6,377	6,668
Operating income	mn yen	4,240	4,283	5,028	6,537	5,940
Ordinary income	mn yen	2,832	2,887	3,570	5,111	4,565
Net income (a)	mn yen	2,831	2,885	3,569	5,110	4,564
Total assets (b)	mn yen	316,753	355,167	388,169	407,799	407,217
(Period-on-period change)	%	(+2.8)	(+12.1)	(+9.3)	(+5.1)	(−0.1)
Interest-bearing debt (c)	mn yen	150,558	167,746	187,685	174,600	174,100
(Period-on-period change)	%	(+5.8)	(+11.4)	(+11.9)	(−7.0)	(−0.3)
Unitholders' equity (d)	mn yen	150,781	170,109	180,844	211,951	211,914
(Period-on-period change)	%	(+0.1)	(+12.8)	(+6.3)	(+17.2)	(−0.0)
Unitholders' capital	mn yen	147,153	166,261	176,632	206,199	206,199
(Period-on-period change)	%	(0.0)	(+13.0)	(+6.2)	(+16.7)	(0.0)
Number of investment units issued and outstanding (e)	unit	286,550	332,540	355,010	404,885	404,885
Unitholders' equity per unit (d)/(e)	yen	526,195	511,546	509,407	523,484	523,394
Total distribution (f)	mn yen	2,665	3,205	3,571	4,600	4,170
Distribution per unit (f)/(e)	yen	9,302	9,638	10,060	11,363	10,300
(Earnings distributed per unit)	yen	9,302	9,638	10,060	11,363	10,300
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	0.9 (1.8)	0.9 (1.7)	1.0 (1.9)	1.3 (2.6)	1.1 (2.2)
Return on net assets (annualized) (Notes 2 and 3)	%	1.9 (3.7)	1.8 (3.6)	2.0 (4.0)	2.6 (5.2)	2.2 (4.3)
Net assets ratio at end of period (d)/(b)	%	47.6	47.9	46.6	52.0	52.0
(Period-on-period change)	%	(−1.3)	(+0.3)	(−1.3)	(+5.4)	(+0.1)
Interest-bearing debt ratio at end of period (c)/(b)	%	47.5	47.2	48.4	42.8	42.8
(Period-on-period change)	%	(+1.3)	(−0.3)	(+1.1)	(−5.5)	(−0.1)
Payout ratio (Note 4) (f)/(a)	%	94.1	111.0	100.0	90.0	91.3
Other references						
Number of properties	properties	85	89	94	97	97
Total leasable floor area	m²	358,517.31	386,659.01	437,233.24	453,999.44	453,681.06
Occupancy ratio at end of period	%	95.8	96.0	95.6	96.5	94.9
Depreciation expenses for the period	mn yen	1,696	1,826	2,022	2,221	2,218
Capital expenditures for the period	mn yen	894	711	550	329	469
Leasing NOI (Net Operating Income) (Note 5)	mn yen	6,352	7,109	7,760	8,680	8,775
FFO (Funds From Operation) (Note 6)	mn yen	4,293	5,031	7,116	6,909	6,487
FFO per unit (Note 7)	yen	14,984	15,130	20,045	17,065	16,023

notes: 1. Return on assets = Ordinary income/((Total assets at beginning of period + Total assets at end of period)/2) × 100
2. Annualized values for the 17th Fiscal Period are calculated based on a period of 184 days, 181 days for the 18th Fiscal Period, 184 days for the 19th Fiscal Period, 181 days for the 20th Fiscal Period and 184 days for the 21st Fiscal Period.
3. Return on net assets = Net income/((Total net assets at beginning of period + Total net assets at end of period)/2) × 100
4. Payout ratio is rounded down to the first decimal place.
5. Leasing NOI = Rental revenues − Rental expenses + Depreciation expenses for the period
6. FFO = Net income + Depreciation expenses for the period − Gain on sale of real estate property + Loss on sale of real estate property
7. FFO per unit = FFO/Number of investment units issued and outstanding (figures below ¥1 rounded down)
8. Where applicable, figures are rounded down to the nearest million.



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Independent Auditor’s Report

The Board of Directors
Kenedix Office Investment Corporation

We have audited the accompanying financial statements of Kenedix Office Investment Corporation, which comprise the balance sheet as at October 31, 2015, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Office Investment Corporation as at October 31, 2015, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

January 29, 2016
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Balance Sheets

Kenedix Office Investment Corporation
As of October 31, 2015 and April 30, 2015

	In thousands of yen	
	As of October 31, 2015	As of April 30, 2015
ASSETS		
Current assets:		
Cash and bank deposits (Notes 3 and 13)	¥ 22,587,773	¥ 24,601,157
Rental receivables	338,287	321,915
Other current assets (Note 8)	97,212	176,000
Total current assets	23,023,272	25,099,072
Property and equipment, at cost: (Notes 4 and 15)		
Land	271,537,963	269,158,456
Buildings and structures (Note 6)	132,688,163	131,523,414
Machinery and equipment	1,905,006	1,890,733
Tools, furniture and fixtures	503,925	484,345
Construction in progress	—	1,785
Less-accumulated depreciation	(25,521,651)	(23,506,928)
Net property and equipment	381,113,406	379,551,805
Other assets:		
Ground leasehold (Note 15)	353,234	354,009
Investment securities (Note 13)	1,100,235	1,076,656
Corporate bond issuance costs	34,102	39,414
Unit issuance costs	167,122	223,603
Other assets (Note 15)	1,426,091	1,454,528
Total assets	¥407,217,462	¥407,799,087

LIABILITIES AND NET ASSETS

Liabilities

Current liabilities:		
Trade and other payables	¥ 1,372,165	¥ 1,390,897
Short-term debt and current portion of long-term debt (Notes 5 and 13)	33,300,000	35,800,000
Deposits received	46,840	57,472
Rents received in advance	1,958,661	2,108,001
Other current liabilities	497,937	355,338
Total current liabilities	37,175,603	39,711,708
Corporate bonds (Notes 5 and 13)	8,300,000	8,300,000
Long-term debt (Notes 5 and 13)	132,500,000	130,500,000
Leasehold and security deposits received	17,327,076	17,336,230
Total liabilities	195,302,679	195,847,938

Net Assets

Unitholders' equity		
Unitholders' capital	206,199,946	206,199,946
Units authorized: 2,000,000 units		
Units issued and outstanding: 404,885 units		
As of October 31, 2015 and April 30, 2015, respectively		
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	1,150,495	640,811
Retained earnings	4,564,342	5,110,392
Total surplus	5,714,837	5,751,203
Total unitholders' equity	211,914,783	211,951,149
Total net assets (Note 9)	211,914,783	211,951,149
Total liabilities and net assets	¥407,217,462	¥407,799,087

See accompanying notes to the financial statements.

Statements of Income and Retained Earnings

Kenedix Office Investment Corporation
For the period from May 1, 2015 to October 31, 2015 and the period from November 1, 2014 to April 30, 2015

	In thousands of yen	
	From May 1, 2015 to October 31, 2015	From November 1, 2014 to April 30, 2015
Operating revenues:		
Rental revenues (Note 11)	¥13,226,032	¥12,836,807
Gain on sale of real estate property (Note 11)	461,366	709,633
Dividends income	53,278	583,910
Total operating revenues	13,740,676	14,130,350
Operating expenses:		
Property-related expenses (Note 11)	6,668,992	6,377,605
Loss on sale of real estate property (Note 11)	165,691	287,720
Asset management fees	753,003	740,454
Administrative service and custodian fees	78,538	76,528
Other operating expenses	134,223	110,841
Total operating expenses	7,800,447	7,593,148
Operating income	5,940,229	6,537,202

Non-operating expenses:		
Interest expense	1,058,112	1,086,470
Financing-related expenses	220,018	244,331
Amortization of unit issuance costs	56,481	56,481
Amortization of corporate bond issuance costs	5,312	5,225
Others, net	34,701	32,980
Total non-operating expenses	1,374,624	1,425,487
Ordinary income	4,565,605	5,111,715
Income before income taxes	4,565,605	5,111,715
Income taxes (Note 8)	1,263	1,323
Net income	4,564,342	5,110,392
Retained earnings at the end of period	¥ 4,564,342	¥ 5,110,392

See accompanying notes to the financial statements.

Statements of Changes in Net Assets

Kenedix Office Investment Corporation
For the period from May 1, 2015 to October 31, 2015 and the period from November 1, 2014 to April 30, 2015

	In thousands of yen					
	Unitholders' equity					Total
	Unitholders' capital	Surplus			Total unitholders' equity	
		Voluntary retained earnings	Retained earnings	Total surplus		
Reserve for reduction entry						
Balance as of October 31, 2014	¥176,632,550	¥ 642,566	¥ 3,569,645	¥ 4,212,211	¥180,844,761	¥180,844,761
Changes during the fiscal period						
New unit issuance	29,567,396	—	—	—	29,567,396	29,567,396
Reversal of reserve for reduction entry	—	(1,755)	1,755	—	—	—
Payments of dividends	—	—	(3,571,400)	(3,571,400)	(3,571,400)	(3,571,400)
Net income	—	—	5,110,392	5,110,392	5,110,392	5,110,392
Total changes during the fiscal period	29,567,396	(1,755)	1,540,747	1,538,992	31,106,388	31,106,388
Balance as of April 30, 2015	¥206,199,946	¥ 640,811	¥ 5,110,392	¥ 5,751,203	¥211,951,149	¥211,951,149
Changes during the fiscal period						
Provision of reserve for reduction entry	—	509,684	(509,684)	—	—	—
Payments of dividends	—	—	(4,600,708)	(4,600,708)	(4,600,708)	(4,600,708)
Net income	—	—	4,564,342	4,564,342	4,564,342	4,564,342
Total changes during the fiscal period	—	509,684	(546,050)	(36,366)	(36,366)	(36,366)
Balance as of October 31, 2015	¥206,199,946	¥1,150,495	¥ 4,564,342	¥ 5,714,837	¥211,914,783	¥211,914,783

See accompanying notes to the financial statements.

Statements of Cash Flows

Kenedix Office Investment Corporation
For the period from May 1, 2015 to October 31, 2015 and the period from November 1, 2014 to April 30, 2015

	In thousands of yen	
	From May 1, 2015 to October 31, 2015	From November 1, 2014 to April 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income taxes	¥ 4,565,605	¥ 5,111,715
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,494,805	2,520,961
Interest income	(738)	(772)
Interest expense	1,058,112	1,086,470
Changes in assets and liabilities:		
Rental receivables	(16,372)	(28,754)
Consumption tax refundable	—	752,671
Accrued consumption tax	159,196	248,360
Trade and other payables	41,052	223,597
Rents received in advance	(149,339)	239,132
Property and equipment due to sale	5,309,142	6,200,424
Others, net	(145,670)	97,348
Subtotal	13,315,793	16,451,152
Interest income received	738	772
Cash payments of interest expense	(1,070,731)	(1,109,425)
Cash payments of income taxes	(925)	(904)
Net cash provided by (used in) operating activities	12,244,875	15,341,595
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(9,078,473)	(22,545,378)
Proceeds from investment securities	—	1,602,482
Proceeds from leasehold and security deposits received	1,100,651	1,599,129
Payments of leasehold and security deposits received	(1,180,848)	(663,116)
Payments of restricted bank deposits	(59,130)	(88,482)
Proceeds from restricted bank deposits	108,411	1,475,886
Others, net	—	937
Net cash provided by (used in) investing activities	(9,109,389)	(18,618,542)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term debt	1,000,000	1,500,000
Payments of short-term debt	(1,500,000)	(14,400,000)
Proceeds from long-term debt	14,500,000	15,450,000
Payments of long-term debt	(14,500,000)	(15,635,000)
Proceeds from issuance of investment units	—	29,451,732
Payment of dividends	(4,599,589)	(3,571,135)
Net cash provided by (used in) financing activities	(5,099,589)	12,795,597
Net change in cash and cash equivalents	(1,964,103)	9,518,650
Cash and cash equivalents at the beginning of period	23,724,684	14,206,034
Cash and cash equivalents at the end of period (Note 3)	¥ 21,760,581	¥ 23,724,684

See accompanying notes to the financial statements.

Notes to Financial Statements

Kenedix Office Investment Corporation
For the period from May 1, 2015 to October 31, 2015 and the period from November 1, 2014 to April 30, 2015

1. ORGANIZATION AND BASIS OF PRESENTATION
ORGANIZATION

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

During the period ended April 30, 2015, the Investment Corporation acquired seven office buildings (KDX Yokohama Nishiguchi Building: acquisition price of ¥2,750 million, KDX Shin-Yokohama 214 Building: acquisition price of ¥2,200 million, KDX Minami-Honmachi Building: acquisition price of ¥2,200 million, BUREX Toranomon: acquisition price of ¥1,750 million, KDX Sakura-dori Building: acquisition price of ¥5,900 million, KDX Ginza East Building (Note): acquisition price of ¥3,600 million and Pentel Building: acquisition price of ¥3,350 million) and sold KDX Minami Semba Dai-2 Building (initial acquisition price of ¥1,560 million), KDX Hamacho Building (initial acquisition price of ¥2,300 million), Venus Hibarigaoka (initial acquisition price of ¥1,800 million) and Sendai Nikko Building (initial acquisition price of ¥950 million) (with a total combined disposition price of ¥6,792 million). Furthermore, the preferred equity securities (Toyonaka Property TMK) have been refunded in full.

During the period ended October 31, 2015, the Investment Corporation acquired one office building (Hamamatsucho Center Building: acquisition price of ¥3,950 million) located in the Tokyo Metropolitan Area, one office building (Shin Osaka Center Building: acquisition price of ¥4,550 million) located in Other Regional Areas, and sold Nagoya Nikko Shoken Building (initial acquisition price of ¥4,158 million) and KDX Nogizaka Building (initial acquisition price of ¥1,065 million) (with a total combined disposition price of ¥5,760 million).

At the end of the twentieth and twenty-first fiscal periods, the Investment Corporation had total unitholders' capital of ¥206,200 million with 404,885 investment units outstanding, respectively. The Investment Corporation owned a portfolio of 97 properties (consisting of 92 office buildings, one residential property, three central urban retail properties and one other property) with total acquisition prices of ¥385,094 million and ¥388,371 million at the end of the twentieth and twenty-first fiscal periods, respectively. The occupancy ratios were approximately 96.5% and 94.9% at the end of the twentieth and twenty-first fiscal periods, respectively.

Note: The property name of 35 Sankyo Building will be changed to KDX Ginza East Building on February 1, 2016.

BASIS OF PRESENTATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(A) SECURITIES

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. Concerning silent partnership (tokumei kumiai, “TK”) interests, the method of incorporating the amount of equity equivalent to the portion that corresponds to the net gain or loss of the TK is adopted.

(B) PROPERTY AND EQUIPMENT

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

	From May 1, 2015 to October 31, 2015	From November 1, 2014 to April 30, 2015
Buildings and structures	2–49 years	2–49 years
Machinery and equipment	3–17 years	3–17 years
Tools, furniture and fixtures	3–20 years	3–20 years

(C) UNIT ISSUANCE COSTS

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

(D) CORPORATE BOND ISSUANCE COSTS

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

(E) ACCOUNTING TREATMENT OF TRUST BENEFICIARY INTERESTS IN REAL ESTATE

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

(F) GROUND LEASEHOLD

Fixed term leaseholds on the building and special agreements on buildings sales are amortized over a contractual period of 48 years and 9 months under the straight-line method.

(G) REVENUE RECOGNITION

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

(H) TAXES ON PROPERTY AND EQUIPMENT

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

When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥13,308 thousand and ¥116,101 thousand as of October 31, 2015 and April 30, 2015, respectively. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period to which the installments of such taxes correspond.

(I) INCOME TAXES

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

(J) CONSUMPTION TAXES

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

(K) DERIVATIVE FINANCIAL INSTRUMENTS

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

(L) CASH AND CASH EQUIVALENTS

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

(M) ROUNDING OF AMOUNTS PRESENTED

Amounts have been truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan, whereas amounts have been rounded to the nearest million in the accompanying financial statements. Totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of October 31, 2015 and April 30, 2015:

	In thousands of yen	
	As of October 31, 2015	As of April 30, 2015
Cash and bank deposits	¥22,587,773	¥24,601,157
Restricted bank deposits (Note)	(827,192)	(876,473)
Cash and cash equivalents	¥21,760,581	¥23,724,684

Note: Restricted bank deposits are retained for repayment of tenant leasehold and security deposits.

4. SCHEDULE OF PROPERTY AND EQUIPMENT

	In millions of yen					
	As of October 31, 2015			As of April 30, 2015		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥271,538	¥ —	¥271,538	¥269,158	¥ —	¥269,158
Buildings and structures	132,688	24,428	108,260	131,523	22,486	109,037
Machinery and equipment	1,905	835	1,070	1,891	777	1,114
Tools, furniture and fixtures	504	259	245	484	243	241
Construction in progress	—	—	—	2	—	2
Total	¥406,635	¥25,522	¥381,113	¥403,058	¥23,507	¥379,552

5. SHORT-TERM DEBT, LONG-TERM DEBT AND CORPORATE BONDS

The following summarizes short-term debt, long-term debt and corporate bonds outstanding as of October 31, 2015:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	April 2, 2015	March 31, 2016	0.53%	¥ 1,500
	July 31, 2015	July 31, 2016	0.53%	1,000
Current portion of long-term debt	November 12, 2010	November 12, 2015	1.79%	1,200
	November 12, 2010	November 12, 2015	1.79%	800
	December 1, 2010	November 12, 2015	1.32%	800
	December 1, 2010	November 12, 2015	1.32%	200
	January 31, 2011	January 29, 2016	1.94%	800
	February 28, 2011	January 29, 2016	1.95%	500
	March 31, 2011	January 29, 2016	1.91%	2,000
	April 28, 2011	January 29, 2016	1.89%	1,000
	January 10, 2012	January 29, 2016	1.27%	2,500
	February 18, 2013	February 18, 2016	0.84%	1,500
	March 31, 2011	March 31, 2016	1.22%	1,000
	May 1, 2006	April 30, 2016	2.73%	5,000
	April 30, 2013	April 30, 2016	0.67%	1,000
	July 31, 2013	July 29, 2016	0.57%	1,500
	December 26, 2011	October 31, 2016	1.44%	2,500
	December 26, 2011	October 31, 2016	1.42%	2,500
	December 26, 2011	October 31, 2016	1.44%	2,000
	October 31, 2012	October 31, 2016	1.06%	2,500
	October 31, 2012	October 31, 2016	1.05%	1,500
Subtotal				¥ 33,300

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	November 12, 2010	November 12, 2017	2.02%	¥ 2,300
	December 1, 2010	November 12, 2017	2.21%	700
	March 28, 2012	March 28, 2017	1.36%	500
	March 28, 2012	March 28, 2019	1.77%	1,400
	March 28, 2012	March 28, 2019	1.77%	1,000
	June 29, 2012	June 30, 2017	1.29%	1,500
	September 21, 2012	September 21, 2017	1.16%	5,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	October 31, 2012	October 31, 2017	1.10%	2,500
	October 31, 2012	October 31, 2018	1.25%	2,500
	December 10, 2012	December 12, 2016	0.98%	500
	December 28, 2012	December 28, 2016	1.01%	2,000
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500
	January 15, 2013	January 15, 2017	0.97%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	July 31, 2013	July 31, 2018	0.67%	500
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	500
	August 19, 2013	August 19, 2018	0.97%	500
	August 19, 2013	August 19, 2018	0.95%	500
	August 30, 2013	August 31, 2018	1.08%	700
	August 30, 2013	August 31, 2018	1.08%	500
	August 30, 2013	August 31, 2018	1.08%	300
	August 30, 2013	August 31, 2020	1.42%	1,500
	September 30, 2013	September 30, 2019	1.06%	1,800
	September 30, 2013	September 30, 2019	1.06%	900
	October 31, 2013	October 31, 2018	0.89%	500
	November 12, 2013	November 12, 2018	0.82%	1,000
	November 12, 2013	November 12, 2020	1.07%	2,000
	November 12, 2013	November 12, 2020	1.07%	500
	November 29, 2013	November 30, 2018	0.84%	200
	November 29, 2013	November 30, 2020	1.12%	1,000
	November 29, 2013	November 30, 2020	1.12%	900
	January 10, 2014	January 31, 2021	1.21%	1,300
	January 31, 2014	January 31, 2017	0.67%	1,200
	January 31, 2014	January 31, 2020	0.93%	3,700
	January 31, 2014	January 31, 2021	1.13%	2,300
	March 12, 2014	March 12, 2018	0.75%	2,250
	March 12, 2014	March 31, 2019	0.78%	450
	March 12, 2014	March 12, 2020	0.92%	1,800
	March 12, 2014	March 12, 2023	1.36%	1,800
	March 20, 2014	March 12, 2020	0.91%	3,000
	March 20, 2014	September 20, 2021	1.01%	4,000
	March 20, 2014	March 20, 2022	1.20%	3,000
	March 20, 2014	March 12, 2023	1.35%	2,000
	March 31, 2014	March 31, 2019	0.76%	2,500
	April 22, 2014	October 31, 2020	0.95%	2,900
	July 10, 2014	July 10, 2019	0.64%	500

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	July 10, 2014	July 10, 2021	0.90%	¥ 2,000
	July 10, 2014	July 10, 2021	0.90%	500
	July 14, 2014	July 31, 2019	0.68%	1,000
	July 31, 2014	July 31, 2019	0.62%	1,000
	July 31, 2014	July 31, 2020	0.74%	2,700
	July 31, 2014	October 31, 2020	0.76%	300
	July 31, 2014	July 31, 2022	1.01%	2,200
	August 29, 2014	July 31, 2019	0.65%	1,000
	September 1, 2014	August 31, 2021	0.89%	800
	September 1, 2014	August 31, 2021	0.89%	500
	September 3, 2014	August 31, 2022	0.98%	1,000
	September 3, 2014	August 31, 2022	0.98%	950
	September 22, 2014	September 30, 2020	0.80%	2,700
	September 30, 2014	September 30, 2021	0.89%	1,000
	October 31, 2014	October 31, 2021	0.80%	3,000
	October 31, 2014	October 31, 2023	1.07%	2,000
	October 31, 2014	October 31, 2023	1.13%	1,500
	October 31, 2014	October 31, 2023	1.07%	1,000
	October 31, 2014	October 31, 2024	1.26%	2,000
	October 31, 2014	October 31, 2024	1.26%	1,000
	January 30, 2015	January 31, 2021	0.71%	1,500
	January 30, 2015	January 31, 2025	1.16%	1,500
	February 18, 2015	February 28, 2022	0.91%	1,250
	February 18, 2015	February 28, 2022	0.91%	350
	February 18, 2015	February 29, 2024	1.16%	1,700
	February 18, 2015	February 28, 2025	1.31%	1,250
	February 27, 2015	February 28, 2025	1.15%	2,100
	March 12, 2015	February 28, 2025	1.22%	1,000
	March 31, 2015	March 31, 2025	1.27%	2,500
	April 30, 2015	April 30, 2022	0.83%	2,300
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	September 30, 2015	September 30, 2024	1.06%	2,000
	October 30, 2015	October 31, 2024	0.99%	1,000
	October 30, 2015	October 30, 2025	1.11%	1,500
	October 30, 2015	October 30, 2025	1.11%	2,000
	October 30, 2015	October 30, 2025	1.11%	2,500
	October 30, 2015	October 30, 2025	1.12%	2,500
Subtotal				¥132,500
Corporate bonds	March 15, 2007	March 15, 2017	2.37%	¥ 3,000
	March 8, 2012	September 8, 2017	2.00%	1,500
	September 12, 2013	September 12, 2018	1.00%	1,800
	July 25, 2014	July 25, 2024	1.18%	2,000
Subtotal				¥ 8,300
Total				¥174,100

The following summarizes short-term debt, long-term debt and corporate bonds outstanding as of April 30, 2015:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	May 30, 2014	May 29, 2015	0.53%	¥ 500
	July 31, 2014	July 31, 2015	0.48%	1,000
	April 2, 2015	March 31, 2016	0.53%	1,500
Current portion of long-term debt	February 28, 2011	August 31, 2015	1.91%	3,000
	March 30, 2012	September 30, 2015	1.21%	2,000
	April 27, 2012	October 30, 2015	1.27%	1,000
	April 28, 2011	October 31, 2015	1.86%	1,500
	December 26, 2011	October 31, 2015	1.34%	2,500
	December 26, 2011	October 31, 2015	1.32%	2,500
	December 26, 2011	October 31, 2015	1.34%	2,000
	November 12, 2010	November 12, 2015	1.79%	1,200
	November 12, 2010	November 12, 2015	1.79%	800
	December 1, 2010	November 12, 2015	1.38%	800
	December 1, 2010	November 12, 2015	1.38%	200
	January 31, 2011	January 29, 2016	1.94%	800
	February 28, 2011	January 29, 2016	1.95%	500
	March 31, 2011	January 29, 2016	1.91%	2,000
	April 28, 2011	January 29, 2016	1.89%	1,000
	January 10, 2012	January 29, 2016	1.27%	2,500
	February 18, 2013	February 18, 2016	0.84%	1,500
	March 31, 2011	March 31, 2016	1.24%	1,000
	May 1, 2006	April 30, 2016	2.73%	5,000
	April 30, 2013	April 30, 2016	0.68%	1,000
Subtotal				¥ 35,800
Long-term debt	November 12, 2010	November 12, 2017	2.02%	¥ 2,300
	December 1, 2010	November 12, 2017	2.21%	700
	December 26, 2011	October 31, 2016	1.44%	2,500
	December 26, 2011	October 31, 2016	1.42%	2,500
	December 26, 2011	October 31, 2016	1.44%	2,000
	March 28, 2012	March 28, 2017	1.36%	500
	March 28, 2012	March 28, 2019	1.77%	1,400
	March 28, 2012	March 28, 2019	1.77%	1,000
	June 29, 2012	June 30, 2017	1.29%	1,500
	September 21, 2012	September 21, 2017	1.16%	5,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	October 31, 2012	October 31, 2016	1.06%	2,500
	October 31, 2012	October 31, 2016	1.05%	1,500
	October 31, 2012	October 31, 2017	1.10%	2,500
	October 31, 2012	October 31, 2018	1.25%	2,500
	December 10, 2012	December 12, 2016	0.98%	500
	December 28, 2012	December 28, 2016	1.01%	2,000
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500
	January 15, 2013	January 15, 2017	0.97%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	July 31, 2013	July 29, 2016	0.58%	1,500
	July 31, 2013	July 31, 2018	0.68%	500
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	500
	August 19, 2013	August 19, 2018	0.97%	500

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	August 19, 2013	August 19, 2018	0.95%	¥ 500
	August 30, 2013	August 31, 2018	1.08%	700
	August 30, 2013	August 31, 2018	1.08%	500
	August 30, 2013	August 31, 2018	1.08%	300
	August 30, 2013	August 31, 2020	1.42%	1,500
	September 30, 2013	September 30, 2019	1.06%	1,800
	September 30, 2013	September 30, 2019	1.06%	900
	October 31, 2013	October 31, 2018	0.89%	500
	November 12, 2013	November 12, 2018	0.82%	1,000
	November 12, 2013	November 12, 2020	1.07%	2,000
	November 12, 2013	November 12, 2020	1.07%	500
	November 29, 2013	November 30, 2018	0.84%	200
	November 29, 2013	November 30, 2020	1.12%	1,000
	November 29, 2013	November 30, 2020	1.12%	900
	January 10, 2014	January 31, 2021	1.21%	1,300
	January 31, 2014	January 31, 2017	0.67%	1,200
	January 31, 2014	January 31, 2020	0.93%	3,700
	January 31, 2014	January 31, 2021	1.13%	2,300
	March 12, 2014	March 12, 2018	0.75%	2,250
	March 12, 2014	March 31, 2019	0.78%	450
	March 12, 2014	March 12, 2020	0.92%	1,800
	March 12, 2014	March 12, 2023	1.36%	1,800
	March 20, 2014	March 12, 2020	0.91%	3,000
	March 20, 2014	September 20, 2021	1.01%	4,000
	March 20, 2014	March 20, 2022	1.20%	3,000
	March 20, 2014	March 12, 2023	1.35%	2,000
	March 31, 2014	March 31, 2019	0.76%	2,500
	April 22, 2014	October 31, 2020	0.95%	2,900
	July 10, 2014	July 10, 2019	0.64%	500
	July 10, 2014	July 10, 2021	0.90%	2,000
	July 10, 2014	July 10, 2021	0.90%	500
	July 14, 2014	July 31, 2019	0.68%	1,000
	July 31, 2014	July 31, 2019	0.62%	1,000
	July 31, 2014	July 31, 2020	0.74%	2,700
	July 31, 2014	October 31, 2020	0.76%	300
	July 31, 2014	July 31, 2022	1.01%	2,200
	August 29, 2014	July 31, 2019	0.65%	1,000
	September 1, 2014	August 31, 2021	0.89%	800
	September 1, 2014	August 31, 2021	0.89%	500
	September 3, 2014	August 31, 2022	0.98%	1,000
	September 3, 2014	August 31, 2022	0.98%	950
	September 22, 2014	September 30, 2020	0.80%	2,700
	September 30, 2014	September 30, 2021	0.89%	1,000
	October 31, 2014	October 31, 2021	0.80%	3,000
	October 31, 2014	October 31, 2023	1.07%	2,000
	October 31, 2014	October 31, 2023	1.13%	1,500
	October 31, 2014	October 31, 2023	1.07%	1,000
	October 31, 2014	October 31, 2024	1.26%	2,000
	October 31, 2014	October 31, 2024	1.26%	1,000
	January 30, 2015	January 31, 2021	0.71%	1,500
	January 30, 2015	January 31, 2025	1.16%	1,500
	February 18, 2015	February 28, 2022	0.91%	1,250
	February 18, 2015	February 28, 2022	0.91%	350
	February 18, 2015	February 29, 2024	1.16%	1,700

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	February 18, 2015	February 28, 2025	1.31%	¥ 1,250
	February 27, 2015	February 28, 2025	1.15%	2,100
	March 12, 2015	February 28, 2025	1.22%	1,000
	March 31, 2015	March 31, 2025	1.27%	2,500
	April 30, 2015	April 30, 2022	0.83%	2,300
Subtotal				¥130,500
Corporate bonds	March 15, 2007	March 15, 2017	2.37%	¥ 3,000
	March 8, 2012	September 8, 2017	2.00%	1,500
	September 12, 2013	September 12, 2018	1.00%	1,800
	July 25, 2014	July 25, 2024	1.18%	2,000
Subtotal				¥ 8,300
Total				¥174,600

6. REDUCTION ENTRY

The amount of reduction entry of property and equipment acquired by government subsidy

	In thousands of yen	
	As of October 31, 2015	As of April 30, 2015
Buildings and structures	¥26,230	¥26,230

7. PER UNIT INFORMATION

	Yen	
	From May 1, 2015 to October 31, 2015	From November 1, 2014 to April 30, 2015
Net asset value per unit	¥523,395	¥523,485
Net income per unit	¥ 11,273	¥ 12,860
Weighted average number of units (units)	404,885	397,394

The weighted average number of units outstanding of 404,885 as of October 31, 2015 and 397,394 as of April 30, 2015 was used for the computation of the amount of net income per unit. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

8. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement that it currently distribute in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. The Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥4,170 million (deducting ¥394 million as the provision of reserve for reduction entry) and ¥4,601 million (deducting ¥510 million as the provision of reserve for reduction entry) for the periods ended October 31, 2015, and April 30, 2015. Therefore such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.03% for the fiscal periods ended October 31, 2015 and April 30, 2015. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	From May 1, 2015 to October 31, 2015	From November 1, 2014 to April 30, 2015
Statutory tax rate	32.31%	34.15%
Deductible cash distributions	(29.51)	(30.74)
Provision of reserve for reduction entry	(2.79)	(3.41)
Others	0.02	0.03
Effective tax rate	0.03%	0.03%

The significant components of deferred tax assets and liabilities as of October 31, 2015 and April 30, 2015 were as follows:

	In thousands of yen	
	As of October 31, 2015	As of April 30, 2015
Deferred tax assets:		
Enterprise tax payable	¥ 32	¥ 33
Amortization of leasehold rights	2,460	2,210
Subtotal deferred tax assets	2,492	2,243
Valuation allowance	2,460	2,210
Total deferred tax assets	¥ 32	¥ 33

9. NET ASSETS

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

10. RELATED-PARTY TRANSACTIONS

1. PARENT COMPANY, CORPORATE UNITHOLDERS AND OTHER

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015) and Twentieth Fiscal Period (November 1, 2014 to April 30, 2015): Not applicable

2. AFFILIATED COMPANIES AND OTHER

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015) and Twentieth Fiscal Period (November 1, 2014 to April 30, 2015): Not applicable

3. FELLOW SUBSIDIARY COMPANIES AND OTHER

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015) and Twentieth Fiscal Period (November 1, 2014 to April 30, 2015): Not applicable

4. DIRECTORS, INDIVIDUAL UNITHOLDERS AND OTHER

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015) and Twentieth Fiscal Period (November 1, 2014 to April 30, 2015): Not applicable

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

Rental and other operating revenues, property-related expenses, gain and loss on sale of real estate property for the periods from May 1, 2015 to October 31, 2015 and from November 1, 2014 to April 30, 2015 consist of the following:

	In thousands of yen	
	From May 1, 2015 to October 31, 2015	From November 1, 2014 to April 30, 2015
Rental and other operating revenues:		
Rental revenues	¥ 9,124,877	¥ 9,075,126
Common area charges	1,981,677	1,983,917
Subtotal	11,106,554	11,059,043
Others:		
Parking space rental revenues	472,738	471,152
Utility charge reimbursement	1,131,096	1,019,055
Miscellaneous	515,644	287,557
Subtotal	2,119,478	1,777,764
Total rental and other operating revenues	13,226,032	12,836,807
Property-related expenses:		
Property management fees and facility management fees	1,261,503	1,241,711
Depreciation	2,218,871	2,221,037
Utilities	1,232,969	1,208,553
Taxes	1,097,079	957,213
Insurance	18,325	18,294
Repairs and maintenance	497,904	437,406
Trust fees	52,439	45,464
Others	289,902	247,927
Total property-related expenses	6,668,992	6,377,605
Gain on sale of real estate property:		
Revenue from sale of investment property	4,800,000	5,742,169
Cost of investment property	4,214,661	4,892,161
Other sales expenses	123,973	140,375
Gain on sale of real estate property	461,366	709,633
Loss on sale of real estate property:		
Revenue from sale of investment property	960,000	1,050,000
Cost of investment property	1,094,481	1,308,263
Other sales expenses	31,210	29,457
Loss on sale of real estate property	¥ 165,691	¥ 287,720

12. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease terms of generally two years for office buildings and residential properties and with lease terms ranging from two to ten years for retail properties. The future minimum rental revenues under existing non-cancelable operating leases as of October 31, 2015 and April 30, 2015 are as follows:

	In thousands of yen	
	As of October 31, 2015	As of April 30, 2015
Due within one year	¥ 1,759,328	¥ 2,246,302
Due after one year	9,540,266	10,202,936
Total	¥11,299,594	¥12,449,238

13. FINANCIAL INSTRUMENTS

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015)

(A) OVERVIEW

(1) POLICY FOR FINANCIAL INSTRUMENTS

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

(2) TYPES OF FINANCIAL INSTRUMENTS AND RELATED RISK

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

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

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

(3) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

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

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

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

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

(4) SUPPLEMENTARY EXPLANATION OF THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(B) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial instruments on the balance sheet as of October 31, 2015 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
① Cash and bank deposits	¥ 22,587,773	¥ 22,587,773	¥ —
Subtotal	22,587,773	22,587,773	—
① Short-term debt	2,500,000	2,500,000	—
② Corporate bonds (including current portion of corporate bonds)	8,300,000	8,474,360	174,360
③ Long-term debt (including current portion of long-term debt)	163,300,000	163,761,383	461,383
Subtotal	¥174,100,000	¥174,735,743	¥635,743
Derivative transactions (*)	—	—	—

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

*1: METHODS TO DETERMINE THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER MATTERS RELATED TO SECURITIES AND DERIVATIVE TRANSACTIONS

ASSETS

① Cash and bank deposits

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

LIABILITIES

① Short-term debt

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

② Corporate bonds

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

③ Long-term debt

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

DERIVATIVE TRANSACTIONS

Please refer to Note 14 “DERIVATIVE TRANSACTIONS”.

*2: FINANCIAL INSTRUMENTS FOR WHICH IT IS EXTREMELY DIFFICULT TO DETERMINE THE FAIR VALUE

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,100,235

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

*3: REDEMPTION SCHEDULE FOR RECEIVABLES

	Due within 1 year or less (In thousands of yen)
Cash and bank deposits	¥22,587,773
Total	¥22,587,773

*4: REDEMPTION SCHEDULE FOR DEBT AND CORPORATE BONDS

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	¥ 2,500,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	4,500,000	1,800,000	—	—	2,000,000
Long-term debt	¥30,800,000	¥16,200,000	¥16,750,000	¥12,750,000	¥18,600,000	¥68,200,000

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015)

(A) OVERVIEW

(1) POLICY FOR FINANCIAL INSTRUMENTS

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

(2) TYPES OF FINANCIAL INSTRUMENTS AND RELATED RISK

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

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

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

(3) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

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

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

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

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

(4) SUPPLEMENTARY EXPLANATION OF THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(B) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial instruments on the balance sheet as of April 30, 2015 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
① Cash and bank deposits	¥ 24,601,157	¥ 24,601,157	¥ —
Subtotal	24,601,157	24,601,157	—
① Short-term debt	3,000,000	3,000,000	—
② Corporate bonds (including current portion of corporate bonds)	8,300,000	8,500,380	200,380
③ Long-term debt (including current portion of long-term debt)	163,300,000	163,418,891	118,891
Subtotal	¥174,600,000	¥174,919,271	¥319,271
Derivative transactions (*)	—	—	—

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

*1: METHODS TO DETERMINE THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER MATTERS RELATED TO SECURITIES AND DERIVATIVE TRANSACTIONS

ASSETS

① Cash and bank deposits

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

LIABILITIES

① Short-term debt

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

② Corporate bonds

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

③ Long-term debt

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

DERIVATIVE TRANSACTIONS

Please refer to Note 14 “DERIVATIVE TRANSACTIONS”.

*2: FINANCIAL INSTRUMENTS FOR WHICH IT IS EXTREMELY DIFFICULT TO DETERMINE THE FAIR VALUE

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,076,656

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

*3: REDEMPTION SCHEDULE FOR RECEIVABLES

	Due within 1 year or less (In thousands of yen)
Cash and bank deposits	¥24,601,157
Total	¥24,601,157

*4: REDEMPTION SCHEDULE FOR DEBT AND CORPORATE BONDS

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	¥ 3,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	3,000,000	1,500,000	1,800,000	—	2,000,000
Long-term debt	¥32,800,000	¥17,700,000	¥19,250,000	¥15,050,000	¥14,700,000	¥63,800,000

14. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap and the interest-rate cap contracts as of October 31, 2015:

① Hedge accounting not applied

Not applicable

② Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	¥ 98,050,000	¥92,050,000	*	—
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term debt	3,000,000	500,000	*	—
Total			¥101,050,000	¥92,550,000		—

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

The following summarizes the contracted amount and the fair value of interest-rate swap and the interest-rate cap contracts as of April 30, 2015:

① Hedge accounting not applied

Not applicable

② Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	¥90,550,000	¥86,050,000	*	—
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term debt	3,000,000	2,000,000	*	—
Total			¥93,550,000	¥88,050,000		—

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

15. INVESTMENT AND RENTAL PROPERTIES

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015)

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

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

Carrying value (In thousands of yen)			Fair value As of October 31, 2015 (In thousands of yen)
As of April 30, 2015	Net change	As of October 31, 2015	
¥379,905,814	¥1,560,827	¥381,466,641	¥392,422,000

notes 1. The carrying value represents the acquisition cost less accumulated depreciation.
2. The fair value is the appraisal value or the survey value determined by outside appraisers.
3. Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increases and decreases were the acquisition of two properties totaling ¥8,621,306 thousand, the sale of two properties totaling ¥5,309,142 thousand and depreciation amounting to ¥2,218,871 thousand.

Income and loss in the fiscal period ended October 31, 2015 for real estate for rental purposes is listed in Note 11. “BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY”.

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015)

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

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

Carrying Value (In thousands of yen)			Fair value As of April 30, 2015 (In thousands of yen)
As of October 31, 2014	Net change	As of April 30, 2015	
¥365,835,095	¥14,070,719	¥379,905,814	¥381,864,000

notes 1. The carrying value represents the acquisition cost less accumulated depreciation.
2. The fair value is the appraisal value or the survey value determined by outside appraisers.
3. Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increases and decreases were the acquisition of seven properties totaling ¥22,140,043 thousand, the sale of four properties totaling ¥6,200,424 thousand and depreciation amounting to ¥2,221,037 thousand.

Income and loss in the fiscal period ended April 30, 2015 for real estate for rental purposes is listed in Note 11. “BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY”.

16. SEGMENT AND RELATED INFORMATION

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015)

(A) SEGMENT INFORMATION

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

(B) RELATED INFORMATION

(1) INFORMATION ABOUT EACH PRODUCT AND SERVICE

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

(2) INFORMATION ABOUT EACH GEOGRAPHIC AREA

(a) Net sales

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

(b) Property and equipment

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

(3) INFORMATION ABOUT EACH MAJOR CUSTOMER

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

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015)

(A) SEGMENT INFORMATION

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

(B) RELATED INFORMATION

(1) INFORMATION ABOUT EACH PRODUCT AND SERVICE

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

(2) INFORMATION ABOUT EACH GEOGRAPHIC AREA

(a) Net sales

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

(b) Property and equipment

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

(3) INFORMATION ABOUT EACH MAJOR CUSTOMER

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

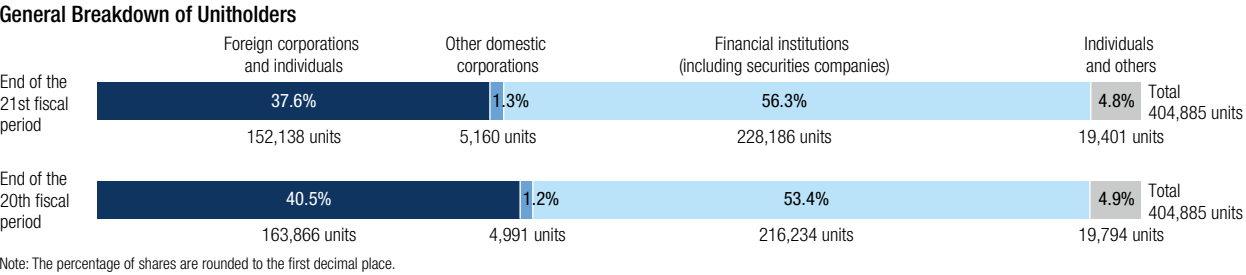
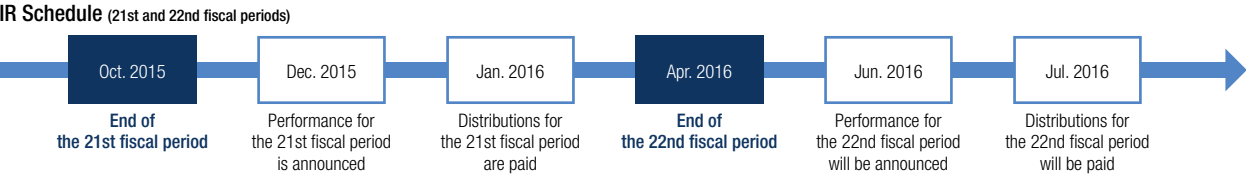
17. SUBSEQUENT EVENTS

Not applicable

UNITHOLDERS’ INFORMATION

Kenedix Office Investment Corporation

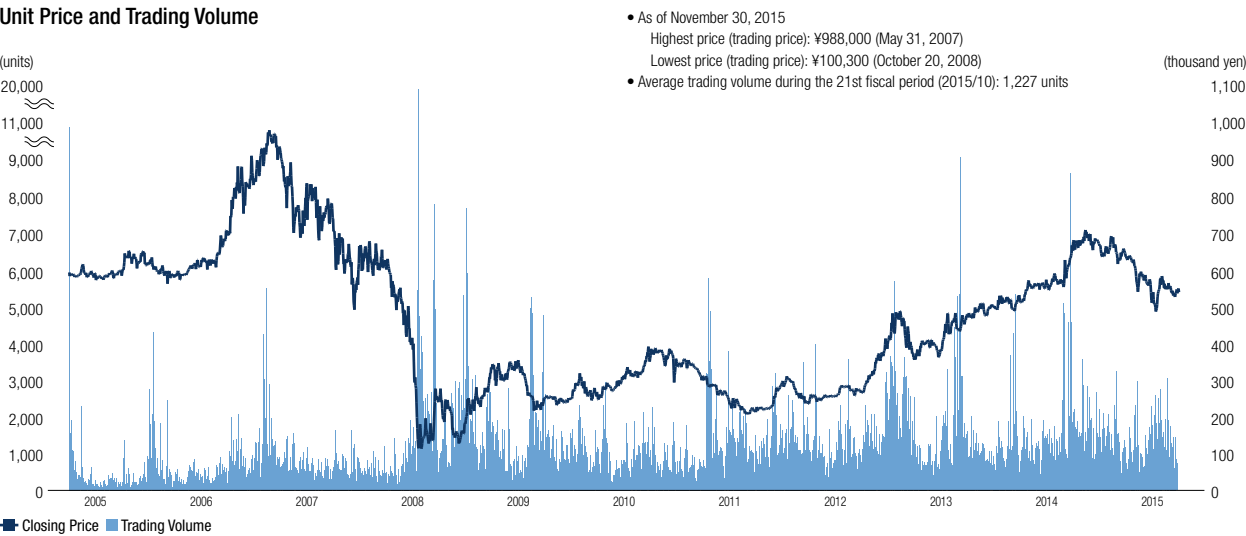
Fiscal Periods: Six months ending April 30 and October 31
Stock Listing: Real Estate Investment Trust Market of the Tokyo Stock Exchange (Security Code: 8972)
Transfer Agent: Sumitomo Mitsui Trust Bank, Limited
Auditor: Ernst & Young ShinNihon LLC



Top Ten Unitholders (As of October 31, 2015)

Name	Units Held	Share of Outstanding Units (Note)
Japan Trustee Services Bank, Ltd. (Trust Account)	68,677	16.96%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	59,796	14.76%
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,889	10.09%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	19,954	4.92%
Nomura Bank (Luxembourg) S.A.	16,712	4.12%
The Bank of New York Mellon SA/NV 10	12,162	3.00%
State Street Bank and Trust Company 505223	8,669	2.14%
Goldman Sachs International	7,010	1.73%
JP Morgan Chase Bank 385174	6,664	1.64%
State Street Bank and Trust Company	5,642	1.39%
Total	246,175	60.80%

Note: The percentage of shares are rounded down to the second decimal place.





<http://www.kdx-reit.com/eng/>

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