

24th Fiscal Period
SEMIANNUAL REPORT
November 1, 2016-April 30, 2017

TSE 8972





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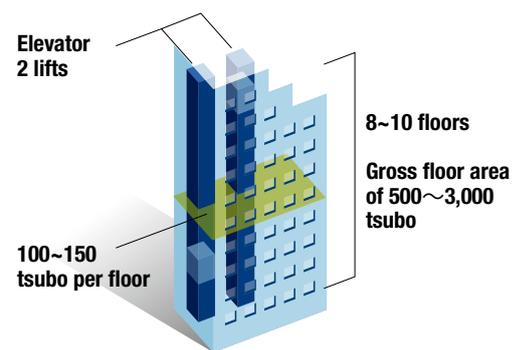
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About KDO

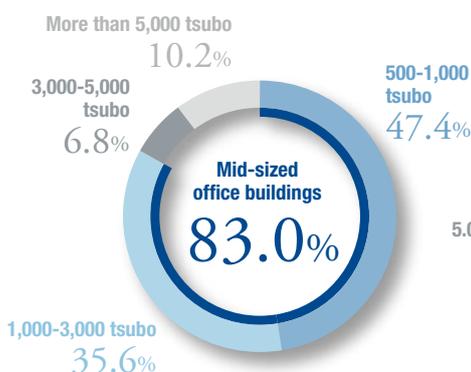
Kenedix Office Investment Corporation (KDO) is a dynamic and proven J-REIT focusing on investments in mid-sized office buildings in the Tokyo Metropolitan Area. Since listing on the Tokyo Stock Exchange (8972), KDO has deployed tactful property acquisition strategies in accordance with the real estate market environment. Through steady expansion, KDO's portfolio has grown from 31 properties with a total acquisition price of 69.1 billion yen to 97 properties with a total acquisition price of 393.4 billion yen in April 2017.

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



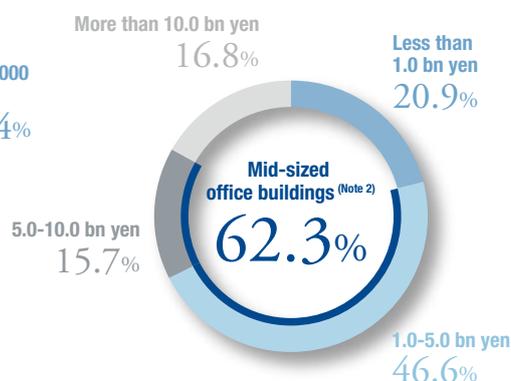
Characteristics of mid-sized office building market

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



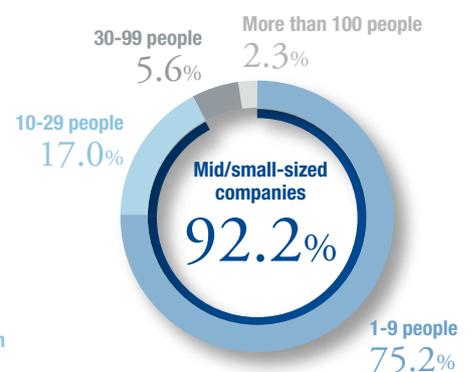
Source: Based on the survey CBRE conducted at the request of the Asset Management Company.

of office building transactions by transaction price



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

Business office by the number of employees (Tokyo)



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

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

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

At a Glance

*Percent figures in brackets indicate period over period rate.

External growth

Portfolio NOI yield

End of 24th fiscal period

4.6% (+0.1%)

Portfolio appraisal profit/loss

End of 24th fiscal period

33.1bn yen (+7.7bn yen)

Internal growth

Increase in actual occupancy rate

End of 24th fiscal period (office building)

94.6% (+1.2%)

* Occupancy rate (contracted area based): 97.8%

Rent increment upon rent revisions

Total monthly amount for
24th fiscal period (all properties)

+7.4mn yen

Rent gap against the market

End of 23rd fiscal period End of 24th fiscal period

-2.1% ➔ -2.8%

Financial strategy

Credit rating (JCR)

A+ (positive) ➔ AA- (stable)

LTV

End of 24th fiscal period

42.6% (-0.5%)

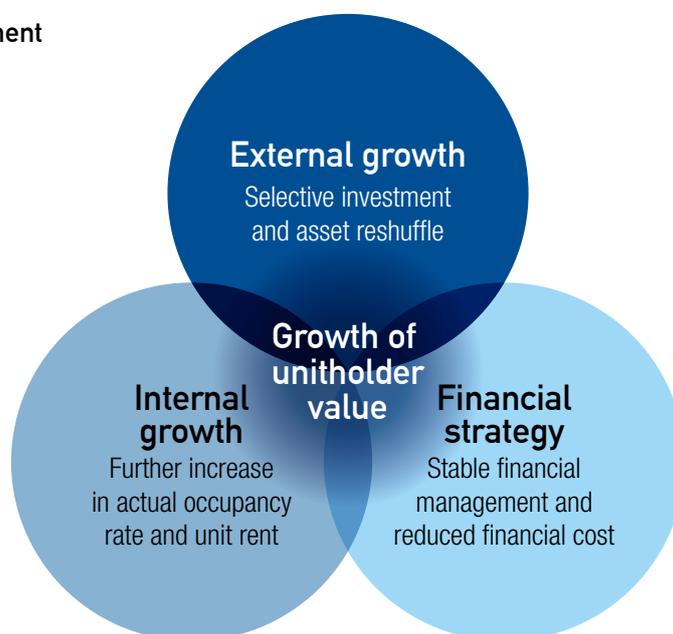
Average interest rate on interest-bearing debt

End of 24th fiscal period

1.16% (-0.03%)

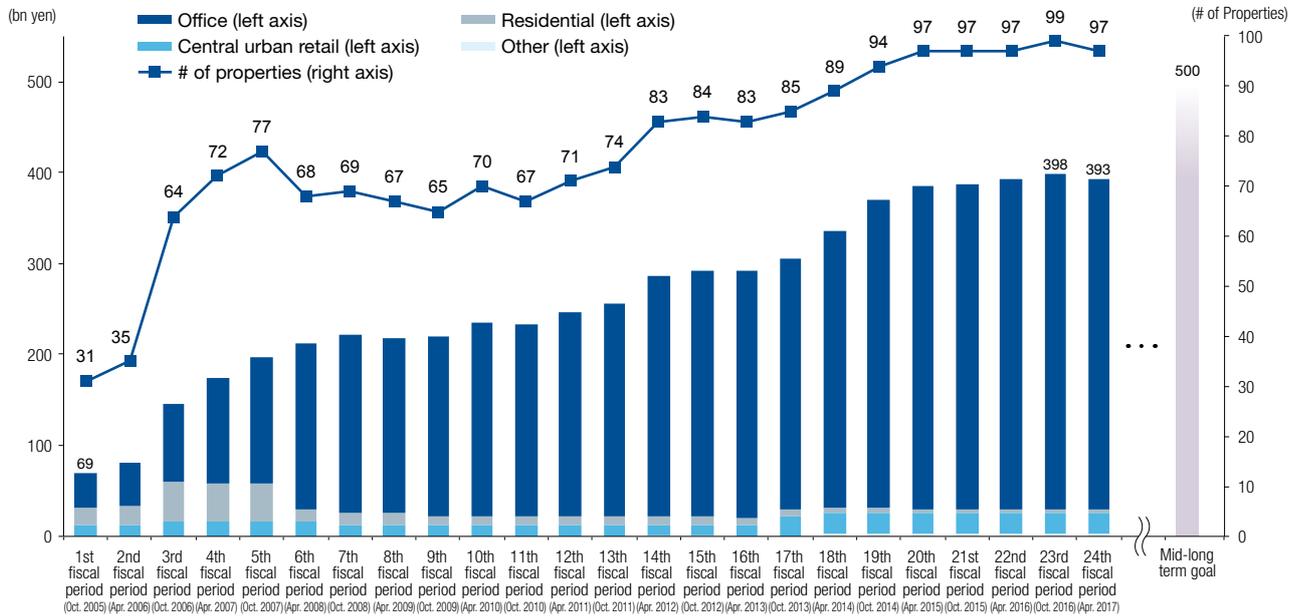
Future initiatives

Aim for further enhancement of our unitholder value



Portfolio

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

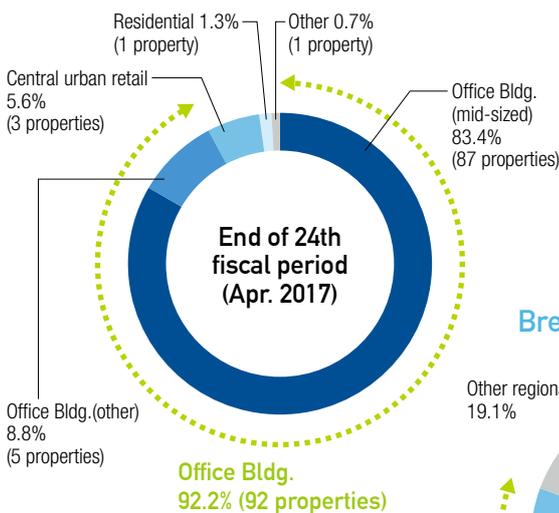


Note: The amount and the number of properties are shown as of the end of each fiscal period. Figures are truncated to the nearest billion yen.

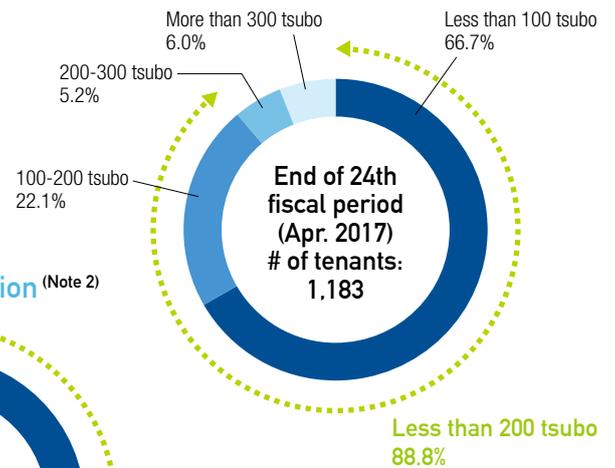
Portfolio diversification

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

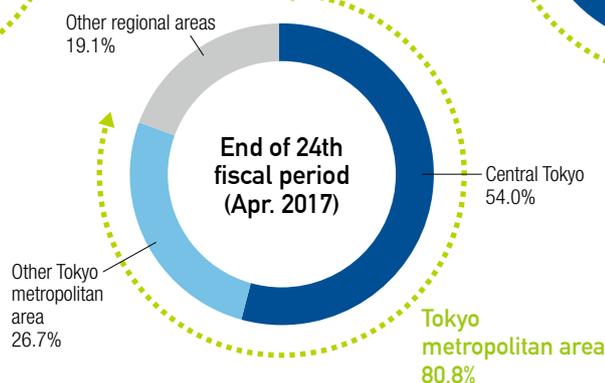
Breakdown by asset type (Note 1)



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



Breakdown by region (Note 2)



Note 1: Portfolio breakdown by asset type based on acquisition price (truncated to the first decimal place).

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

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

Building a Portfolio with Robust Profitability to Realize Sustainable Growth

Making steady progress on agendas to be addressed, we achieved solid results in the 24th fiscal period ended April 2017

We made steady progress on agendas to be addressed and achieved solid results in the current 24th fiscal period ended April 2017. We are also seeing definite signs of further growth.

Regarding external growth, Kenedix Office Investment Corporation (KDO) took advantage of the need for real estate companies to acquire property for redevelopment projects they are engaged in and effected two mutual transactions for properties owned by KDO and prime properties owned by the real estate companies.

We sold three office buildings that were not profitable and had high appraisal losses in February 2017. Although this transaction generated a loss on the sale, we avoided an adverse impact on distributions by using the gain on the sale from the mutual transactions with the aforementioned real estate companies. This improved both portfolio profitability and appraisal profit.

We also used part of the cash secured from the sale to acquire a competitive mid-sized office building in the Gotanda district of the Tokyo Metropolitan Area that matched our acquisition criteria.

We were able to acquire this at a relatively reasonable price, despite this stiff competition for acquisition.

Accordingly, KDO's portfolio included 97 properties with a total asset size of 393.4 billion yen as of April 30, 2017, the end of the fiscal period under review.

Looking at internal growth, revenue growth on existing properties is continuing as expected.

Income from rent revisions with existing tenants is increasing in addition to an increase in the actual occupancy rate as free rent periods gradually expire.

There is still room for improvement in rent even when judged by comparing contracted rent for owned properties to market rent. We can therefore anticipate raising rents due to upward rent revisions in the near term, and consequently believe that revenue growth will continue.

In terms of financial management, we again reduced the financial cost on interest-bearing debt as we did in the 23rd fiscal period ended October 2016 in addition to achieving a credit rating increase from A+ to AA- (JCR) in January 2017.

We used cash on hand to reduce interest-bearing debt, thereby reducing the interest-bearing debt ratio by 0.5 percentage point from the previous fiscal period to 42.6%.

Distributions per unit for the 24th fiscal period were 11,733 yen, 2% higher than the 11,500 yen initially forecasted.

The distribution growth rate for the past year was 9.6%, demonstrating solid growth in distributions.

Naokatsu Uchida

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



Message from Management

We will continue to use a variety of acquisition methods and be selective in investments, with the aim of achieving greater growth in revenue from existing properties

To achieve external growth, we will continue to engage in selective investment and asset reshuffle.

The view on acquisition and disposition of office buildings has not changed substantially from six months ago in terms of our understanding of the environment. We recognize that prices are trending at high levels and there are few opportunities to acquire properties at a reasonable price.

While there is certainly not a wealth of acquisition opportunities, we intend to continue to engage in selective investment by employing the proprietary network of the Asset Management Company and a variety of other acquisition methods, in addition to the support line from our sponsor. Besides, we intend to continue acquiring properties and reshuffling assets, while strictly observing our acquisition criteria.

In terms of internal growth, we will strive to achieve growth in revenue from existing properties. In specific terms, that means continued increases in the actual occupancy rate and unit rent.

We will also engage in effective, strategic capital

expenditures on renovation works, air conditioning system upgrades, and other such expenditures to draw out the potential earning power of owned properties for further expanding internal growth.

In terms of financial strategy, we will continue to engage in conservative financial management and strive to reduce financial costs.

We also intend to be agile in responding to opportunities to acquire properties, while maintaining the interest-bearing debt ratio at a conservative level.

We will engage in selective investment in new acquisition of properties and asset reshuffle, work to achieve greater growth in revenue from existing properties, and will also continue to reduce financial cost, as the trend in interest rates permits this.

Through these efforts, we intend to increase unitholder profit, and target greater growth in DPU and net asset value (NAV) per unit, in particular.



Using our wealth of accumulated insight and management expertise to maximize unitholder profit as the No. 1 J-REIT in mid-sized office buildings

A large supply of office buildings is anticipated in 2018 and beyond. Some are concerned about the impact this will have, however, we do not see an impact from a large supply, signs of deterioration in the operating environment or other factors for the mid-sized office buildings we own at present.

Rather, we feel that there is still ample room for internal growth in competitive mid-sized office buildings in good locations, particularly for buildings in the Tokyo Metropolitan Area with a monthly rent of around 10,000 yen per tsubo (approx. 3.3 m²).

The market for mid-sized office buildings is broad, with considerable variation in management conditions, location and building quality.

The tenant base occupying the buildings is rich in small- to mid-sized companies and sole proprietors offices. We believe that detailed attention to building operation and effective capital expenditures in addition to location and quality make it easy to differentiate our properties from other small- to mid-sized buildings and achieve competitive superiority.

We will continue to utilize our management expertise to pursue growth as the No. 1 J-REIT in mid-sized office buildings. We will also strive to achieve results and a relatively high rate of growth in distributions that exceeds the expectations of unitholders, while enjoying the stability that comes from a diversified portfolio.



The image features a blue-tinted aerial view of a city skyline, with the Tokyo Tower visible on the left. The scene is overlaid with a pattern of semi-transparent triangles pointing in various directions. The text 'External Growth' is centered in white.

External Growth

A series of initiatives in the 24th fiscal period (Apr. 2017)

1 Mutual transactions

KDO capitalized on the property acquisition needs of real estate companies engaged in redevelopment projects and executed two mutual transactions involving properties owned by KDO and prime properties owned by the real estate companies.

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

Acquisition	ARK Mori Bldg. (Compartmentalized Ownership) ^(Note)	Disposition	BUREX Toranomom
	Location: Minato-ku, Tokyo		Location: Minato-ku, Tokyo
	Acquisition price: 4,169 mn yen		Disposition price: 2,440 mn yen
	Appraisal value at time of acquisition: 4,310 mn yen		Appraisal value upon disposition: 2,440 mn yen



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

Transaction with Heiwa Real Estate Co., Ltd. (February 1, 2017)

Acquisition	Nishi-Shinbashi TS Bldg.	Disposition	KDX Nihonbashi Kabutocho Bldg.
	Location: Minato-ku, Tokyo		Location: Chuo-ku, Tokyo
	Acquisition price: 8,400 mn yen		Disposition price: 12,400 mn yen
	Appraisal value at time of acquisition: 8,480 mn yen		Appraisal value upon disposition: 12,400 mn yen



Effect of mutual transaction

Gain on sale of real estate

1.6 bn yen

Net cash gain on mutual transaction

+1.8 bn yen

Improvement in NOI yield

2 Disposition of properties

By disposing of 3 unprofitable properties with high appraisal losses together for a price that exceeded their appraised values by approximately 570 million yen, KDO improved portfolio profitability and appraisal profit/loss and effectively utilized a net cash gain of around 5 billion yen.

Disposition of 3 properties (February 1, 2017)

			
Location	Minato-ku, Tokyo	Chiyoda-ku, Tokyo	Chiyoda-ku, Tokyo
Disposition price of 3 properties	5,070 mn yen		
Appraisal value upon disposition	2,120 mn yen	961 mn yen	1,420 mn yen

Effect of disposition of 3 properties

Improvement in portfolio profitability

Elimination of appraisal loss
Approx. 2.1 bn yen

Effective use of acquired funds
• To reduce interest-bearing debt
• To cover property acquisition

3 Acquisition of properties

Faced with a tough acquisition environment, we acquired a competitive mid-sized office building that matched our acquisition criteria in the Gotanda area where we have management track record of over 10 years.

Acquired BR Gotanda (compartmentalized ownership) (April 5, 2017)



11F	Owned by KDO	
10F		
9F		
8F		
7F		
6F	Owned by third party	
5F		
4F		
3F	Owned by KDO	
2F		
1F	EV Hall	Owned by KDO (parking lot)
B		

Location	Shinagawa-ku, Tokyo	
Ownership	Land	Ownership and leasehold ^(Note 1)
	Bldg.	Compartmentalized ownership (ratio of exclusive floor area: approx. 73%)
GFA	7,395.72 m ²	
Completion date	Sep. 1991	
Occupancy rate ^(Note 2)	100 %	

# of tenants ^(Note 2)	5
Acquisition price	2,200 mn yen
Appraisal value at the time of acquisition	2,310 mn yen
Estimated NOI yield ^(Note 3)	4.8 %
Estimated NOI yield after depreciation ^(Note 3)	4.0 %
Appraisal NOI yield ^(Note 3)	5.3 %

Transaction highlights

- We acquired this property despite the tough acquisition environment by continuing to follow it as a potential sale.
- This was the third mid-sized office building that we have acquired in the Gotanda area, which is seeing a steadily increasing need for office space.
- We acquired a property situated in a location with highly convenient transportation with the aim of differentiation from similar sized office buildings.



Note 1: The ratio of proprietary ownership portion to the entire site area is approx. 55% and the ratio of land leasehold portion is approx. 15%.

Note 2: Occupancy rate and # of tenants are as of Mar. 31, 2017. Figure for occupancy rate is rounded to the first decimal place.

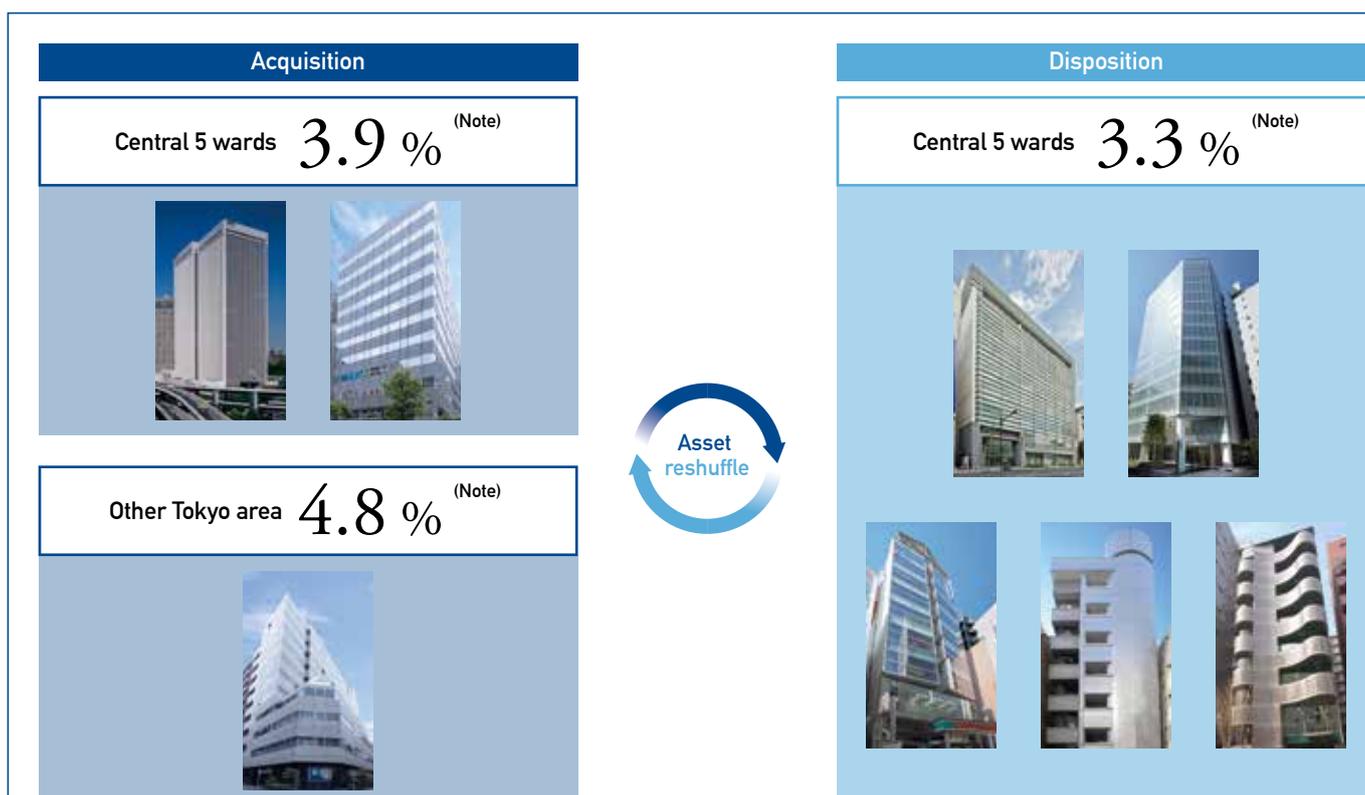
Note 3: Yields are calculated using the following formulas (rounded to the first decimal place):

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

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

Appraisal NOI yield: Calculated by dividing "NOI calculated based on the direct capitalization method described in the relevant appraisal report (with the base date for appraisal on March 1, 2017)" by the acquisition price.

Estimated NOI yield on the acquisition and actual NOI yield on the disposition in the 24th Fiscal Period (Apr. 2017)



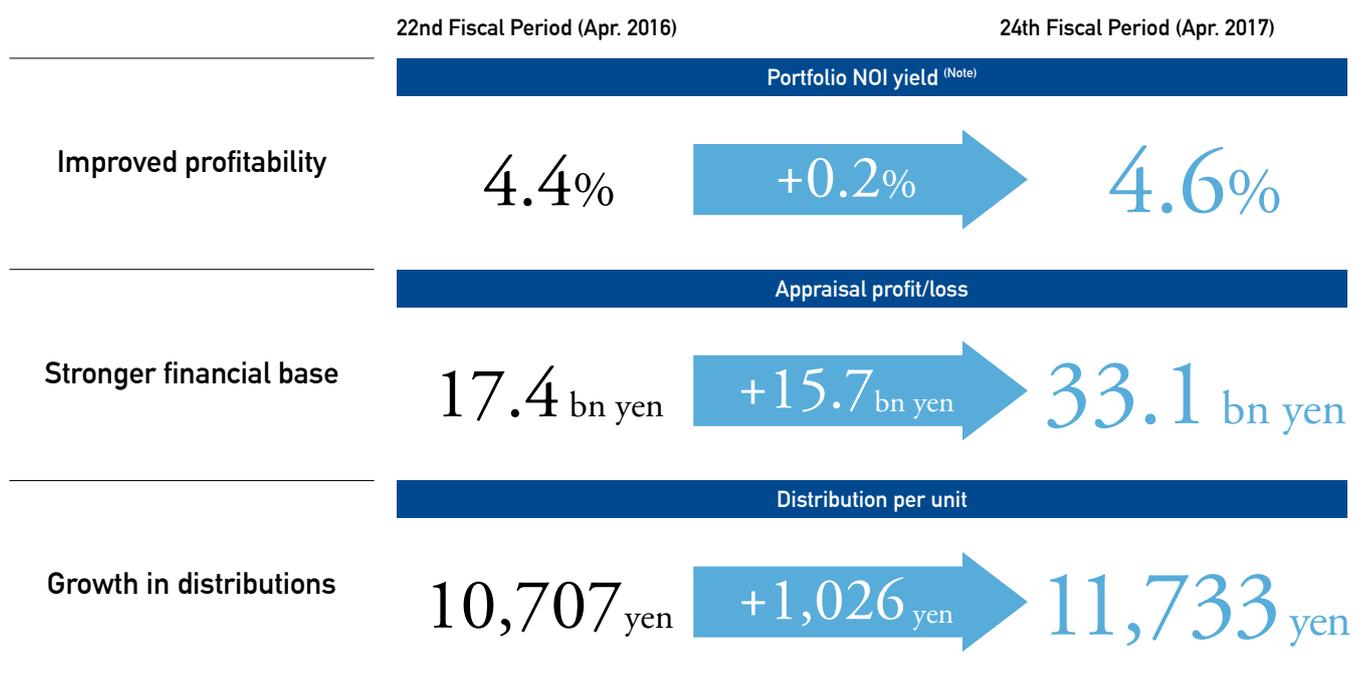
Note: Yields are calculated using the following formulas by fiscal period and region of the acquisition/disposition (rounded to the first decimal place).

Estimated NOI yield on the acquisition: Calculated by dividing the sum of NOI after excluding extraordinary factors for the year of acquisition estimated by the Asset Management Company by the total acquisition price.

Actual NOI yields on the disposition: Calculated by dividing the sum of the actual NOI for the 2 fiscal period prior to the period in which the property was sold, by the total acquisition price.

Results and effects of property acquisition and disposition from the 22nd fiscal period (Apr. 2016) onward

KDO improved profitability, strengthened its financial base, and increased distributions. This was accomplished through ongoing selective investment and asset reshuffle with a focus on location and yield, amid the tough acquisition environment and the high price range for real estate transactions.



Note: Calculated as if property and urban planning taxes were assessed for the properties acquired during each fiscal period that fell under the year of acquisition without such taxes. Calculated by multiplying the ratio of actual operating days corresponding to each fiscal period's operating days against NOI and the acquisition price for the properties acquired/sold during each fiscal period. Figures are rounded to the first decimal place.



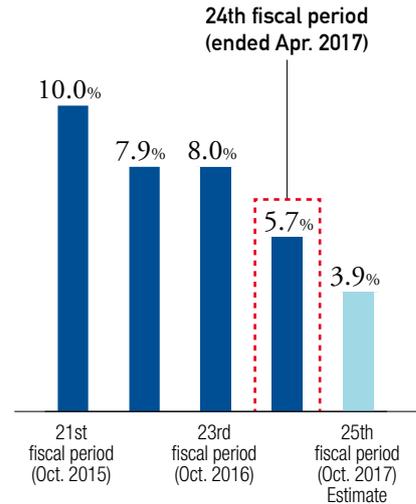
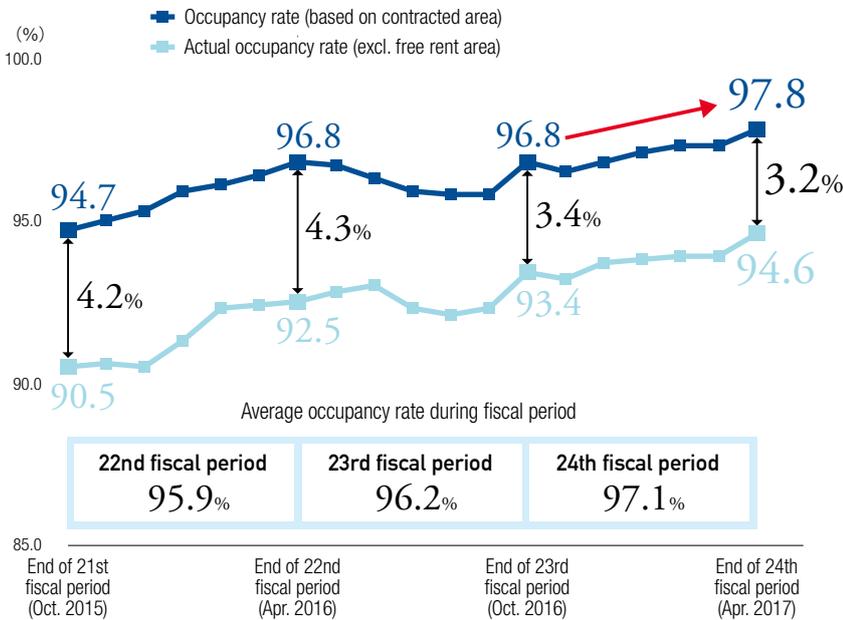
Internal Growth

Changes in occupancy and turnover ratio for office buildings

The period-end occupancy rate has improved by 1.0% from the previous fiscal period backed by steady progress in filling vacancies. The actual occupancy rate is expected to improve further with the expiration of free rent periods and a decrease in the turnover ratio.

Office building occupancy rate performance (Note 1)

Office building turnover ratio (annualized) (Note 2) (Note 3)



Note 1: The occupancy rate (based on contracted area) is calculated by dividing leased area under contract by the leasable area. The actual occupancy rate (excl. free rent area) is calculated by subtracting the free rent area from the leased area and then dividing the result by the leasable area. These figures are rounded to the first decimal place. The average occupancy rate of office buildings during each fiscal period is a simple average of month-end occupancy rates of owned buildings during each period.

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

Note 3: The estimate for the 25th fiscal period (Oct. 2017) is based on cancellation notices, etc. received by May 31, 2017.

Progress on properties focused on attracting new tenants

We achieved steady improvement in the occupancy rate through attracting activities that targeted tenants accurately based on property features.



KDX Shin-Nihonbashi Ekimae Bldg.

Changing the name of the building, holding private viewings, and other efforts resulted in 100% occupancy faster than initially planned.

Occupancy rate at time of acquisition (Aug. 2, 2016)	Occupancy rate at end of 24th fiscal period (Apr. 30, 2017)
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40.9% **+59.1%** → 100%



KDX Nihonbashi Edo-dori Bldg.

KDO raised the occupancy rate to more than 90% after a temporary decline to 60% after acquisition.

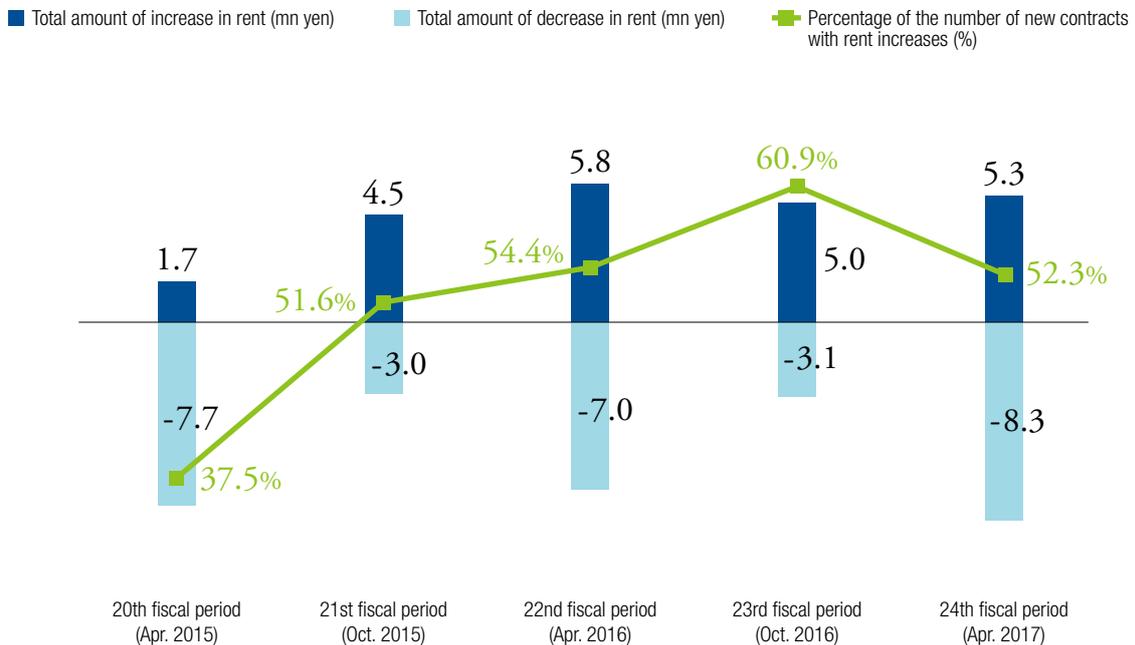
Occupancy rate at time of acquisition (Aug. 2, 2016)	Occupancy rate on Jun. 30, 2017
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74.0% **+18.4%** → 92.4%

Rent trend upon tenant turnover and reasons for move-ins/outs (office building)

New tenant rent upon tenant turnover was contracted at a higher rate than the prior tenant in the majority of cases for the fourth period in a row.

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



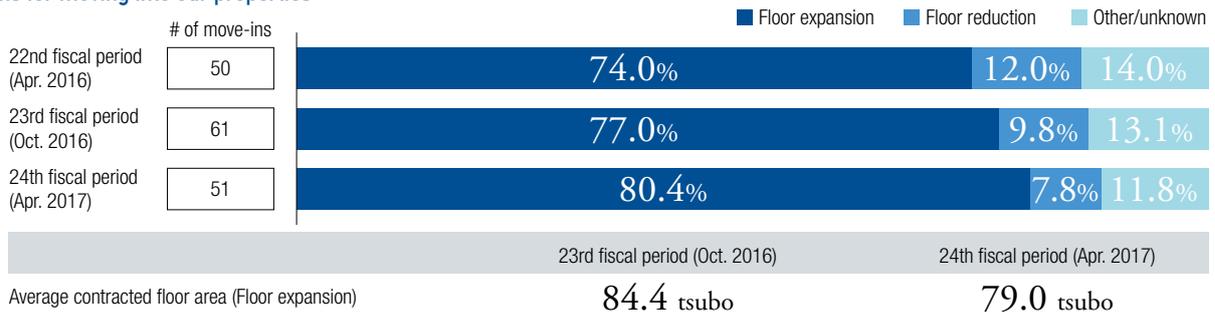
Note: The total amounts of increase and decrease in monthly rent before and after rent revision for each fiscal period are each aggregated for the spaces where the rents paid by new tenants and by previous tenants can be compared.

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

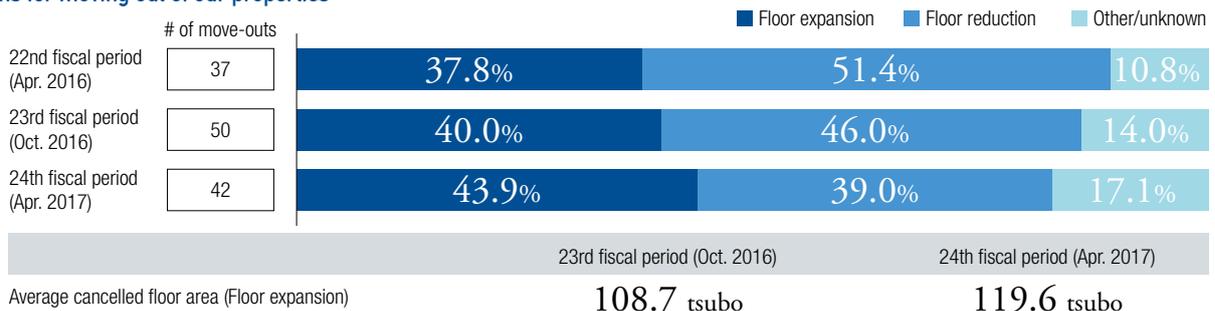
Demonstrating that well-performing mid/small-sized companies have a strong need to relocate their offices for floor expansion.

Change in reasons for moving in/out ^(Note)

Reasons for moving into our properties



Reasons for moving out of our properties

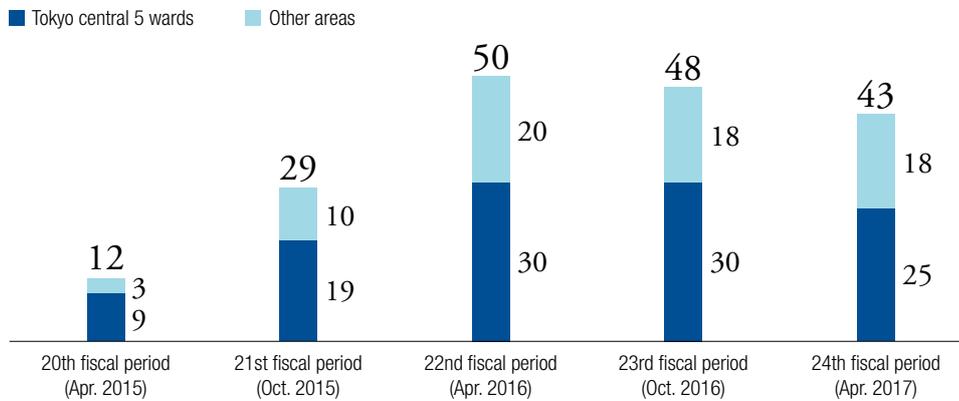


Note: The above data is based on the hearing survey, etc. compiled by the Asset Management Company with regard to reasons for office relocation of relevant tenants. We classify responses of survey into 3 categories: "Floor expansion", "Floor reduction" and "Other/unknown", and calculate the proportion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

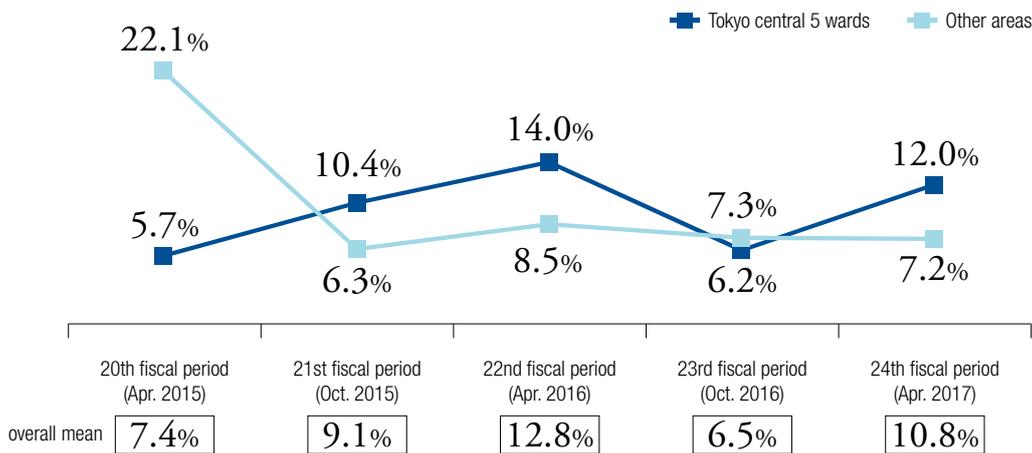
Status of rent revisions with existing tenants

Historical number of rent increase ^(Note 1)

The number of rent increases with existing tenants exceeded 40 for the third consecutive period, and the amount of rent increases also increased steadily. A steady trend of rent increases is also seen in areas other than Tokyo central 5 wards.

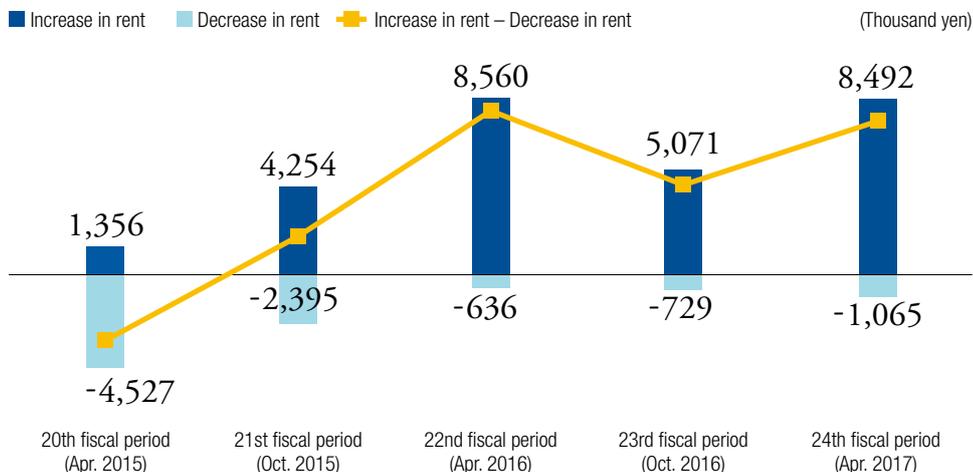


Change in rent increase rate ^(Note 1)



Change in rent upon rent revision (based on monthly rent) ^(Note 2)

Rent decreases remained at a low level and upward rent revisions were entrenched. Rent revisions with existing tenants continue to increase rental revenues.



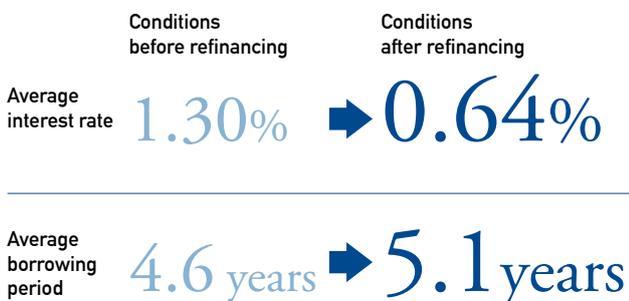
Note 1: Calculated by aggregating the actual rent increase of the office buildings and central urban retail properties in our portfolio. Rent increase rate is calculated by dividing the sum of increase in monthly rent by the sum of monthly rent before revision. Figures are rounded to the first decimal place.

Note 2: Calculated by aggregating the actual rent increases/decreases for the office buildings and central urban retail properties in our portfolio. The increases and decreases in rent are calculated by aggregating the change in monthly rent before and after contract renewal for increases in rent and decreases in rent, respectively. Figures are rounded to the nearest thousand yen.

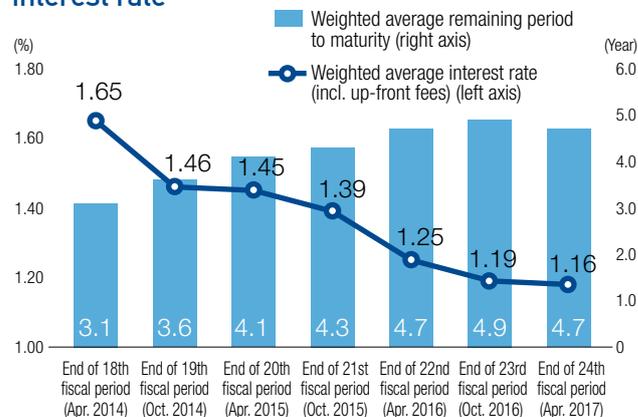
Status of debt financing

Reduced financial cost and will continue to target conservative financial management and reduction in financial cost.

Refinancing (totaling 8.2 bn yen) during the 24th fiscal period (Apr. 2017) (Note 1)



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



Note 1: The average interest rate and borrowing period are the weighted averages of the interest rate (incl. up-front fees) and borrowing period based on the balance of borrowings, respectively (with the average interest rate rounded to the second decimal place and the average borrowing period rounded to the first decimal place).

The conditions before refinancing include redemption and repayment of debt during the 24th fiscal period (Apr. 2017) in the calculation.

Note 2: The average remaining period to maturity and interest rate are the weighted averages based on the balance of borrowings, respectively (with the average remaining period to maturity rounded to the first decimal place and the average interest rate rounded to the second decimal place).

Major indices of financial stability as of the end of 24th fiscal period (Apr. 2017)

The credit rating improved from A+ to AA- in January 2017. A reduction in debt lowered the LTV (interest-bearing debt ratio) by 0.5 point, maintaining financial stability.

Credit rating status

Japan Credit Rating Agency, Ltd. (JCR)

AA- (stable)

LTV (Interest-bearing debt ratio) (Note 1)

Conservative financial management with a target LTV of 45%

42.6%

Ratio of fixed interest rate debt (Note 2)

Continue to hedge against a potential rise in interest rates

94.8%

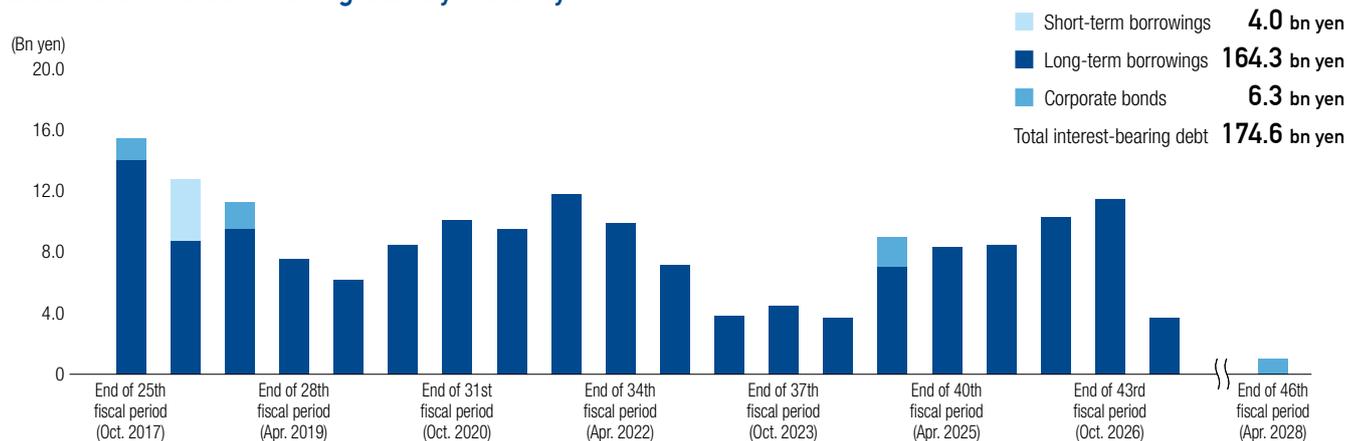
Note 1: LTV is calculated by dividing the balance of interest-bearing debt by the amount of total assets as of the end of the fiscal period, rounded to the first decimal place.

Note 2: Includes borrowings with floating interest rates fixed by interest rate swaps but excludes those hedged by interest rate caps, rounded to the first decimal place.

Diversification of debt maturities

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

Balance of interest-bearing debt by maturity



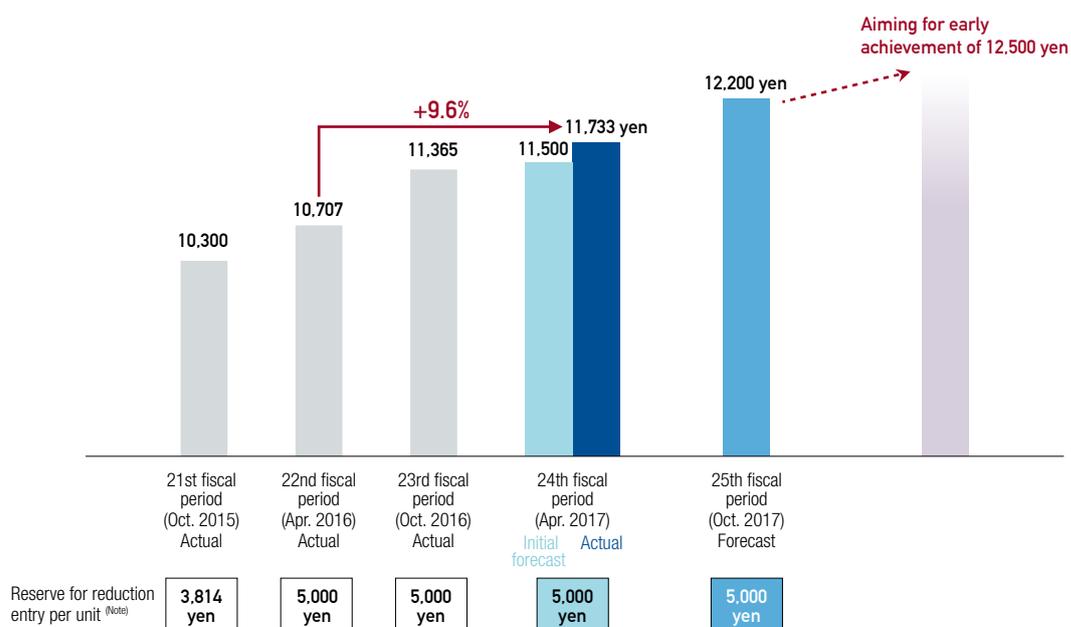
Dividend and NAV per Unit

Historical change in DPU

Raised dividend by 9.6% year over year in the 24th fiscal period (Apr. 2017)

Estimate DPU for the 25th fiscal period (Oct. 2017) to be 12,200 yen, and aim for an early achievement of DPU target of 12,500 yen

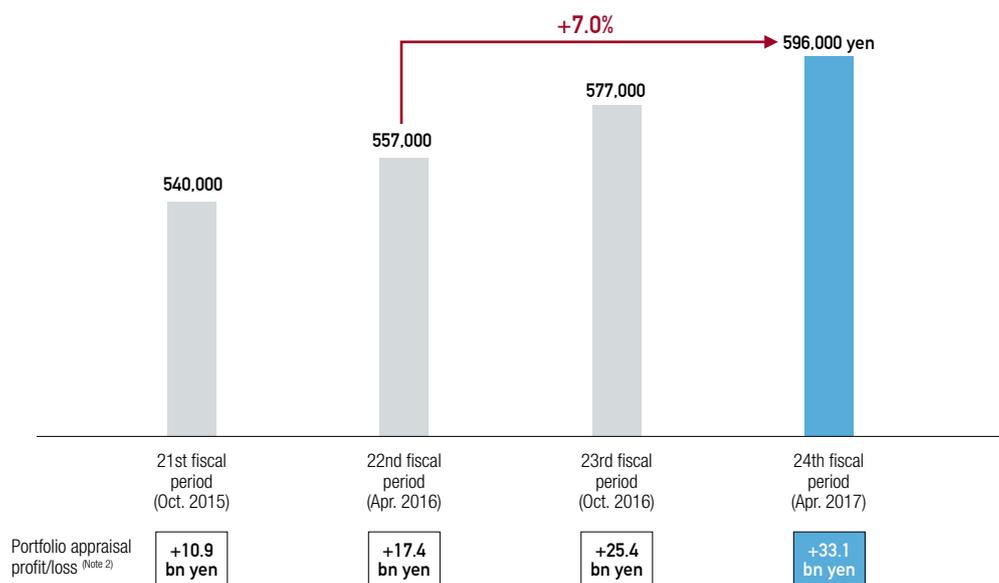
Expect a 4.0% period over period DPU growth in 25th fiscal period (Oct. 2017)



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

NAV per unit: Historical performance ^(Note 1)

Achieved 7.0% increase year over year



Note 1: NAV per unit is truncated to the nearest thousand yen after subtracting the amount of DPU.

Note 2: Appraisal profit/loss is calculated by subtracting book values from appraisal values for all properties owned as of the end of relevant fiscal period.

Portfolio (As of April 30, 2017)

The properties acquired during the 24th fiscal period are marked with a red box.

	No.	Property Name	Location	Acquisition Price (mn yen) (Note 1)	Year Built (Note 2)	Occupancy Rate (Note 3)
Office Building (Tokyo Metropolitan Area)	A-1	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	Apr. 1974	82.5%
	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	98.3%
	A-6	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	Nov. 1985	100.0%
	A-7	KDX Minami Aoyama Building	Minato-ku, Tokyo	2,270	Nov. 1988	100.0%
	A-8	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	May 1993	100.0%
	A-13	KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	May 1994	100.0%
	A-14	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	100.0%
	A-16	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	97.1%
	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	99.6%
	A-26	KDX Kiba Building	Koto-ku, Tokyo	1,580	Oct. 1992	100.0%
	A-27	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	Mar. 1990	100.0%
	A-29	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	Jan. 1990	100.0%
	A-30	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	Nov. 1992	100.0%
	A-31	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	Sep. 1986	100.0%
	A-32	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	Jul. 1986	100.0%
	A-33	KDX Okachimachi Building	Taito-ku, Tokyo	2,000	Jun. 1988	100.0%
	A-34	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May 1995	100.0%
	A-35	KDX Hachioji Building	Hachioji, Tokyo	1,155	Dec. 1985	90.1%
	A-37	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	Aug. 1982	90.2%
	A-38	KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	Oct. 1992	87.8%
	A-41	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	Aug. 1989	100.0%
	A-46	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	Mar. 1988	100.0%
	A-47	KDX Shin-Yokohama 381 Building (Note 4)	Yokohama, Kanagawa	5,800	Mar. 1988	100.0%
	A-48	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	Feb. 1985	100.0%
	A-50	KDX Ikejiri-Oohashi 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-55	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	Jul. 1990	64.2%
	A-56	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	May 1994	100.0%
	A-59	KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	Mar. 2008	100.0%
	A-60	KDX Harumi Building	Chuo-ku, Tokyo	10,250	Feb. 2008	94.0%
	A-61	KDX Hamamatsucho Dai-2 Building	Minato-ku, Tokyo	2,200	Apr. 1992	100.0%
	A-62	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	Nov. 1989	100.0%
	A-63	KDX Gotanda Building	Shinagawa-ku, Tokyo	2,620	Apr. 1988	100.0%
	A-64	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	Oct. 2006	100.0%
A-66	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	May 1993	95.5%	
A-67	KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	Nov. 1991	100.0%	
A-68	KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	Jan. 1984	100.0%	
A-71	KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	Mar. 1990	100.0%	
A-72	KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	Jan. 1993	100.0%	
A-73	KDX Hakozaeki Building	Chuo-ku, Tokyo	2,710	Nov. 1993	100.0%	
A-74	KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	Nov. 2002	100.0%	
A-78	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	Feb. 1990	100.0%	
A-83	KDX Fuchu Building	Fuchu, Tokyo	6,120	Mar. 1996	88.6%	
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	81.9%	
A-88	KDX Shinjuku 6-chome Building	Shinjuku-ku, Tokyo	1,900	Mar. 1990	100.0%	
A-89	KDX Takanawadai Building	Minato-ku, Tokyo	5,250	Oct. 1985	94.0%	

	No.	Property Name	Location	Acquisition Price (mn yen) (Note 1)	Year Built (Note 2)	Occupancy Rate (Note 3)
Office Building (Tokyo Metropolitan Area)	A-90	KDX Ikebukuro Building	Toshima-ku, Tokyo	3,900	Mar. 2009	100.0%
	A-91	KDX Mita Building	Minato-ku, Tokyo	3,180	Mar. 1993	100.0%
	A-92	KDX Akihabara Building	Chiyoda-ku, Tokyo	2,600	Dec. 1973	100.0%
	A-93	KDX Iidabashi Square	Shinjuku-ku, Tokyo	4,350	Jan. 1994	100.0%
	A-94	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	May 2013	100.0%
	A-95	KDX Toyosu Grand Square	Koto-ku, Tokyo	8,666	Apr. 2008	95.9%
	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	97.5%
	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	96.3%
	A-107	KDX Ginza East Building	Chuo-ku, Tokyo	3,600	Aug. 1991	100.0%
	A-108	Pentel Building	Chuo-ku, Tokyo	3,350	Nov. 1990	100.0%
	A-109	KDX Hamamatsucho Center Building	Minato-ku, Tokyo	3,950	Dec. 1985	100.0%
	A-112	KDX Toranomon 1chome Building	Minato-ku, Tokyo	15,550	Oct. 2013	100.0%
	A-113	KDX Shin-Nihonbashi Ekimae Building	Chuo-ku, Tokyo	3,829	May. 1992	100.0%
	A-114	KDX Nihonbashi Edo-dori Building	Chuo-ku, Tokyo	1,350	Mar. 1985	65.8%
A-115	ARK Mori Building	Minato-ku, Tokyo	4,169	Mar. 1986	100.0%	
A-116	Nishi-Shinbashi TS Building	Minato-ku, Tokyo	8,400	Aug. 1992	100.0%	
A-117	BR Gotanda	Shinagawa-ku, Tokyo	2,200	Sep. 1991	100.0%	
Office Building (Other Regional Areas)	A-12	Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	100.0%
	A-42	KDX Karasuma Building	Kyoto, Kyoto	5,400	Oct. 1982	97.8%
	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	95.2%
	A-54	KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	89.2%
	A-58	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Apr. 2009	100.0%
	A-69	KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	Jul. 2009	100.0%
	A-70	KDX Sapporo Building	Sapporo, Hokkaido	2,005	Oct. 1989	92.9%
	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	100.0%
	A-100	Senri Life Science Center Building	Toyonaka, Osaka	13,000	Jun. 1992	99.8%
	A-104	KDX Minami-Honmachi Building	Osaka, Osaka	2,200	Dec. 2009	93.5%
	A-106	KDX Sakura-dori Building	Nagoya, Aichi	5,900	Aug. 1992	98.3%
A-110	KDX Shin-Osaka Building	Osaka, Osaka	4,550	May 1992	100.0%	
A-111	KDX Nagoya Nichigin-mae Building	Nagoya, Aichi	3,500	Sep. 2006	94.6%	
	Office Building Subtotal (92 properties)			363,055	Avg. 23.4 years	97.8%
Central Urban Retail Properties	C-1	Frame Jinnan-zaka	Shibuya-ku, Tokyo	9,900	Mar. 2005	100.0%
	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	96.5%
		Central Urban Retail Properties Subtotal (3 properties)			22,179	Avg. 11.9 years
Residential Property	B-19	Residence Charmante Tsukishima	Chuo-ku, Tokyo	5,353	Jan. 2004	100.0%
	Residential Property Subtotal (1 property)			5,353	Avg. 13.2 years	100.0%
Other	D-2	Shinjuku 6chome Building (Land)	Shinjuku-ku, Tokyo	2,880	—	100.0%
		Other Subtotal (1 property)			2,880	—
	Total (97 properties)			393,468	Avg. 22.6 years	97.9%
Investment Security		G.K. KRF 43 Silent Partnership Equity Interest	Shinjuku-ku, Tokyo	1,107	Dec. 1979	

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

Note 2: Year built shows the completion date recorded in the land register. The average value shown in the subtotal or total section is a weighted average number calculated based on acquisition price with a base date of April 30, 2017. Figures are truncated to the first decimal place.

Note 3: Occupancy rate is calculated by dividing leased area as of April 30, 2017 by leasable area and is rounded to the first decimal place. The subtotal and total lines show the figures calculated by dividing the subtotal (total) of the leased area for the property associated with each subtotal and total by the subtotal (total) of the leasable area. For the Pentel Building, this includes the leasable area associated with the land (land interest) specified in the lease agreement. For the Shinjuku 6chome building (Land), the calculation is based on the leasable area of the land specified in the lease agreement.

Note 4: The KDX Shin-Yokohama 381 Building includes both the existing and the annex towers. The completion date listed for the KDX Shin-Yokohama 381 Building is the completion date for the existing tower. The average age was calculated without taking the completion date of the annex tower (April 2009) into consideration.

Management Team

(As of April 30, 2017)



Tetsushi Ichikawa

Chisei Kaji

Akimitsu Uezu

Naokatsu Uchida

Jiro Takeda

Naokatsu Uchida

Director & COO, Head of Office REIT Department

- Worked for Mitsubishi UFJ Trust and Banking Corporation for approx. 17 years (Real Estate Division, Real Estate Project Origination Division)
- After working as CEO for Joint Asset Management Co., Ltd., joined Kenedix Office Partners, Inc. and was a member of the Financial Planning Department for approx. 2 years
- Appointed Executive Officer of Kenedix Office Investment Corp. (to the present) after serving as President & CEO of Kenedix Office Partners, Inc.
- Appointed Director & COO, Head of Office REIT Department on October 1, 2013

Akimitsu Uezu

Head of Asset Investment Division,
Office REIT Department

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

Chisei Kaji

Head of Asset Management Division, Office REIT Department

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

Jiro Takeda

Head of Planning Division, Office REIT Department

- Worked for Sumitomo Mitsui Trust Bank, Limited for approx. 7 years
- After working for Sanko Estate Co., Ltd., GMAC Commercial Mortgage Japan K.K., and Hudson Japan KK., joined Kenedix. and having served as Head of Fund Management Division I for approx. 3 years
- Appointed Head of Planning Division, Office REIT Department on March 29, 2017

Tetsushi Ichikawa

Head of Finance & Accounting Department,
Business Administration Department

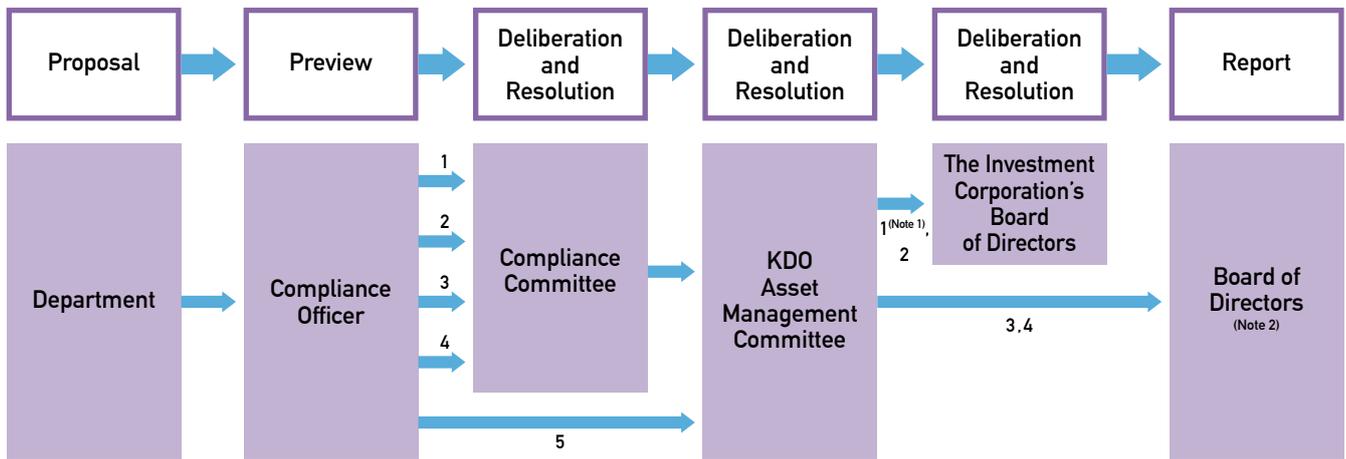
- Worked for Sumitomo Mitsui Trust Bank, Limited for approx. 15 years (engaged in real estate finance, etc.)
- Joined Kenedix after having engaged in real estate investment banking and having served as director responsible for asset management business at Touchstone Capital Securities Co., Ltd.
- Appointed Head of Finance & Accounting Department, on October 1, 2013 after serving as Head of Finance Group for Kenedix Residential Partners, Inc.
- Appointed Head of Business Administration Department on April 1, 2015 (concurrent)

Corporate Governance

Investment and management decision-making system

As the asset management company, Kenedix Real Estate Fund Management, Inc. (KFM) creates guidelines governing our asset management. These asset management guidelines define our investment policy, related-party transaction rules, distribution policy and disclosure policy. The structure of the decision-making process is outlined below.

Decision-making Process



- 1: Related-party transaction (acquisition and sale) 2: Establishing and revising asset management plans
- 3: Establishing and revising management guidelines 4: Transaction the Compliance Officer judges as the need and one outside management guidelines
- 5: Acquisition and sale

Note 1: In case that the said transaction falls under the prescribed minor transaction, the said transaction is implemented with the resolution of approval of KDO Asset Management Committee, without requirement of the resolution for approval of the Investment Corporation's Board of Directors and the consent of the Executive Director of the Investment Corporation based on the said resolution.
 Note 2: The above 3 and 4 are also reported to the Investment Corporation's Board of Directors.

Environmental Initiatives

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

Environmental Policies

1. Compliance with Environmental Laws and Regulations

KFM will promote environment-friendly investment management operations by adhering to environmental laws and regulations.

2. Promotion of Energy Conservation Measures

KFM will systematically advance energy conservation measures at its managed properties, maintaining a strong awareness of the importance of natural and energy resources.

3. Reduction of Environmental Burden

KFM will undertake initiatives to reduce CO₂ and waste emissions as well as promote recycling at its managed properties, underscoring its commitment to alleviating its environmental burden. In addition, KFM will take sufficient care when handling harmful substances and environmental pollutants.

4. Disclosure of Environmental Information

KFM will work to disclose necessary information to a variety of concerned parties including investors, tenants and business partners, in such areas as its environmental policies and measures.

5. Environmental Education

KFM will take steps to improve the environmental consciousness of its officers and employees through internal 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) Real Estate Assessment for the fifth consecutive years.

The full renovation of KDX Iidabashi Square was chosen as a subject of innovation case study for its innovative approach towards improved sustainability.



Financial Section

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Financial Summary (Unaudited)

Historical Operating Trends
For the 20th–24th Fiscal Periods

Period	Unit	20th Period (as of Apr. 30, 2015)	21st Period (as of Oct. 31, 2015)	22nd Period (as of Apr. 30, 2016)	23rd Period (as of Oct. 31, 2016)	24th Period (as of Apr. 30, 2017)
Operating revenues	mn yen	14,130	13,740	14,362	13,491	15,039
(Rental revenues)	mn yen	12,836	13,226	12,812	13,429	13,327
Operating expenses	mn yen	7,593	7,800	8,260	7,703	9,137
(Property-related expenses)	mn yen	6,377	6,668	6,533	6,754	6,527
Operating income	mn yen	6,537	5,940	6,102	5,788	5,901
Ordinary income	mn yen	5,111	4,565	4,816	4,603	4,751
Net income (a)	mn yen	5,110	4,564	4,815	4,601	4,750
Total assets (b) (Period-on-period change)	mn yen %	407,799 (+5.1)	407,217 (-0.1)	408,813 (+0.4)	413,031 (+1.0)	410,166 (-0.7)
Interest-bearing debt (c) (Period-on-period change)	mn yen %	174,600 (-7.0)	174,100 (-0.3)	175,100 (+0.6)	178,100 (+1.7)	174,600 (-2.0)
Unitholders' equity (d) (Period-on-period change)	mn yen %	211,951 (+17.2)	211,914 (-0.0)	212,555 (+0.3)	212,825 (+0.1)	212,986 (+0.1)
Unitholders' capital (Period-on-period change)	mn yen %	206,199 (+16.7)	206,199 (0.0)	206,199 (0.0)	206,199 (0.0)	206,199 (0.0)
Number of investment units issued and outstanding (e)	unit	404,885	404,885	404,885	404,885	404,885
Unitholders' equity per unit (d)/(e)	yen	523,484	523,394	524,977	525,644	526,041
Total distribution (f)	mn yen	4,600	4,170	4,335	4,601	4,750
Distribution per unit (f)/(e)	yen	11,363	10,300	10,707	11,365	11,733
(Earnings distributed per unit)	yen	11,363	10,300	10,707	11,365	11,733
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.3 (2.6)	1.1 (2.2)	1.2 (2.4)	1.1 (2.2)	1.2 (2.3)
Return on net assets (annualized) (Notes 2 and 3)	%	2.6 (5.2)	2.2 (4.3)	2.3 (4.6)	2.2 (4.3)	2.2 (4.5)
Net assets ratio at end of period (d)/(b) (Period-on-period change)	%	52.0 (+5.4)	52.0 (+0.1)	52.0 (-0.0)	51.5 (-0.5)	51.9 (+0.4)
Interest-bearing debt ratio at end of period (c)/(b) (Period-on-period change)	%	42.8 (-5.5)	42.8 (-0.1)	42.8 (+0.1)	43.1 (+0.3)	42.6 (-0.6)
Payout ratio (Note 4) (f)/(a)	%	90.0	91.3	90.0	99.9	99.9
Other references						
Number of properties	properties	97	97	97	99	97
Total leasable floor area	m ²	453,999.44	453,681.06	457,774.90	462,533.92	459,567.57
Occupancy ratio at end of period	%	96.5	94.9	96.9	96.9	97.9
Depreciation expenses for the period	mn yen	2,221	2,218	2,230	2,274	2,288
Capital expenditures for the period	mn yen	329	469	1,120	1,165	1,018
Leasing NOI (Net Operating Income) (Note 5)	mn yen	8,680	8,775	8,509	8,949	9,088
FFO (Funds From Operation) (Note 6)	mn yen	6,909	6,487	6,302	6,877	7,034
FFO per unit (Note 7)	yen	17,065	16,023	15,565	16,985	17,373

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 20th Fiscal Period are calculated based on a period of 181 days, 184 days for the 21st Fiscal Period, 182 days for the 22nd Fiscal Period, 184 days for the 23rd Fiscal Period, 181 days for the 24th Fiscal Period.

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

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

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

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

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



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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 April 30, 2017, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Office Investment Corporation as at April 30, 2017, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

July 28, 2017
Tokyo, Japan

Balance Sheets

Kenedix Office Investment Corporation
As of April 30, 2017 and October 31, 2016

	In thousands of yen	
	As of April 30, 2017	As of October 31, 2016
Assets		
Current assets:		
Cash and bank deposits (Notes 3 and 13)	¥ 23,832,680	¥ 20,710,565
Operating accounts receivable	329,429	330,775
Other current assets (Note 8)	85,513	115,403
Total current assets	24,247,623	21,156,743
Property, plant and equipment, at cost: (Notes 4 and 15)		
Buildings and structures (Note 6)	136,208,100	138,160,941
Machinery and equipment	2,078,516	2,091,284
Tools, furniture and fixtures	535,315	524,435
Accumulated depreciation	(30,793,020)	(29,568,985)
Land	274,731,449	277,637,658
Construction in progress	2,183	—
Net property, plant and equipment	382,762,544	388,845,334
Investments and other assets:		
Leasehold right (Note 15)	639,104	351,685
Investment securities (Note 13)	1,087,688	1,093,584
Investment corporation bond issuance costs	31,016	36,498
Investment unit issuance costs	19,277	54,159
Other assets	1,379,132	1,493,754
Total investments and other assets	3,156,218	3,029,682
Total assets	¥410,166,386	¥413,031,761
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Operating accounts and other payables	¥ 1,414,407	¥ 1,614,589
Short-term loans payable and current portion of long-term loans payable (Notes 5, 13 and 14)	26,750,000	22,700,000
Current portion of investment corporation bonds (Notes 5 and 13)	1,500,000	4,500,000
Deposits received	69,924	2,896
Advances received	2,170,062	2,143,523
Other current liabilities	673,815	422,783
Total current liabilities	32,578,209	31,383,793
Non-current liabilities:		
Investment corporation bonds (Notes 5 and 13)	4,800,000	4,800,000
Long-term loans payable (Notes 5, 13 and 14)	141,550,000	146,100,000
Tenant leasehold and security deposits	18,251,916	17,921,592
Other non-current liabilities	—	977
Total non-current liabilities	164,601,916	168,822,570
Total liabilities	197,180,125	200,206,363
Net Assets		
Unitholders' equity		
Unitholders' capital	206,199,945	206,199,945
Units authorized: 2,000,000 units		
Units issued and outstanding: 404,885 units		
As of April 30, 2017, and October 31, 2016, respectively		
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	2,024,673	2,024,673
Unappropriated retained earnings	4,750,760	4,601,756
Total surplus	6,775,433	6,626,429
Total unitholders' equity	212,975,379	212,826,375
Valuation and translation adjustments		
Deferred gains or losses on hedges (Note 14)	10,882	(977)
Total valuation and translation adjustments	10,882	(977)
Total net assets (Note 9)	212,986,261	212,825,397
Total liabilities and net assets	¥410,166,386	¥413,031,761

See accompanying notes to the financial statements.

Statements of Income and Retained Earnings

Kenedix Office Investment Corporation

For the period from November 1, 2016 to April 30, 2017 and the period from May 1, 2016 to October 31, 2016

	In thousands of yen	
	From November 1, 2016 to April 30, 2017	From May 1, 2016 to October 31, 2016
Operating revenues:		
Rent revenue - real estate (Note 11)	¥13,327,605	¥13,429,773
Gain on sale of real estate property (Note 11)	1,662,787	—
Dividends income	48,643	61,739
Total operating revenues	15,039,036	13,491,513
Operating expenses:		
Expenses related to rent business (Note 11)	6,527,688	6,754,675
Loss on sale of real estate property (Note 11)	1,657,160	—
Asset management fees	766,673	755,591
Administrative service and custodian fees	78,232	78,143
Other operating expenses	107,363	114,926
Total operating expenses	9,137,118	7,703,337
Operating income	5,901,917	5,788,175
Non-operating expenses:		
Interest expenses	885,690	941,102
Financing-related expenses	153,773	176,510
Amortization of investment unit issuance costs	34,882	56,481
Amortization of investment corporation bond issuance costs	5,481	5,879
Others, net	70,319	5,082
Total non-operating expenses	1,150,147	1,185,056
Ordinary income	4,751,770	4,603,119
Income before income taxes	4,751,770	4,603,119
Income taxes (Note 8)	1,248	1,363
Net income	4,750,521	4,601,756
Retained earnings brought forward	238	—
Unappropriated retained earnings	¥ 4,750,760	¥ 4,601,756

See accompanying notes to the financial statements.

Statements of Changes in Net Assets

Kenedix Office Investment Corporation

For the period from November 1, 2016 to April 30, 2017 and the period from May 1, 2016 to October 31, 2016

	In thousands of yen						
	Unitholders' equity					Valuation and translation adjustments	Total net assets
	Unitholders' capital	Surplus			Total unitholders' equity	Deferred gains or losses on hedges	
Voluntary retained earnings		Unappropriated retained earnings	Total surplus				
	Reserve for reduction entry						
Balance as of April 30, 2016	¥206,199,946	¥1,544,522	¥4,815,255	¥6,359,777	¥212,559,723	¥(4,328)	¥212,555,395
Changes during the fiscal period							
Provision of reserve for reduction entry	—	480,151	(480,151)	—	—	—	—
Dividends of surplus	—	—	(4,335,103)	(4,335,103)	(4,335,103)	—	(4,335,103)
Net income	—	—	4,601,756	4,601,756	4,601,756	—	4,601,756
Net changes of items other than unitholder's equity	—	—	—	—	—	3,350	3,350
Total changes during the fiscal period	—	480,151	(213,499)	266,652	266,652	3,350	270,002
Balance as of October 31, 2016	¥206,199,945	¥2,024,673	¥4,601,756	¥6,626,429	¥212,826,375	¥(977)	¥212,825,397
Changes during the fiscal period							
Dividends of surplus	—	—	(4,601,518)	(4,601,518)	(4,601,518)	—	(4,601,518)
Net income	—	—	4,750,521	4,750,521	4,750,521	—	4,750,521
Net changes of items other than unitholder's equity	—	—	—	—	—	11,859	11,859
Total changes during the fiscal period	—	—	149,003	149,003	149,003	11,859	160,863
Balance as of April 30, 2017	¥206,199,945	¥2,024,673	¥4,750,760	¥6,775,433	¥212,975,379	¥10,882	¥212,986,261

See accompanying notes to the financial statements.

Statements of Cash Flows

Kenedix Office Investment Corporation

For the period from November 1, 2016 to April 30, 2017 and the period from May 1, 2016 to October 31, 2016

	In thousands of yen	
	From November 1, 2016 to April 30, 2017	From May 1, 2016 to October 31, 2016
Cash Flows from Operating Activities:		
Income before income taxes	¥ 4,751,770	¥ 4,603,119
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,479,628	2,508,463
Interest income	(35)	(38)
Interest expenses	885,690	941,102
Changes in assets and liabilities:		
Decrease (increase) in operating accounts receivable	1,346	11,011
Decrease (increase) in consumption taxes receivable	—	53,578
Increase (decrease) in accrued consumption taxes	254,234	343,665
Increase (decrease) in operating accounts and other payables	(278,398)	287,690
Increase (decrease) in advances received	24,264	29,973
Decrease in property and equipment due to sale	19,474,995	—
Others, net	75,620	(351,949)
Subtotal	27,669,115	8,426,615
Interest income received	35	38
Interest expenses paid	(885,563)	(953,601)
Income taxes paid	(843)	(805)
Net cash provided by (used in) operating activities	26,782,743	7,472,246
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment	(15,667,977)	(6,173,576)
Purchase of intangible assets	(293,196)	—
Proceeds from tenant leasehold and security deposits	1,350,759	1,065,383
Payments of tenant leasehold and security deposits	(949,034)	(918,051)
Payments of restricted bank deposits in trust	(289,809)	—
Proceeds from restricted bank deposits in trust	—	552,921
Net cash provided by (used in) investing activities	(15,849,258)	(5,473,322)
Cash Flows from Financing Activities:		
Increase in short-term loans payable	4,000,000	—
Decrease in short-term loans payable	(1,500,000)	(1,000,000)
Proceeds from long-term loans payable	6,200,000	16,500,000
Repayments of long-term loans payable	(9,200,000)	(12,500,000)
Redemption of investment corporation bonds	(3,000,000)	—
Payments of investment corporation bond issuance costs	—	(4,010)
Dividends paid	(4,601,179)	(4,334,422)
Net cash provided by (used in) financing activities	(8,101,179)	(1,338,432)
Net increase (decrease) in cash and cash equivalents	2,832,305	660,491
Cash and cash equivalents at the beginning of period	19,836,034	19,175,542
Cash and cash equivalents at the end of period (Note 3)	¥22,668,339	¥19,836,034

See accompanying notes to the financial statements.

Notes to Financial Statements

Kenedix Office Investment Corporation

For the period from November 1, 2016 to April 30, 2017 and the period from May 1, 2016 to October 31, 2016

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 October 31, 2016, the Investment Corporation acquired two office buildings (KDX Shin-Nihonbashi Ekimae Building: acquisition price of ¥3,829 million, KDX Edo-dori Building: acquisition price of ¥1,350 million) located in the Tokyo Metropolitan Area.

During the period ended April 30, 2017, the Investment Corporation acquired three office buildings (ARK Mori Building: acquisition price of ¥4,169 million, Nishi-Shinbashi TS Building: acquisition price of ¥8,400 million, BR Gotanda: acquisition price of ¥2,200 million) and sold five office buildings (BUREX Toranomon: initial acquisition price of ¥1,750 million, KDX Nihonbashi Kabutocho Building: initial acquisition price of ¥11,270 million, KDX Roppongi 228 Building: initial acquisition price of ¥3,300 million, KDX Kanda Misaki-cho Building: initial acquisition price of ¥1,380 million, and KDX Gobancho Building: initial acquisition price of ¥1,951 million (with a total disposition price of ¥19,910 million)). At the end of the twenty-third and twenty-fourth 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 99 properties (consisting of 94 office buildings, one residential property, three central urban retail properties and one other property), 97 properties (consisting of 92 office buildings, one residential property, three central urban retail properties and one other property) with total acquisition prices of ¥398,350 million and ¥393,468 million at the end of the twenty-third and twenty-fourth fiscal periods, respectively. The occupancy ratios were approximately 96.9% and 97.9% at the end of the twenty-third and twenty-fourth fiscal periods, respectively.

Basis of Presentation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Securities

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

(B) Property, plant and Equipment

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

	From November 1, 2016 to April 30, 2017	From May 1, 2016 to October 31, 2016
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) Investment Unit Issuance Costs

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

(D) Investment corporation bond Issuance Costs

Investment corporation 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) Leasehold Right

Fixed term leaseholds on the building and special agreements on building 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, plant and equipment

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

When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥32,698 thousand and ¥13,334 thousand as of April 30, 2017 and October 31, 2016, 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 of less than one thousand yen have been truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan. Unless otherwise noted, amounts of twenty-fourth fiscal and twenty-third fiscal period are rounded down respectively, and ratios are rounded off in the accompanying financial statements.

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of April 30, 2017 and October 31, 2016

	In thousands of yen	
	As of April 30, 2017	As of October 31, 2016
Cash and bank deposits	¥23,832,680	¥20,710,565
Restricted bank deposits in trust (Note)	(1,164,340)	(874,531)
Cash and cash equivalents in trust	¥22,668,339	¥19,836,034

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

4. SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

	In millions of yen					
	As of April 30, 2017			As of October 31, 2016		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Buildings and structures	¥136,208	¥29,506	¥106,701	¥138,160	¥28,327	¥109,833
Machinery and equipment	2,078	992	1,085	2,091	956	1,134
Tools, furniture and fixtures	535	293	242	524	284	239
Land	274,731	—	274,731	277,637	—	277,637
Construction in progress	2	—	2	—	—	—
Total	¥413,555	¥30,793	¥382,762	¥418,414	¥29,568	¥388,845

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

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of April 30, 2017:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term loans payable	November 30, 2016	November 30, 2017	0.33%	¥ 2,000
	December 28, 2016	December 28, 2017	0.33%	500
	January 31, 2017	January 31, 2018	0.33%	500
	March 31, 2017	March 31, 2018	0.33%	1,000
Current portion of long-term loans payable	June 29, 2012	June 30, 2017	1.29%	1,500
	July 29, 2016	July 31, 2017	0.38%	1,000
	August 2, 2016	August 31, 2017	0.38%	1,000
	August 2, 2016	August 31, 2017	0.23%	1,000
	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
	November 12, 2010	November 12, 2017	2.02%	2,300
	December 1, 2010	November 12, 2017	2.21%	700
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500
	January 16, 2017	January 31, 2018	0.28%	500
	March 12, 2014	March 12, 2018	0.75%	2,250
	March 26, 2013	March 26, 2018	1.04%	1,000
March 26, 2013	March 26, 2018	1.04%	1,000	
Subtotal				26,750
Long-term loans payable	March 28, 2012	March 28, 2019	1.77%	¥ 1,400
	March 28, 2012	March 28, 2019	1.77%	1,000
	October 31, 2012	October 31, 2018	1.25%	2,500
	July 31, 2013	July 31, 2018	0.56%	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	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term loans payable	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, 2020	0.93%	3,700
	January 31, 2014	January 31, 2021	1.13%	2,300
	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
	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	1.07%	2,000	
October 30, 2015	October 31, 2024	0.99%	1,000	
October 30, 2015	October 30, 2025	1.11%	2,500	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term loans payable	October 30, 2015	October 30, 2025	1.12%	¥ 2,500
	October 30, 2015	October 30, 2025	1.11%	2,000
	October 30, 2015	October 30, 2025	1.11%	1,500
	November 12, 2015	November 30, 2025	1.17%	1,000
	January 29, 2016	January 31, 2022	0.59%	2,500
	January 29, 2016	January 31, 2022	0.64%	500
	January 29, 2016	January 29, 2026	1.07%	2,000
	January 29, 2016	January 29, 2026	1.02%	1,800
	February 18, 2016	February 18, 2026	1.00%	1,000
	February 18, 2016	February 18, 2026	1.00%	500
	March 30, 2016	March 31, 2019	0.17%	1,000
	March 31, 2016	March 31, 2026	0.90%	1,000
	April 28, 2016	April 30, 2024	0.65%	2,000
	April 28, 2016	April 30, 2026	0.84%	2,000
	April 28, 2016	April 30, 2026	0.87%	1,000
	July 29, 2016	July 31, 2026	0.61%	1,500
	August 2, 2016	July 31, 2026	0.54%	1,000
	October 31, 2016	October 31, 2018	0.33%	1,000
	October 31, 2016	October 31, 2024	0.67%	1,000
	October 31, 2016	October 31, 2026	0.73%	4,000
	October 31, 2016	October 31, 2026	0.88%	2,500
	October 31, 2016	October 31, 2026	0.83%	1,500
	October 31, 2016	October 31, 2026	0.76%	1,000
	December 12, 2016	November 30, 2026	0.98%	500
	December 28, 2016	December 28, 2026	0.95%	1,500
	January 16, 2017	January 31, 2027	0.86%	500
	January 31, 2017	January 31, 2027	0.85%	700
March 28, 2017	March 31, 2027	0.85%	500	
Subtotal				141,550
Current portion of investment corporation bonds	March 8, 2012	September 8, 2017	2.00%	¥ 1,500
Subtotal				1,500
Investment corporation bonds	September 12, 2013	September 12, 2018	1.00%	¥ 1,800
	July 25, 2014	July 25, 2024	1.18%	2,000
	April 28, 2016	April 28, 2028	0.90%	1,000
Subtotal				4,800
Total				¥174,600

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of October 31, 2016:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term loans payable	March 31, 2016	March 31, 2017	0.41%	¥ 1,500
Current portion of long-term loans payable	November 12, 2015	November 30, 2016	0.41%	2,000
	December 10, 2012	December 12, 2016	0.98%	500
	December 28, 2012	December 28, 2016	1.01%	2,000
	January 15, 2013	January 15, 2017	0.97%	1,000
	January 31, 2014	January 31, 2017	0.67%	1,200
	March 28, 2012	March 28, 2017	1.36%	500
	June 29, 2012	June 30, 2017	1.29%	1,500
	July 29, 2016	July 31, 2017	0.38%	1,000
	August 2, 2016	August 31, 2017	0.38%	1,000
	August 2, 2016	August 31, 2017	0.23%	1,000
	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
Subtotal				22,700
Long-term loans payable	November 12, 2010	November 12, 2017	2.02%	¥ 2,300
	December 1, 2010	November 12, 2017	2.21%	700
	March 28, 2012	March 28, 2019	1.77%	1,400
	March 28, 2012	March 28, 2019	1.77%	1,000
	October 31, 2012	October 31, 2018	1.25%	2,500
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term loans payable	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	0.56%	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, 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	
February 18, 2015	February 28, 2025	1.31%	1,250	
February 27, 2015	February 28, 2025	1.15%	2,100	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term loans payable	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	1.07%	2,000
	October 30, 2015	October 31, 2024	0.99%	1,000
	October 30, 2015	October 30, 2025	1.11%	2,500
	October 30, 2015	October 30, 2025	1.12%	2,500
	October 30, 2015	October 30, 2025	1.11%	2,000
	October 30, 2015	October 30, 2025	1.11%	1,500
	November 12, 2015	November 30, 2025	1.17%	1,000
	January 29, 2016	January 31, 2022	0.59%	2,500
	January 29, 2016	January 31, 2022	0.64%	500
	January 29, 2016	January 29, 2026	1.07%	2,000
	January 29, 2016	January 29, 2026	1.02%	1,800
	February 18, 2016	February 18, 2026	1.00%	1,000
	February 18, 2016	February 18, 2026	1.00%	500
	March 30, 2016	March 31, 2019	0.17%	1,000
	March 31, 2016	March 31, 2026	0.90%	1,000
	April 28, 2016	April 30, 2024	0.65%	2,000
	April 28, 2016	April 30, 2026	0.84%	2,000
	April 28, 2016	April 30, 2026	0.87%	1,000
	July 29, 2016	July 31, 2026	0.61%	1,500
	August 2, 2016	July 31, 2026	0.54%	1,000
	October 31, 2016	October 31, 2018	0.33%	1,000
	October 31, 2016	October 31, 2024	0.67%	1,000
	October 31, 2016	October 31, 2026	0.73%	4,000
October 31, 2016	October 31, 2026	0.88%	2,500	
October 31, 2016	October 31, 2026	0.83%	1,500	
October 31, 2016	October 31, 2026	0.76%	1,000	
Subtotal				146,100
Current portion of investment corporation bonds	March 15, 2007	March 15, 2017	2.37%	¥ 3,000
	March 8, 2012	September 8, 2017	2.00%	1,500
Subtotal				4,500
Investment corporation bonds	September 12, 2013	September 12, 2018	1.00%	¥ 1,800
	July 25, 2014	July 25, 2024	1.18%	2,000
	April 28, 2016	April 28, 2028	0.90%	1,000
Subtotal				4,800
Total				¥178,100

6. REDUCTION ENTRY

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

	In thousands of yen	
	As of April 30, 2017	As of October 31, 2016
Buildings and structures	¥26,230	¥26,230

7. PER UNIT INFORMATION

	Yen	
	From November 1, 2016 to April 30, 2017	From May 1, 2016 to October 31, 2016
Net asset value per unit	¥526,041	¥525,644
Net income per unit	¥ 11,733	¥ 11,365
Weighted average number of units (units)	404,885	404,885

The weighted average number of units outstanding of 404,885 as of April 30, 2017 and October 31, 2016, respectively was used for the computation of the amount of net income per unit. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

8. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement that it currently distribute in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. The Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥4,750 million and ¥4,601 million for the periods ended April 30, 2017, and October 31, 2016. 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 April 30, 2017 and October 31, 2016. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	From November 1, 2016 to April 30, 2017	From May 1, 2016 to October 31, 2016
Statutory tax rate	31.74%	31.74%
Deductible cash distributions	(31.73)	(31.73)
Others	0.02	0.02
Effective tax rate	0.03%	0.03%

The significant components of deferred tax assets and liabilities as of April 30, 2017 and October 31, 2016 are as follows:

	In thousands of yen	
	As of April 30, 2017	As of October 31, 2016
Deferred tax assets:		
Enterprise tax payable	¥ 30	¥ 39
Deferred gains or losses on hedges	—	310
Amortization of leasehold rights	3,154	2,908
Subtotal deferred tax assets	3,185	3,257
Valuation allowance	(3,154)	(3,218)
Total deferred tax assets	¥ 30	¥ 39

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, major corporate unitholders' and other

Twenty-fourth Fiscal Period (November 1, 2016 to April 30, 2017) and Twenty-third Fiscal Period (May 1, 2016 to October 31, 2016):
Not applicable

(2) Affiliated companies and other

Twenty-fourth Fiscal Period (November 1, 2016 to April 30, 2017) and Twenty-third Fiscal Period (May 1, 2016 to October 31, 2016):
Not applicable

(3) Fellow subsidiary companies and other

Twenty-fourth Fiscal Period (November 1, 2016 to April 30, 2017) and Twenty-third Fiscal Period (May 1, 2016 to October 31, 2016):
Not applicable

(4) Directors, major individual unitholders' and other

Twenty-fourth Fiscal Period (November 1, 2016 to April 30, 2017) and Twenty-third Fiscal Period (May 1, 2016 to October 31, 2016):
Not applicable

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

Rent revenue - real estate, expenses related to rent business, gain and loss on sale of real estate property for the periods from November 1, 2016 to April 30, 2017 and from May 1, 2016 to October 31, 2016 consist of the following:

	In thousands of yen	
	From November 1, 2016 to April 30, 2017	From May 1, 2016 to October 31, 2016
Rental and other operating revenues:		
Rent revenue - real estate:		
Rental revenues	¥ 9,701,842	¥ 9,450,736
Common area charges	1,870,827	1,911,609
Subtotal	11,572,669	11,362,345
Others:		
Parking space rental revenues	499,611	490,492
Utility charge reimbursement	978,129	1,136,867
Miscellaneous	277,195	440,067
Subtotal	1,754,936	2,067,427
Total rent revenue - real estate	¥13,327,605	¥13,429,773
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	¥ 1,315,879	¥ 1,280,694
Depreciation	2,288,632	2,274,750
Utilities	1,006,582	1,110,302
Taxes	1,122,460	1,111,203
Insurance	18,202	18,018
Repairs and maintenance	436,606	582,716
Trust fees	32,832	32,348
Others	306,493	344,639
Total expenses related to rent business	¥ 6,527,688	¥ 6,754,675
Gain on sale of real estate property:		
Revenue from sale of investment property	¥14,840,000	—
Cost of investment property	12,839,023	—
Other sales expenses	338,188	—
Gain on sale of real estate property	¥ 1,662,787	—
Loss on sale of real estate property:		
Revenue from sale of investment property	¥ 5,070,000	—
Cost of investment property	6,635,971	—
Other sales expenses	91,189	—
Loss on sale of real estate property	¥ 1,657,160	—

12. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease terms of generally two years for office buildings and residential properties and with lease terms ranging from two to ten years for retail properties. The future minimum rental revenues under existing non-cancelable operating leases as of April 30, 2017 and October 31, 2016 are as follows:

	In thousands of yen	
	As of April 30, 2017	As of October 31, 2016
Due within one year	¥ 1,679,760	¥ 1,444,094
Due after one year	9,345,602	9,350,987
Total	¥11,025,363	¥10,795,081

13. FINANCIAL INSTRUMENTS

Twenty-fourth Fiscal Period (from November 1, 2016 to April 30, 2017)

(A) Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 11 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 loans payable bearing interest at a variable rate. With regard to hedge accounting methods, hedging instruments and hedged items, hedge policy, and the assessment of the effectiveness of hedging activities, please see Note 2(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 April 30, 2017 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
(1) Cash and bank deposits	¥ 23,832,680	¥ 23,832,680	¥ —
Subtotal	23,832,680	23,832,680	—
(1) Short-term loans payable	4,000,000	4,000,000	—
(2) Current portion of investment corporation bonds	1,500,000	1,508,940	8,940
(3) Current portion of long-term loans payable	22,750,000	22,791,356	41,356
(4) Investment corporation bonds	4,800,000	4,874,082	74,082
(5) Long-term loans payable	141,550,000	142,700,464	1,150,464
Subtotal	¥174,600,000	¥175,874,843	¥1,274,843
Derivative transactions (*)	10,882	10,882	—

(*) 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 loans payable

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

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

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

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

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

Derivative Transactions

Please refer to Note 14 "DERIVATIVE TRANSACTIONS".

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

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,087,688

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	¥23,832,680
Total	¥23,832,680

*4: Redemption schedule for loans payable and investment corporation bonds

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 4,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	1,500,000	1,800,000	—	—	—	3,000,000
Long-term loans payable	¥22,750,000	¥17,050,000	¥14,700,000	¥19,600,000	¥21,700,000	¥68,500,000

(A) Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 11 years and 6 months following the accounting date. Although a certain portion of said liabilities are subject to interest rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap and interest-rate cap transactions) in order to reduce such risk.

Interest-rate swap and interest-rate cap transactions are used as derivative financial instruments. Utilizing interest-rate swap and interest-rate cap transaction, the Investment Corporation fixes its interest expense for long-term loans payable bearing interest at a variable rate. With regard to hedge accounting methods, hedging instruments and hedged items, hedge policy, and the assessment of the effectiveness of hedging activities, please see Note 2(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, 2016 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	¥ 20,710,565	¥ 20,710,565	¥ —
Subtotal	20,710,565	20,710,565	—
(1) Short-term loans payable	1,500,000	1,500,000	—
(2) Current portion of investment corporation bonds	4,500,000	4,543,560	43,560
(3) Current portion of long-term loans payable	21,200,000	21,253,983	53,983
(4) Investment corporation bonds	4,800,000	4,905,396	105,396
(5) Long-term loans payable	146,100,000	148,414,755	2,314,755
Subtotal	¥178,100,000	¥180,617,694	¥2,517,694
Derivative transactions(*)	(977)	(977)	—

(*) 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 loans payable

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

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

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

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

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

Derivative Transactions

Please refer to Note 14 "DERIVATIVE TRANSACTIONS".

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

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,093,584

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	¥20,710,565
Total	¥20,710,565

*4: Redemption schedule for loans payable and investment corporation bonds

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 1,500,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	4,500,000	1,800,000	—	—	—	3,000,000
Long-term loans payable	¥21,200,000	¥17,750,000	¥13,750,000	¥18,600,000	¥21,300,000	¥74,700,000

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 April 30, 2017:

(1) Hedge accounting not applied

Not applicable

(2) Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 3,700,000	¥ 3,700,000	¥10,882	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	102,150,000	97,400,000	*	
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term loans payable	500,000	500,000	*	
Total			¥106,350,000	¥101,600,000	¥10,882	

(*) Interest-rate swaps and interest-rate caps for which the special treatment is applied are accounted for together with the underlying hedged item.

As a result, their fair value is included in the fair value of the hedged long-term loans payable.

The following summarizes the contracted amount and the fair value of interest-rate swap and the interest-rate cap contracts as of October 31, 2016:

(1) Hedge accounting not applied

Not applicable

(2) Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 2,500,000	¥ 2,500,000	¥(977)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	103,350,000	99,650,000	*	
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term loans payable	500,000	500,000	*	
Total			¥106,350,000	¥102,650,000	¥(977)	

(*) Interest-rate swaps and interest-rate caps for which the special treatment is applied are accounted for together with the underlying hedged item.

As a result, their fair value is included in the fair value of the hedged long-term loans payable.

15. INVESTMENT AND RENTAL PROPERTIES

Twenty-fourth Fiscal Period (from November 1, 2016 to April 30, 2017)

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

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

Carrying Value (In thousands of yen)			Fair value As of April 30, 2017 (In thousands of yen)	
As of October 31, 2016	Net change	As of April 30, 2017		
¥389,197,020	¥(5,795,370)	¥383,401,649	¥416,550,000	

*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 increase/decrease factors were the acquisition of 3 properties totaling ¥14,942,506 thousand, the sales of 5 properties totaling ¥19,474,995 thousand and depreciation amounting in ¥2,288,632 thousand.

Income and loss in the fiscal period ended April 30, 2017 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".

Twenty-third Fiscal Period (from May 1, 2016 to October 31, 2016)

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, 2016 (In thousands of yen)	
As of April 30, 2016	Net change	As of October 31, 2016	
¥385,085,254	¥4,111,765	¥389,197,020	¥414,605,000

*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. The fair value of KDX Nihonbashi Kabutocho Building and BUREX Toranomon are calculated based on the sales price of ¥12,400,000 thousand under the sales and purchase agreement dated November 1, 2016 and the sales price of ¥2,440,000 thousand under the sales and purchase agreement dated December 1, 2016, respectively.

*3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increase/decrease factors were the acquisition of 3 properties totaling ¥14,942,506 thousand, the sales of 5 properties totaling ¥19,474,995 thousand and depreciation amounting in ¥2,288,632 thousand.

Income and loss in the fiscal period ended October 31, 2016 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-fourth Fiscal Period (from November 1, 2016 to April 30, 2017)

(A) Segment Information

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

(B) Related Information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

Twenty-third Fiscal Period (from May 1, 2016 to October 31, 2016)

(A) Segment Information

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 and retained earnings.

(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 and retained earnings.

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

17. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

Unitholders' Information

Kenedix Office Investment Corporation

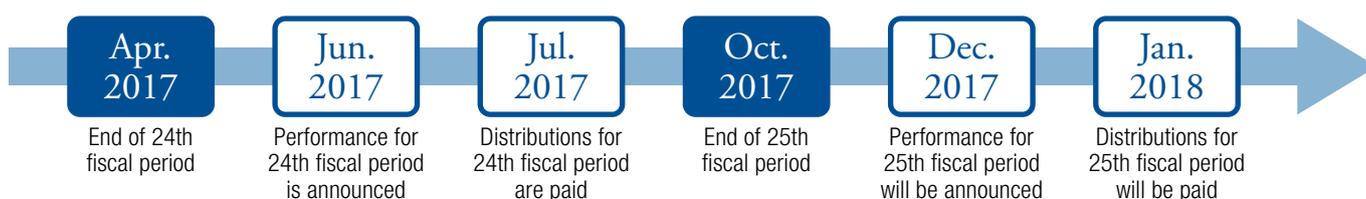
Fiscal Periods: Six months ending April 30 and October 31

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

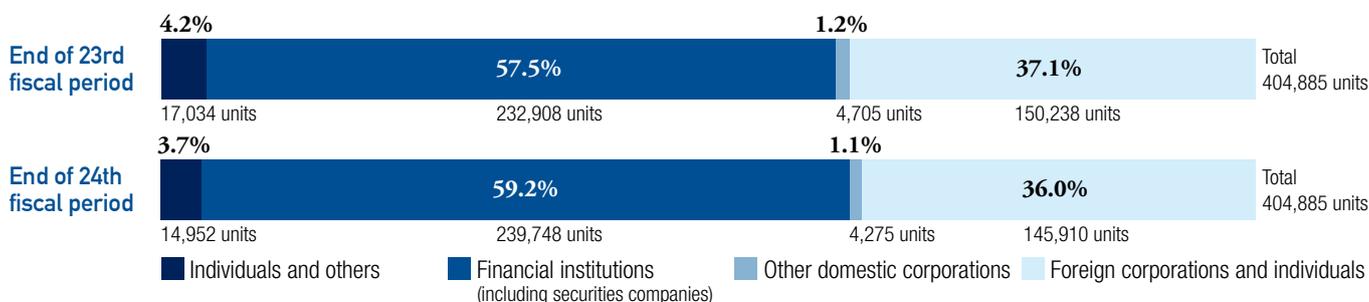
Transfer Agent: Sumitomo Mitsui Trust Bank, Limited

Auditor: Ernst & Young ShinNihon LLC

IR Schedule (24th and 25th fiscal periods)



General Breakdown of Unitholders



Top Ten Unitholders (As of April 30, 2017)

Name	# of Units Held (Unit)	Percentage Share ^(Note)
Japan Trustee Services Bank, Ltd. (Trust Acct.)	76,691	18.9%
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	55,048	13.6%
The Master Trust Bank of Japan, Ltd. (Trust Acct.)	50,259	12.4%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Acct.)	20,464	5.1%
Nomura Bank (Luxemburg) S.A.	20,028	4.9%
State Street Bank and Trust Company 505012	11,212	2.8%
State Street Bank and Trust Company 505223	8,918	2.2%
The Bank of New York Mellon SA/NV 10	7,374	1.8%
State Street Bank and Trust Company 505001	6,952	1.7%
State Street Bank and Trust Company	6,008	1.5%
Total	262,954	64.9%

Unit Price and Trading Volume



Note: Ratios are rounded to the first decimal place

KENEDIX

Office Investment Corporation

www.kdo-reit.com/en/

Disclaimer:

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