

# KENEDIX Realty Investment Corporation

16th Period Results (Ended April 2013)

June 20, 2013



KENEDIX Office Partners, INC.



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# Executive summary: highlights of the 16th period

## Highlights of the 16th period (2013/4)

## Future efforts

- Increased portfolio quality through diversification of acquisition methods and property sales

Acquisition	Nomura Fudosan Omiya Kyodo Bldg.	¥2.02B
	Equity interest in silent partnership whose asset consists of DNI Mita Bldg. (May 23, 2013)	¥0.20B

Sales	Kanazawa Nikko Bldg.	¥0.78B
	KDX Yotsuya Bldg.	¥2.40B
	Ikebukuro Nikko Bldg. (May 10, 2013)	¥1.97B

- Achieved lease-up of KDX Nihonbashi Kabutocho Bldg.

- Occupancy rate:

**13.4%**

(16th period)  
(April 30, 2013)

**99.8%**

(17th period)  
(October 31, 2013)  
(forecast)

- Bottoming out of rent income for the existing properties

- Improving trend in rental income (- 2.7% → -0.2%)

- Achieved a gradual decline in financing costs of debt

- Reduction in interest rate of debt:

**1.96%**

**1.88%**

- Maintaining stable financial base

- Upgrading of credit rating

Long-term issuer rating:

**A**

(outlook: positive)

**A+**

(outlook: stable)

External growth	<p>Increasing needs of investment in real estate / active property transaction market</p> <ul style="list-style-type: none"> <li>Development of a quality portfolio through focused investments in mid-sized office buildings mainly in Tokyo metropolitan area</li> <li>Property acquisition facilitated by multiple pipelines including the sponsor network as well as KRI's own network</li> <li>Investment opportunities through joint investments with the sponsor</li> </ul>	Internal growth
	<p>Stabilized office supply / stable demand / bipolarization</p> <ul style="list-style-type: none"> <li>Rental income shift from a bottoming out phase to a turnaround phase</li> <li>Improvement in rental conditions (asking rents, rent level at times of rent revisions)</li> <li>Revenue contribution of KDX Nihonbashi Kabutocho Building</li> <li>Increase in tenant satisfaction through CS survey / strengthening of relationship with tenants</li> </ul>	
Financial strategy	<p>Continued monetary easing measures / unstable trend in long-term interest rate</p> <ul style="list-style-type: none"> <li>Continuous efforts to reduce interest costs and strategic measures in case of a hike in interest rate (extending terms of debt / fixing interest rate)</li> <li>Continues to consider diversification of debt maturities</li> </ul>	

Increase in DPU level

## Section 1

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16th period results, DPU level

# 16th period (2013/4) financial results:performance highlights

(in millions of yen)

Account		A 15th Period Oct-12 Actual	B 16th Period Apr-13 Forecast (Apr 8)	C 16th Period Apr-13 Actual	16th VS 15th comparison C-A	16th VS 16th (Forecast) comparison C-B
					Change Major Factors	Change Major Factors
Ordinary income/losses	Operating revenues	10,212	9,799	9,867	-345 • Decrease in rental revenue for Nihonbashi Kabutocho Bldg. -290 • Removal of gain from restoration fee for Nihonbashi Kabutocho Bldg. in 15th period -214 • Whole-period operation of 3 properties acquired in 15th period +359 • Dividends from Senri Property TMK in 16th period +99	67 • Rental revenue etc. +20 • Utilities revenue +16 • Other revenue (gains from restoration fee, cancellation penalty etc.) +29
	Of which gain on sales of real estate properties	595	460	462	-133 • Removal of gain on the sale of KDX Omori Bldg. in 15th period -595 • Gain on the sale of Kanazawa Nikko Bldg. +80 Yotsuya Bldg. +381	1
	Operating expenses	5,696	5,419	5,465	-230	45
	Expenses related to rent business (excl. Depreciation)	3,201	2,993	3,078	-122 • Repairs, maintenance and renovation expenses 15th period 400 16th period 322 Amount of change -78 (The figure for 15th period includes restoration expense for Nihonbashi Kabutocho Bldg. 174)	84 • Utilities costs +28 • Repairs, maintenance and renovation expenses +31 • Taxes +15
	Depreciation	1,621	1,676	1,662	40 • Whole-period operation of 3 properties acquired in 15th period +45	-14
	Others	874	749	725	-148 • Removal of loss on the sale of Gradito Kawaguchi in 15th period-151	-23 • Legal fee, etc.
	Operating income	4,516	4,380	4,401	-115	21
	Non-operating income	2	5	2	0	-2
	Non-operating expenses	1,508	1,401	1,400	-107	0
	Interest expenses etc.	1,460	1,361	1,361	-98 • Decrease in interest rate • Cost for repayment before maturity in 15th period -23 Amortization of financing cost -16	0
	Others	47	39	38	-9	0
	Ordinary income	3,011	2,983	3,003	-7	19
X/O gains/losses	Extraordinary gains	-	-	-	-	-
	Extraordinary losses	-	-	-	-	-
Net Income		3,009	2,982	3,002	-7	19
Leasing NOI (Net Operating Income)		6,416	6,246	6,228	-188	-18
FFO (Funds From Operation)		4,187	4,198	4,202	14	3
Number of properties		84	83	83	-1 • Acquisition of Nomura Fudosan Omiya Kyodo Bldg. • Sales of Kanazawa Nikko Bldg. / KDX Yotsuya Bldg.	0
Provision for reserve for reduction entry (Reversal)		271	298	298	27	0
Number of units issued		286,550 units	286,550 units	286,550 units	0 units	0 units
Distributions per unit		¥9,557	¥9,360	¥9,434	¥123	¥74

Notes:

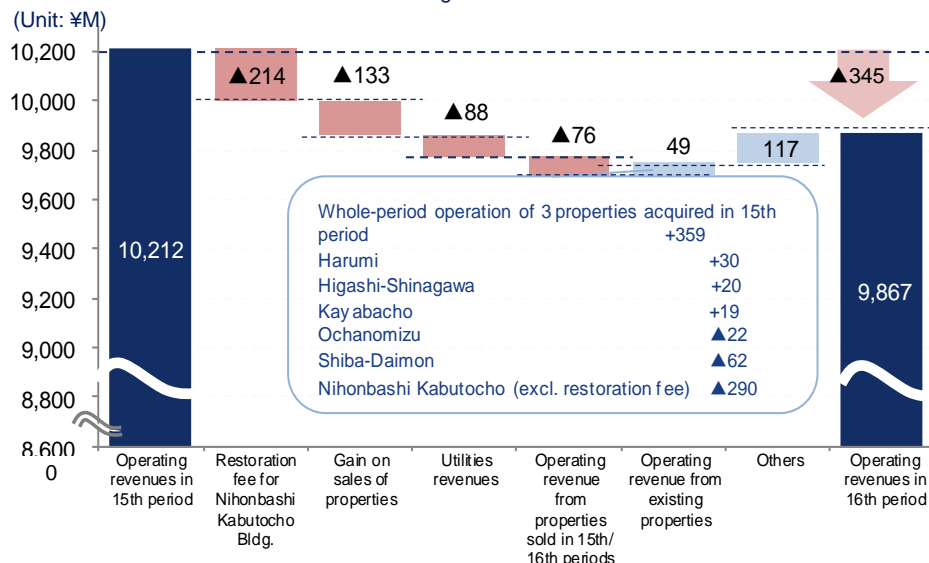
1: Leasing NOI = Operating revenues - Gain on sales of real estate properties - Dividends from TMK investments - Expense related to rental business (excl. Depreciation)

2: FFO (Funds From Operation) = Net income + Depreciation expense for the period - Gain on sales of real estate properties + Loss on sales of real estate properties

# 16th period (2013/4) results: Factors leading to increase/decrease compared to the previous period

## A. Operating revenues

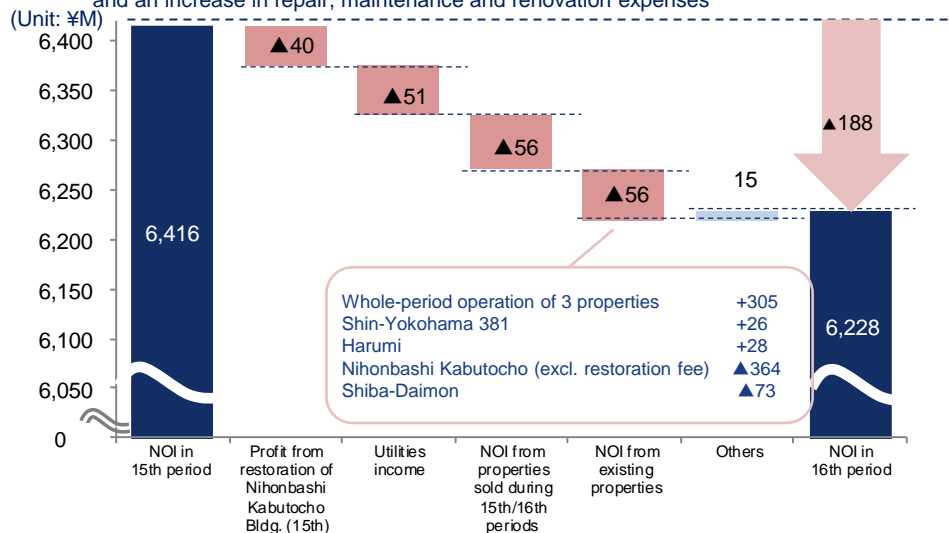
- Increase of ¥359 million due to whole-period operation of 3 properties acquired in 15th period
- Decrease in gains on the sales of properties from ¥595 million (15th) to ¥462 million (16th)
- Decrease in rental income due to lease termination in Nihonbashi Kabutocho Bldg, and decrease in income due to removal of gains from restoration fee



Note: Utilities revenues are not included in operating revenues

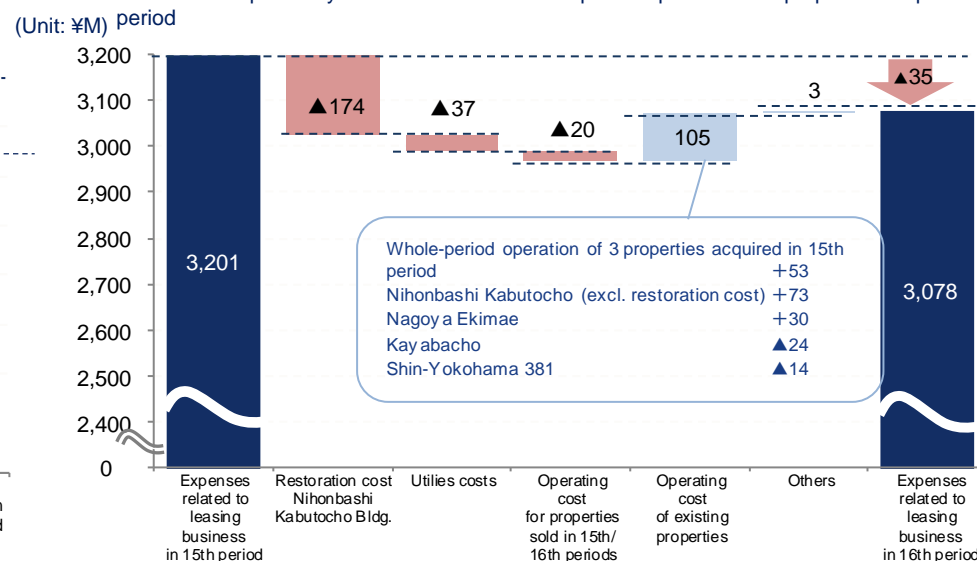
## C. Leasing NOI

- NOI increased due to whole-period operation of 3 properties acquired in 15th period but overall it has decreased due to a decrease in rental income of Nihonbashi Kabutocho Bldg and an increase in repair, maintenance and renovation expenses



## B. Expenses related to leasing business (not incl. depreciation & loss from property disposal)

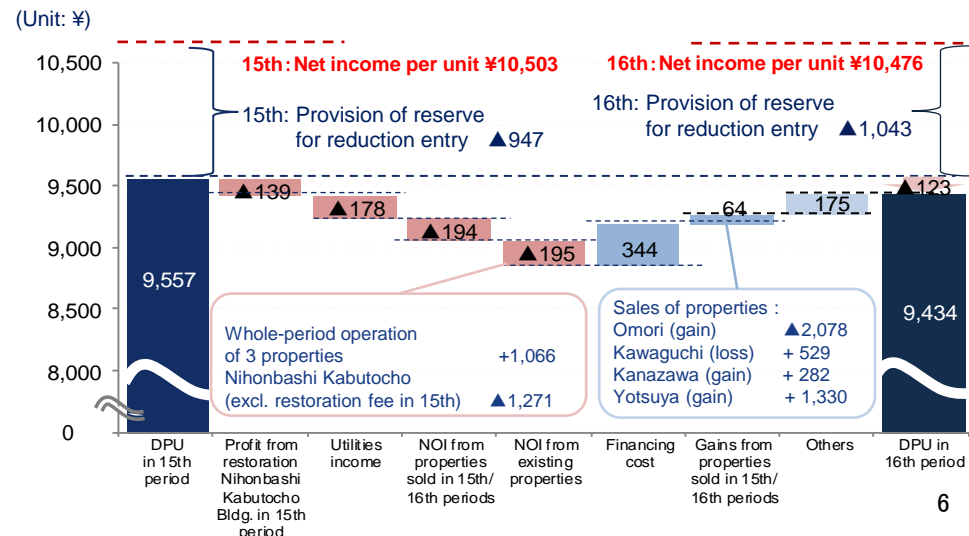
- Decrease in restoration cost for Nihonbashi Kabutocho Bldg
- Repair, maintenance and renovation expenses of ¥87 million for Nihonbashi Kabutocho Bldg.
- Increase in expense by ¥53 million due to whole-period operation of 3 properties acquired in 15th period



Note: Operating costs do not include utilities costs

## D. DPU

- Net impact of gains/losses on the sales of properties is +64 yen
- Net income per unit remains at similar level



# 17th period (2013/10): Earnings forecast

(in millions of yen)

Account		A 16th Period Apr-2013 Actual	B 17th Period Oct-2013 Forecast (Apr 18)	C 17th Period Oct-2013 Forecast (Jun 19)	17th (forecast) VS 16th (actual) comparison C-A		17th (forecast) comparison C-B	
					Change	Major Factors	Change	Major Factors
Ordinary income/losses	Operating revenues	9,867	9,534	9,561	-306	<ul style="list-style-type: none"> <li>• Properties acquired in 16th period +73</li> <li>• Properties sold in 16th period -84</li> <li>• Properties sold in 17th period -63</li> <li>• Existing properties -70</li> <li>• Utilities revenue+97</li> <li>• Dividends from Senri TMK investment -39</li> <li>• Dividends from TK investment (Mita) +9</li> </ul>	27	Dividends from TK investment (Mita) +9
	Of which gain on sales of real estate properties	462	234	234	-227	<ul style="list-style-type: none"> <li>• Removal of gain on sale of Kanazawa Nikko in 16th period -80</li> <li>• Removal of gain on sale of Yotsuya Bldg. in 16th period -381</li> <li>• Gain on sale of Ikebukuro Nikko Bldg. in 17th period 234</li> </ul>	-	
	Operating expenses	5,465	5,464	5,468	2		3	
	Expenses related to rent business (excl. Depreciation)	3,078	3,042	3,056	-21	<ul style="list-style-type: none"> <li>• Properties acquired in 16th period +12</li> <li>• Properties sold in 16th period -21</li> <li>• Properties sold in 17th period -14</li> <li>• Existing properties -83</li> <li>• Utilities costs+85</li> </ul>	13	
	Depreciation	1,662	1,677	1,664	2		-12	
	Others	725	743	747	21		3	
	Operating income	4,401	4,069	4,093	-308		23	
	Non-operating income	2	4	4	1		-	
	Non-operating expenses	1,400	1,397	1,397	-2		0	
	Interest expenses etc.	1,361	1,359	1,359	-2		0	
Non-operating income/losses	Others	38	38	38	0		0	
	Ordinary income	3,003	2,676	2,699	-303		23	
X/O gains/losses	Extraordinary gains	-	-	-	-		-	
	Extraordinary losses	-	-	-	-		-	
Net Income		3,002	2,674	2,697	-304		23	

Leasing NOI (Net Operating Income)	6,228	6,196	6,201
FFO (Funds From Operation)	4,202	4,117	4,128
Number of properties	83	82	82
Provision for reserve for reduction entry (Reversal)	298	165	165
Number of units issued	286,550 units	286,550 units	286,550 units
Distribution per unit	¥9,434	¥8,750	¥8,830

## Notes:

1. Leasing NOI = Operating revenues - Gain on sales of real estate properties - Expense related to rental business (excl. Depreciation) — TMK dividends and TK dividends
2. FFO (Funds From Operation) = Net income + Depreciation expense for the period - Gain on sales of real estate properties + Loss on sales of real estate properties

## Changes in amounts of provision for reserve for reduction entry

(unit: million yen)

	12th period (11/4)	13th period (11/10)	14th period (12/4)	15th period (12/10)	16th period (13/4)	17th period (E) (13/10)
Amount carried over from previous period	65	65	368	225	497	795
Transfer	-	303	-	271	298	165
Reversal	-	-	143	-	-	-
Balance	65	368	225	497	795	961

## ●(Reference) Estimated Property & City planning tax

17th period ¥833 million

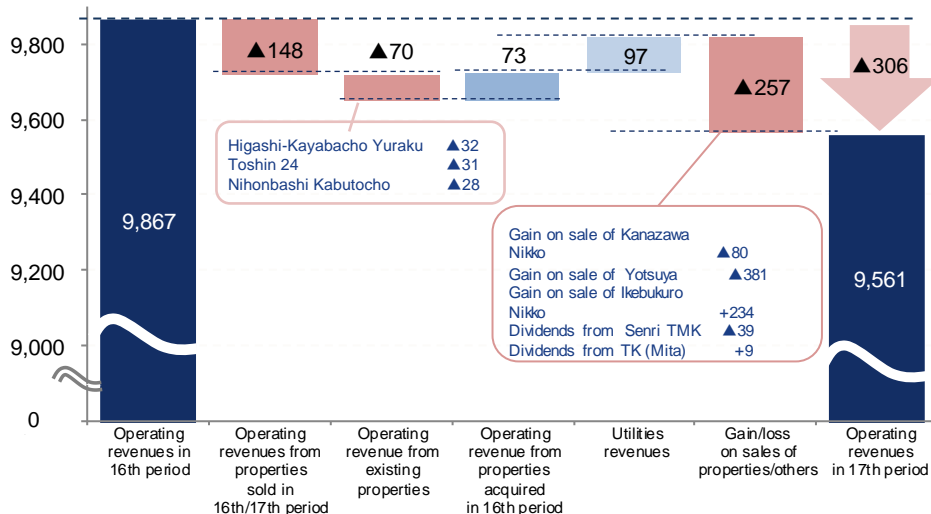
18th period ¥828 million

¥3,355/unit based  
on 286,550 units

# 17th period forecast (2013/10): Factors leading to increase/decrease from the 16th period (2013/4)

## A. Operating revenues

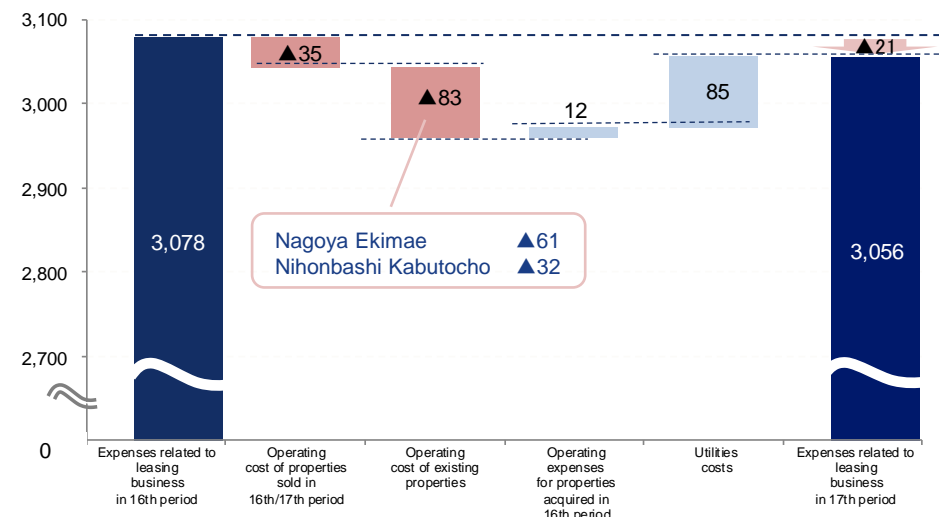
(Unit: ¥M)



Note: Utilities revenues are not included in operating revenues

## B. Expenses related to leasing business (not incl. depreciation and loss from property disposal)

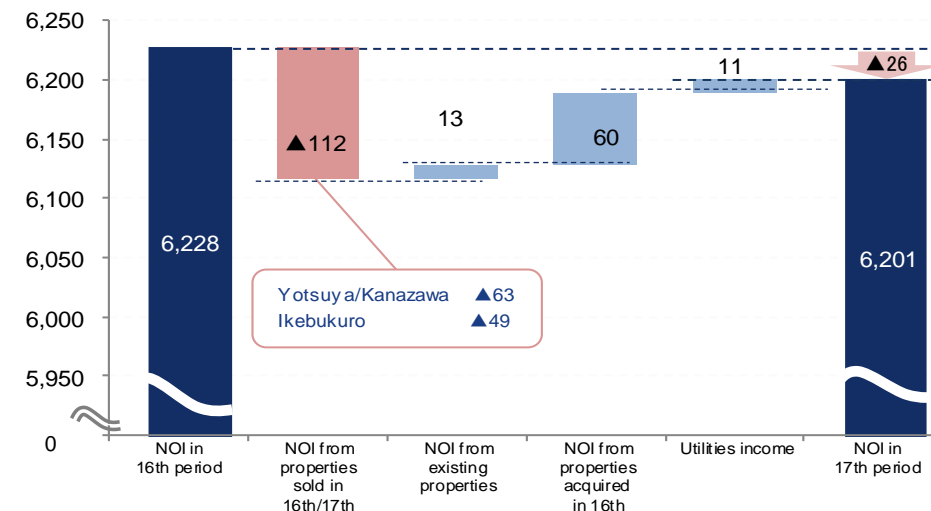
(Unit: ¥M)



Note: Operating costs do not include utilities costs

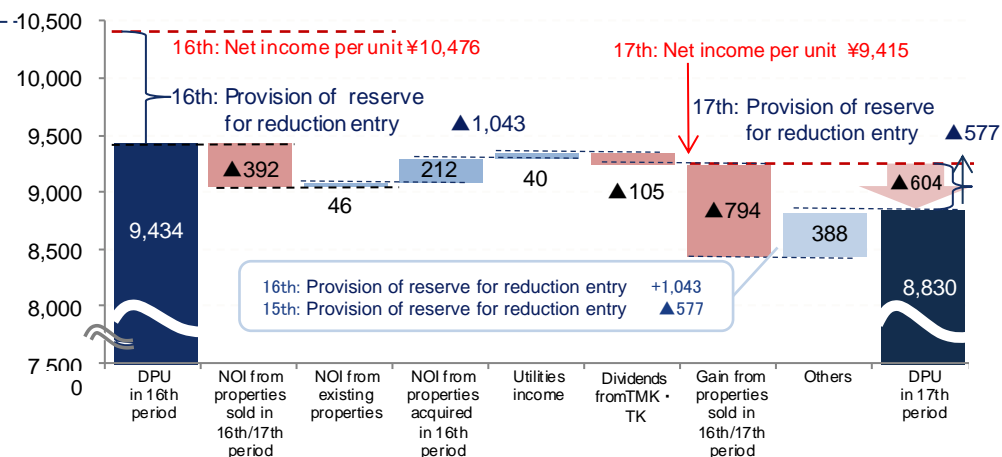
## C. Leasing NOI

(Unit: ¥M)



## D. DPU

(Unit: ¥)



Notes:

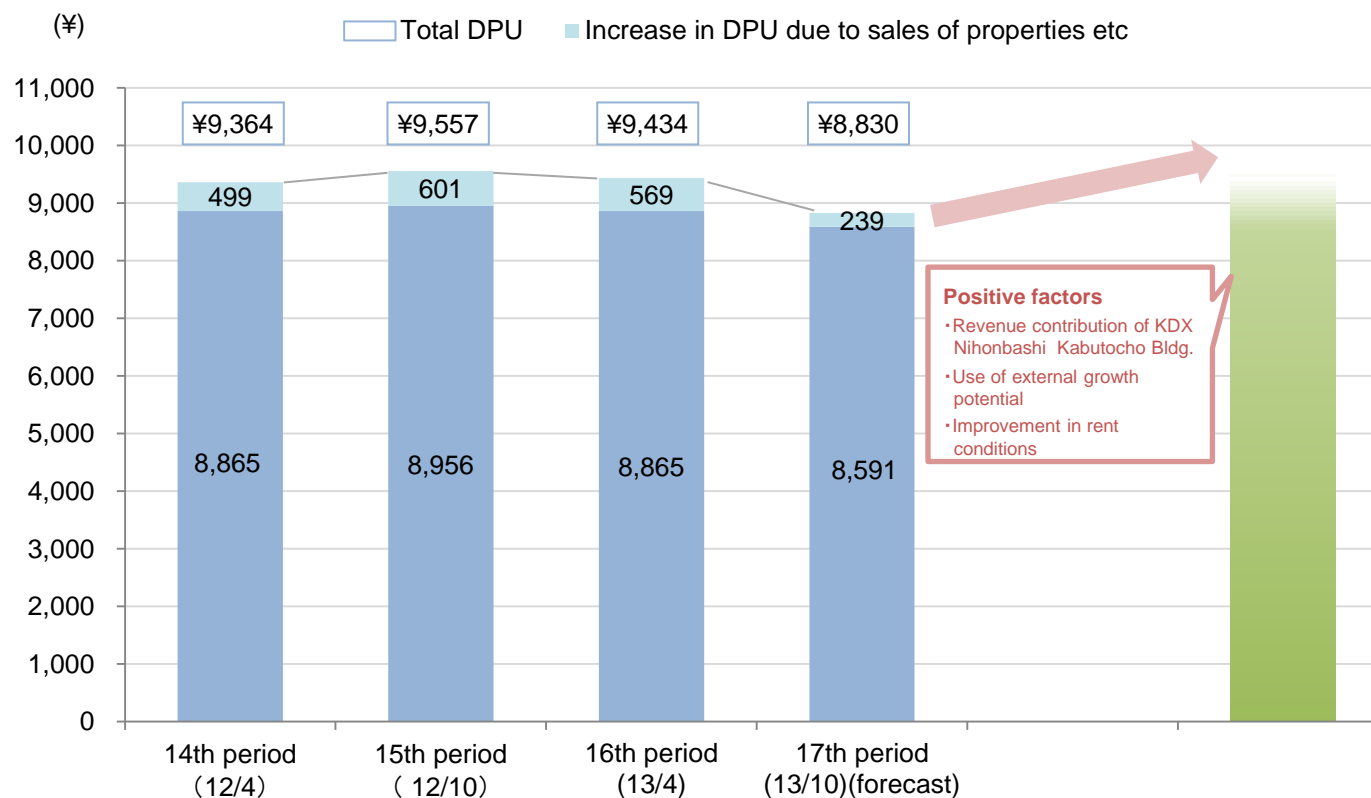
1. TMK and TK dividends are not included in NOI.
2. Utilities revenues / costs are not included in NOI calculation.



## Future DPU level

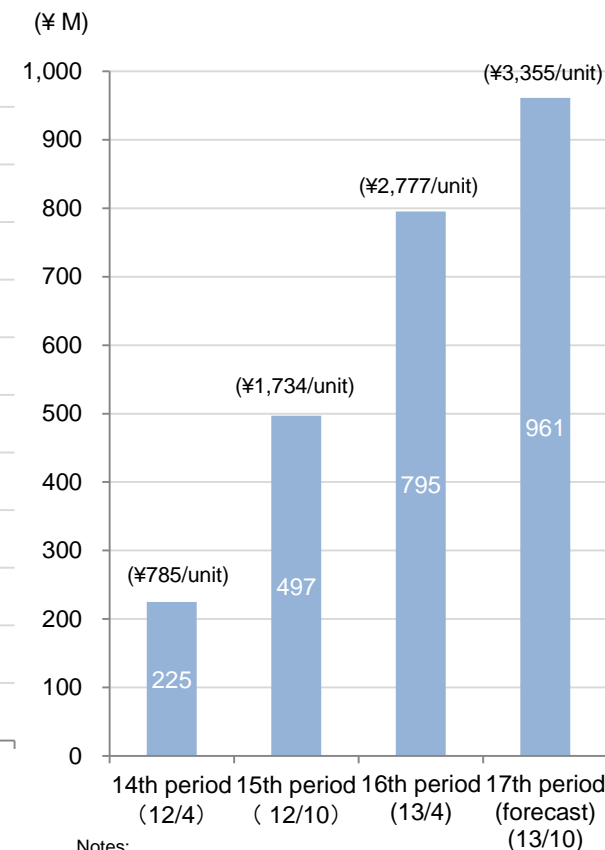
- Seek to improve DPU level through revenue contribution of KDX Nihonbashi Kabutocho Bldg. and use of external growth potential
- Provision for reserve for reduction entry to be prepared for one time losses

Future trend of DPU level



Note: Actual DPU for the 14th – 16th periods and forecasted DPU for the 17th period.

Changes in balance/amounts of provision for reserve for reduction entry



Notes:

1. Balance / amounts of provision for reserve for reduction entry are at the end of each period and rounded down to the nearest ¥1 million.
2. Figures in parentheses are calculated by the balance of a reserve for reduction entry at the end of each period divided by the total outstanding units (286,550 units) as of the end of the 16th period (2013/4) and rounded down to the nearest integer.

## Section 2

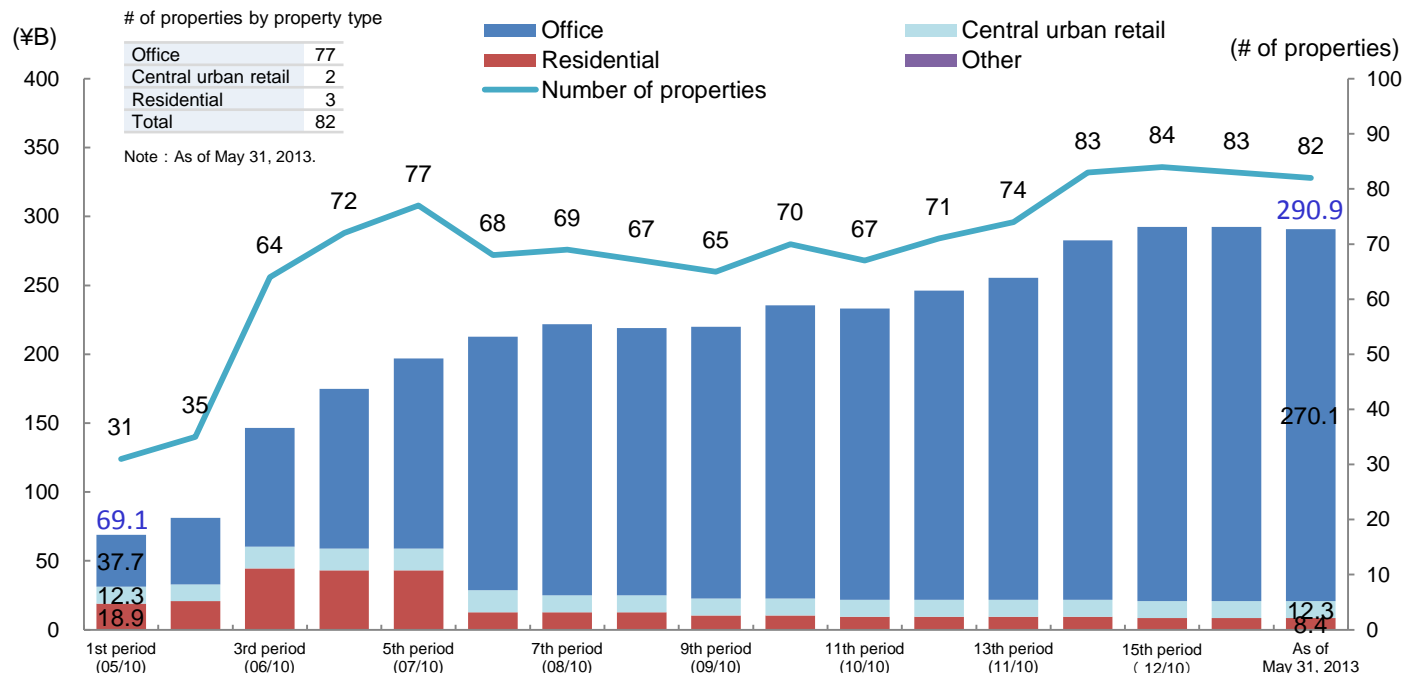
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### External growth

# Portfolio characteristics

- Focusing on mid-sized office buildings in the Tokyo metropolitan area
- AUM has quadrupled since the listing

Portfolio growth (based on total acquisition price)

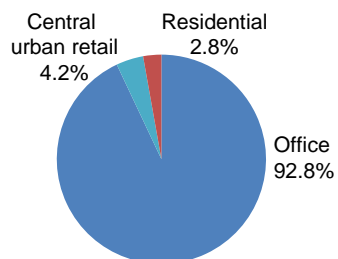


Notes

1. Figures are rounded down to the nearest ¥100 million.

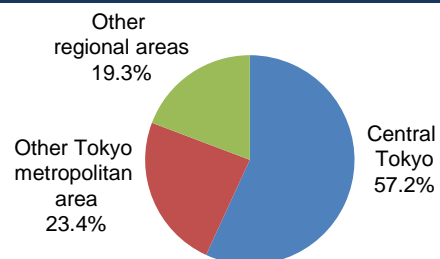
2. Central Tokyo represents Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards.

Distribution by property type  
(based on acquisition price)



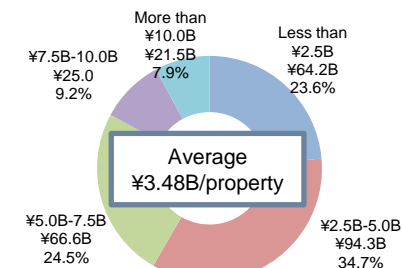
Note: The percentage breakdown by property type based on the acquisition price as of the end of May, 2013 (Figures are rounded down to the first decimal place).

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



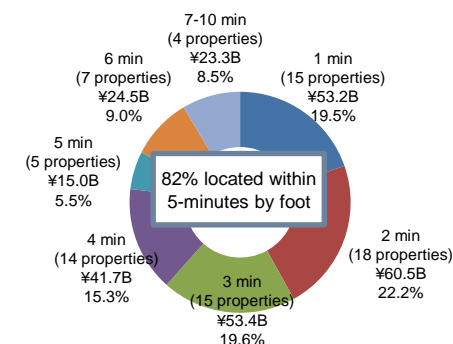
Note : As of May 31, 2013. (Figures are rounded down to the first decimal place).

Distribution of office buildings  
by acquisition price



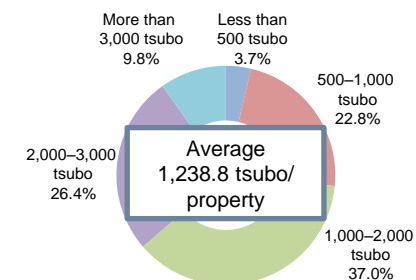
Note: As of the end of the 16th period (2013/4).

Distribution of office buildings  
by distance from the nearest station



Note: As of the end of the 16th period (2013/4).

Distribution of office buildings by  
size (based on leasable floor area)



Note: As of the end of the 16th period (2013/4).

# Property acquired during 16th period (2013/4)

- Acquisition from a third party using KRI's own network
- Acquisition in prospect of potential cash flow growth through improvement in operation

## Description of acquisition property

### Nomura Fudosan Omiya Kyodo Building

- A prime location approximately a 4-minute walk from Omiya station, a hub station which accommodates a multiple train routes
- Stable demand for office buildings in the largest commercial and business area in Saitama prefecture



#### Notes:

1. Occupancy rate and the number of tenants are as of March 26, 2013 which was disclosed at the time of acquisition.
2. Actual NOI is the net operating income (annualized) estimated based on operating income and operating expenses (taking into consideration of property and city-planning tax ) which reflect existing lease contracts at time of acquisition. Amounts are rounded down to the nearest ¥1 million and NOI yield is rounded to the first decimal place.
3. Appraisal NOI is the net operating income (annualized) calculated in the direct capitalization method included in the relevant appraisal report at the time of acquisition. Amounts are rounded down to the nearest ¥1 million and appraisal NOI is rounded to the first decimal place.

Location	Saitama, Saitama
Gross floor area	5,055.50m <sup>2</sup>
Year built	April, 1993
Occupancy rate (As of acquisition date) (Note 1)	88.3%
Number of tenants (As of acquisition date) (Note 1)	16
Acquisition price	¥2.02B
Appraisal value at the time of acquisition	¥2.20B
Difference between acquisition price and appraisal value	¥-1.8B (-8.2%)
Seller	Third party
Date of acquisition	March 26, 2013
Actual NOI (Note 2)	¥136M
NOI yield (Actual NOI/Acquisition price) (Note 2)	6.7%
Appraisal NOI (Note 3)	¥138M
Appraisal NOI yield (Appraisal NOI/Acquisition price) (Note 3)	6.9%

## Operation policy

- Improvement in occupancy rate based on lease-up plan  
A new contract concluded after acquisition raising the occupancy rate up to 95.1% (as of April 30, 2013)
- Value-up works in common area and replacement of existing facilities based on building examination at the time of acquisition
- Work toward cash flow growth through reduction in building management cost directed by KOP which is owned by collectively three parties including an individual



# Acquisition of equity interest in silent partnership

(17th period(2013/10))

- Acquiring an existing silent partnership equity interest from a third party with the sponsor
- Securing preferential negotiation right for future external growth

## Overview of equity interest in silent partnership

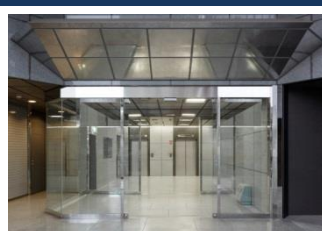
GK KRF31 (Note 1)	
(Asset)	(Liabilities)
Trust beneficiary interest etc. (Note 2):	Non-recourse loan (Note 3):
¥4.69B	¥2.87B
Other assets:	Other liabilities:
¥0.34B	¥0.21B
	(Equity)
	Silent partnership equity interest etc. (Note 4):
	¥1.95B

- Acquired silent partnership equity interest of G.K. KRF 31 with Kenedix, whose asset consists of a trust beneficiary interest in DNI Mita Building
- Secured preferential negotiation right of DNI Mita Building at time of acquisition of the silent partnership equity interest. By submitting a notice of interest of purchasing the asset for above ¥3,180 million before November 23, 2014, the preferential negotiation right will be granted
- Assumed dividend yield of the silent partnership is 13.8% (Note 5)

Notes:

1. The balance sheet of the silent partnership is as of March 31, 2013.
2. The appraisal value of the asset in operation is ¥3,430M as of May 1, 2013.
3. The balance of non-recourse loan is ¥2,839M as of April 30, 2013.
4. The balance of the net assets including silent partnership investment as of the date of acquisition of the silent partnership equity interest is ¥1,741 million, all of which is owned by the seller. KRI acquired a ¥839 million portion (approximately 48.2% of the whole) of the silent partnership investment for ¥200 million and Kenedix acquired a ¥902 million portion (approximately 51.8% of the whole) for ¥215 million.
5. The assumed dividend yield is computed based on the total amount of assumed dividend from the silent partnership which the Investment Corporation will receive when the G.K. KRF 31 manages the trust beneficiary interest for 2 years, divided by the acquisition price (¥200 million) and annualized (rounded to the first decimal place). This is based on the assumption that there will be no change in tenant contracts from the time of acquisition of the silent partnership equity interest.

## Description of the asset



Asset name	DNI Mita Building
Location	Minato ward, Tokyo
Gross floor area	5,007.98m <sup>2</sup>
Year built	March, 1993
Usage	Offices, Retail shops, Parking
Appraisal value	¥3.43B
Appraisal NOI (Note 1)	¥178M
Appraisal NOI/appraisal value	5.2%

	Apr 30, 2013	May 31, 2013	Sep 30, 2013
Occupancy rate (Note 2)	72.5%	90.8%	100%
Number of tenants (Note 2)	9	10	11

Notes:

1. Appraisal NOI is the net operating income (annualized) calculated in the direct capitalization method included in the relevant appraisal report as of May 1, 2013. Amounts are rounded down to the nearest ¥1 million and appraisal NOI is rounded to the first decimal place.
2. Occupancy rate and number of tenants include 2 signed contracts with new tenants (a fixed term lease contract with sublease condition that started on May 23, 2013 and a general lease contract that will start on September 1, 2013) and assume no cancellation of lease contracts and contraction of leased area of existing tenants.

# Properties sold during 16th period (2013/4)

- Sold properties considering evaluations of mid to long-term profitability and an aim to increase portfolio quality
- Securing gains on the sales of property catching sales opportunity in a timely manner

## List of properties sold

Kanazawa Nikko Building



Location		Kanazawa, Ishikawa	
Gross floor area		4,497.22㎡	
Year built		March, 1989	
Usage		Offices, Hotel	
Book value (A)	Sales price(B)	¥0.67B	¥0.78B
B-A (Note 2)		¥0.10B ( +15.2% )	
Appraisal value		¥1.09B	
Settlement date		November 1, 2012	

KDX Yotsuya Building



Location		Shinjuku ward, Tokyo	
Gross floor area		3,329.68㎡	
Year built		October, 1989	
Usage		Offices, Retail shops, Parking	
Book value (A)	Sales price (B)	¥1.96B	¥2.40B
B-A (Note 2)		¥0.43B (+22.2%)	
Appraisal value		¥2.38B	
Settlement date		April 24, 2013	

Ikebukuro Nikko Building (Note 3)



Location		Toshima ward, Tokyo	
Gross floor area		3,223.75㎡	
Year built		March, 1986	
Usage		Offices	
Assumed book value (A) (Note 1)	Sales price (B)	¥1.67B	¥1.97B
B-A (Note 2)		¥0.29B (+17.8%)	
Appraisal value		¥1.70B	
Settlement date		May 10, 2013	

### Notes:

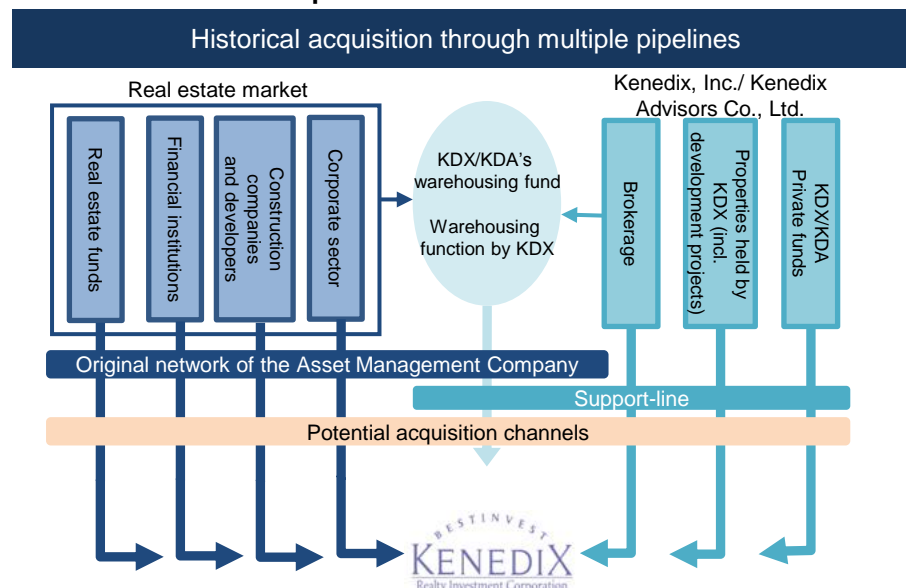
1. Assumed book value is the book value as of the settlement date and is rounded down to the nearest million yen.
2. The difference between sales price and (assumed) book value is presented for reference purpose and is not equal to gain/loss of sales of relevant properties. Amounts are rounded down to the nearest million yen.
3. The purchase and sales agreement for Ikebukuro Nikko Building was concluded on March 21, 2013 during the 16th period and was sold on May 10, 2013.

- ## Reasons for sales
- Acquired as a part of a portfolio transaction (8 properties) although the property by itself did not meet our investment criteria as it is classified as "Other" property type and the acquisition price falls below minimum investment value of ¥1 billion  
→ Have been seeking sales opportunity right after the time of acquisition
  - Sales price that exceeds book value by ¥0.10 billion (+15.2%)
  - Current contracted rent is higher than the market average  
→ Future cash flow growth potential is limited
  - Received a notice of lease cancellation from a tenant on the first floor  
→ Risk of a drop in rental revenue at the time of lease cancellation in the near future
  - Sales price that exceeds book value by ¥0.43 billion (+22.2%) and appraisal value by ¥20 million(+0.8%)
  - Risk of falling profitability assessed based on current building specifications and replacement expenses of building facilities
  - Sales price that exceeds assumed book value by ¥0.29 billion (+17.8%) and appraisal value by ¥0.27 billion (+15.9%)

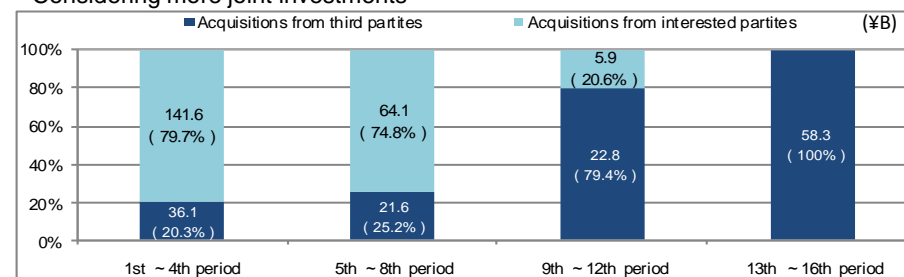
# Future investment policy

- Focusing on investment in mid-sized office buildings in Tokyo metropolitan area through diversified acquisition methods
- Sourcing of properties by using multiple pipelines and our acquisition track record

Acquisition policy	
Asset type	<ul style="list-style-type: none"> <li>• Office buildings Continue making new investments with a strategy of developing a portfolio focused on mid-sized office buildings in Tokyo metropolitan area</li> <li>• Central urban retail properties Selectively invest in central urban retail properties located in scarce highly flourishing districts under a condition that such property contains a certain office portion</li> <li>• In principle, no new investment in residential properties</li> </ul>
Area	<ul style="list-style-type: none"> <li>• Target investment ratio by area: <ul style="list-style-type: none"> <li>- Tokyo metropolitan area: 80%</li> <li>- Other regional areas: 20%</li> </ul> </li> <li>• (Tokyo metropolitan area) Continue making new investments mainly in mid-sized office buildings in Tokyo metropolitan area</li> <li>• (Other regional areas) Invest in competitive properties with careful consideration of portfolio breakdown by area</li> </ul>
TK investment Preferred equity	<ul style="list-style-type: none"> <li>• Securing investment return and future property acquisition opportunities</li> <li>• Joint investment with sponsor, etc.</li> <li>• Target properties have to satisfy KRI's investment criteria</li> </ul>



- Total acquisition price from 1st to 16th period : approx. ¥352.4 billion
- Acquisitions from third parties become the major acquisition channel since 9th period (2009/10) as a result of development of the Asset Management Company's original network
- Considering more joint investments



## Notes

1. Acquisition price is rounded down to the nearest ¥100 million. Properties disposed are included in the calculation.
2. Acquisition prices of land and building of KDX Nagoya Sakae Building are included in 6th period (2008/4), in which the land was acquired, though the building was acquired in another period
3. Acquisition prices of KDX Shin-Yokohama 381 Bldg. Annex Tower and A47 KDX Shin-Yokohama 381 are calculated in their respective acquisition period
4. Investment securities (acquired in the 14th period and 17th period) are excluded

## Section 3

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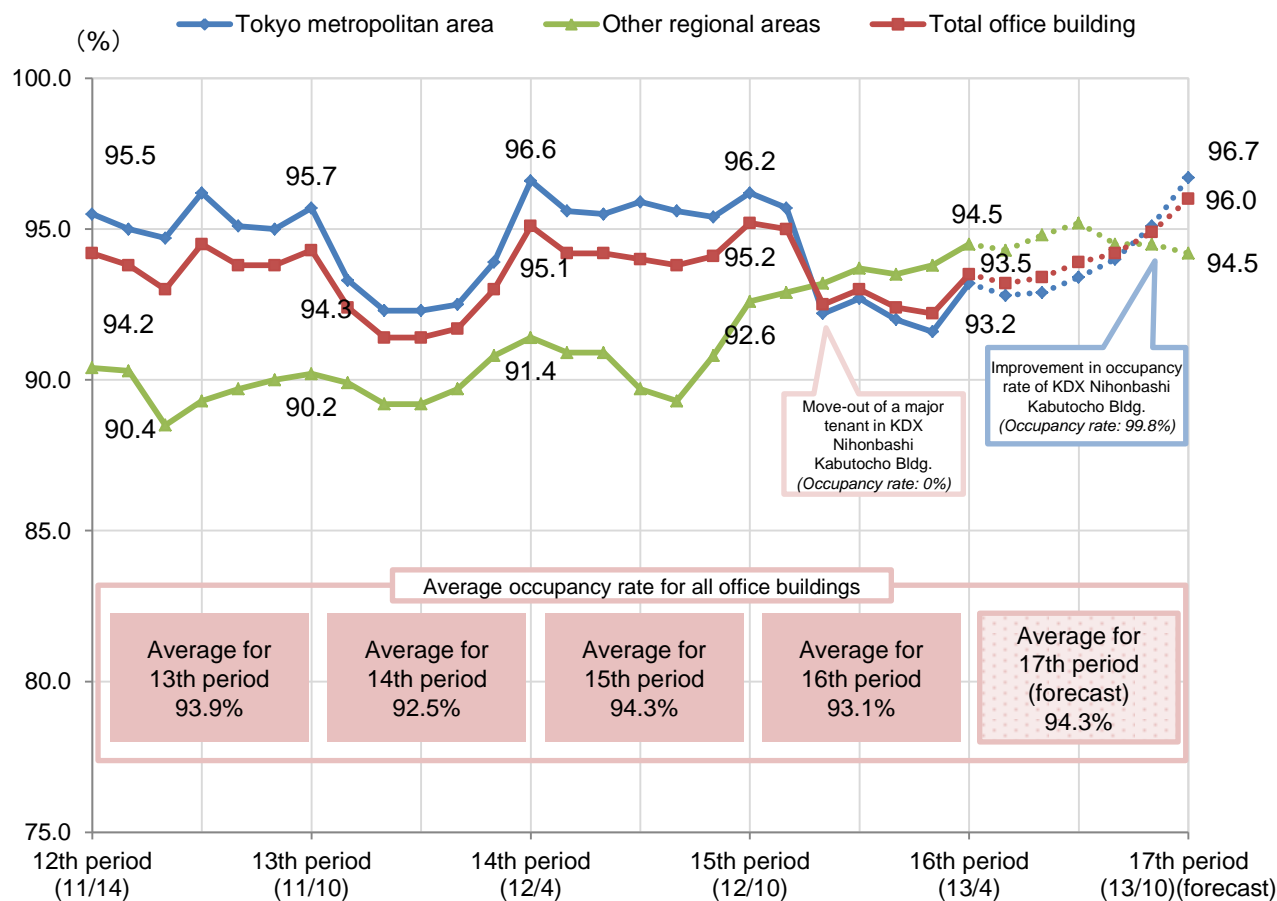
### Internal growth



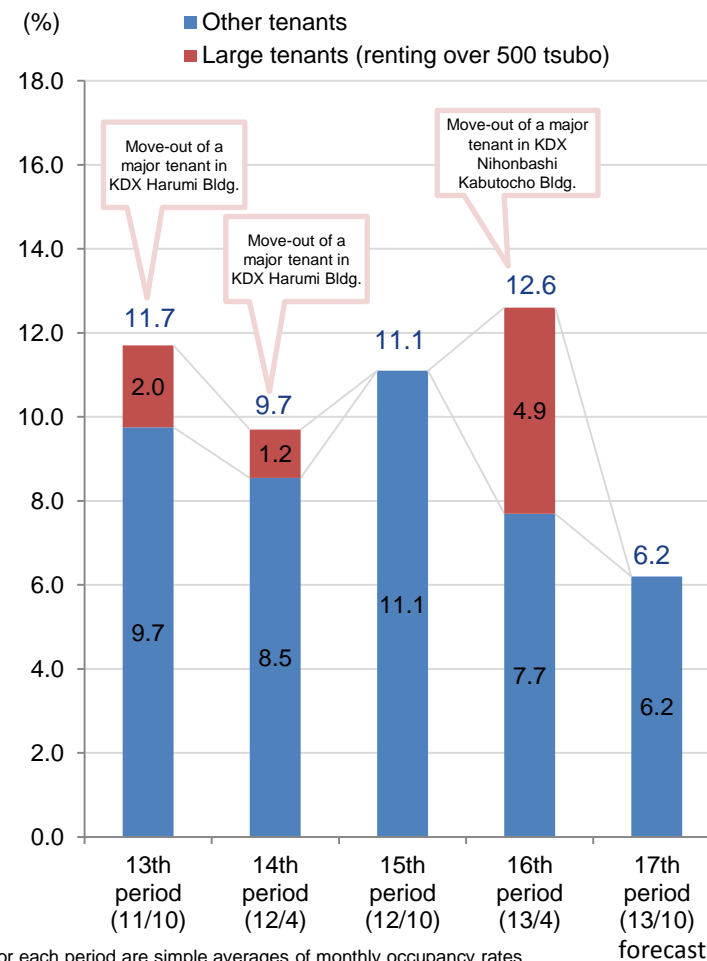
# Trends in occupancy/turnover rates of KRI's office buildings BEST INVEST KENEDIX Realty Investment Corporation

- Steady performance of occupancy rate - aiming to maintain the current high level of occupancy rate and improve rent conditions hereafter
- Continuing downward trend in turnover ratio after the 15th period (excluding the move-out of a large tenant)

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



Annualized turnover rate for office buildings (Note 2, 3)

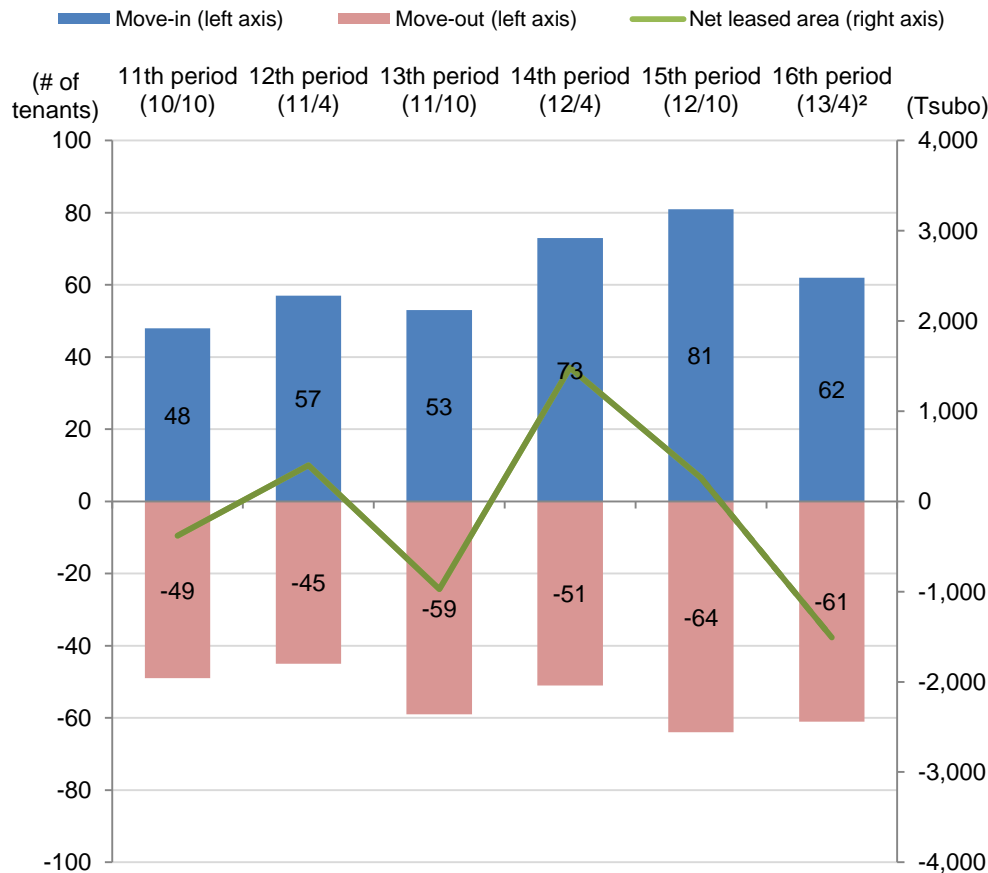


- Occupancy rates are calculated by dividing leased area by leasable area and are rounded to the first decimal places. Average occupancy rates for each period are simple averages of monthly occupancy rates. The forecast occupancy rate for the 17th period are the assumed occupancy rates used for earnings forecast for the 17th period.
- The figures are calculated and annualized as follows: (total leasable area of the tenants who cancelled the lease agreement during the six-month period from the beginning to the end of each period) / (Average leasable area of all office buildings owned by KRI as of each month-end during the relevant period) x 2.
- The estimates for the 17th period (2013/10) are based on the cancellation notice received prior to the end of 16th period (2013/4). The breakdown of turnover ratio is computed based on leased floor area of relevant tenants for each property

# Tenant turnover trend for KRI's office buildings

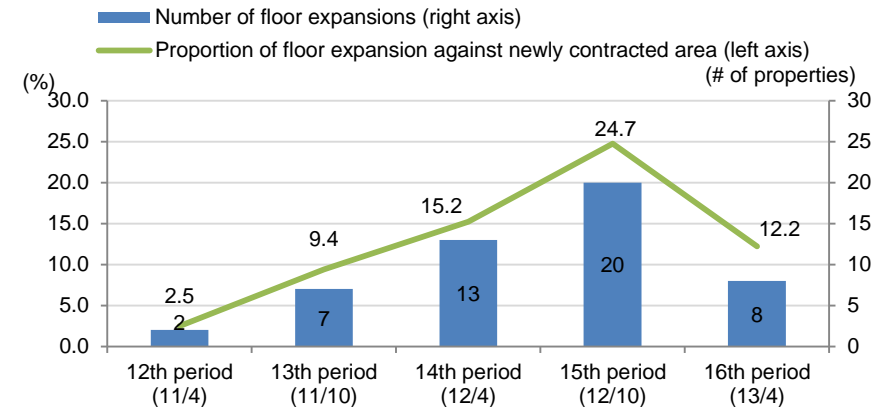
- Numbers of move-out and move-in are nearly equal for the 16th period
- Move-ins mainly for expansion purposes, move-outs mainly for contraction purposes

Turnover of office buildings by a number of tenants and leased floor area



- Notes
- A number of end-tenants and leasable floor area based on floors. For example, an end-tenant vacating a floor and leasing another floor at any of our properties is counted as one each for incoming and outgoing.
  - Net leasable area for the 16th period (13/4) includes a decrease in leased area of KDX Nihonbashi Kabutocho Bldg (2,369.49 tsubo). Excluding the area, net leased area for the 16th period becomes 859.92 tsubo.

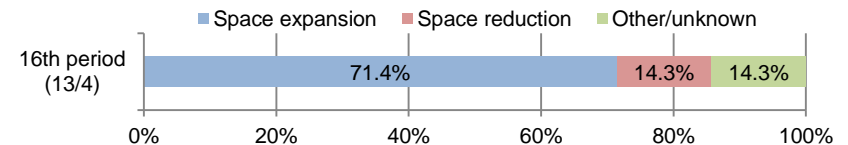
A number of floor expansion and its proportion against total newly-contracted areas during the relevant periods



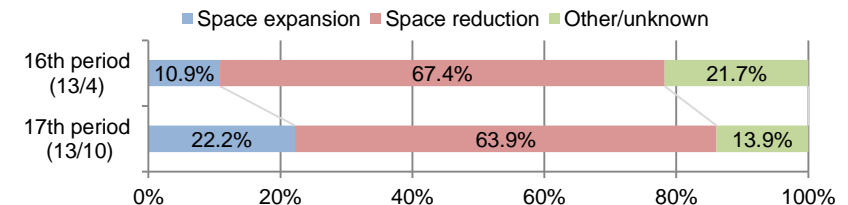
Notes:

- A number of floor expansions takes into account new tenants which contracted and moved into the same buildings during the relevant periods. The numbers include tenants that are affiliated with existing tenants.
- Proportion of floor expansions against newly contracted area only takes into account newly contracted floor area during the relevant periods.

Reasons of move-in for the 16th period (13/4) (Note)



Reasons of move-out for the 16th (13/4) and 17th (13/10) periods

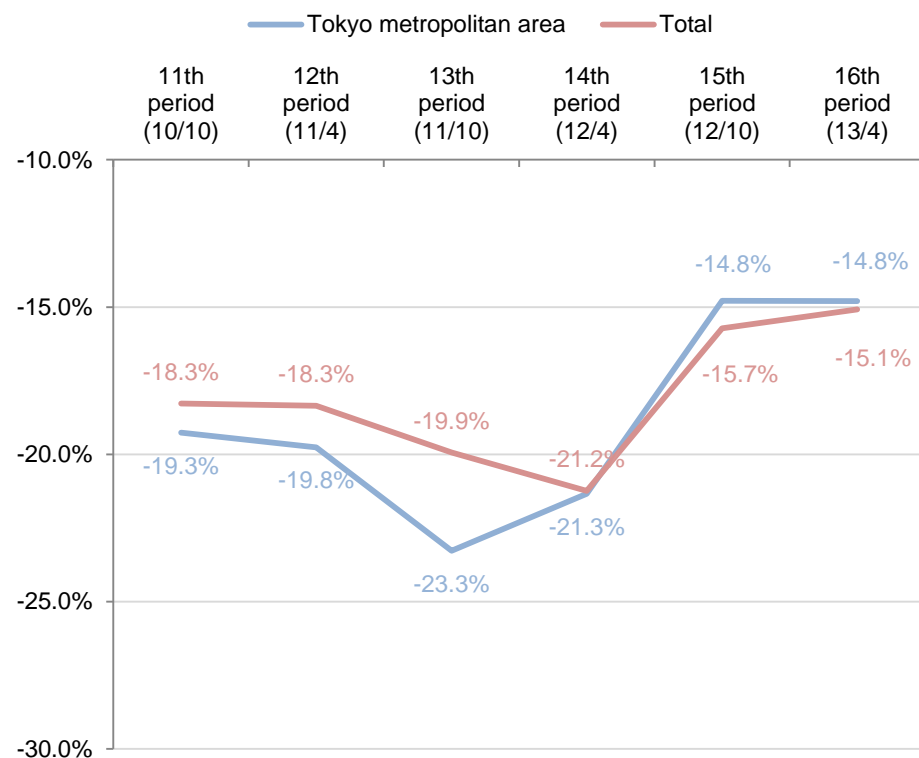


Note: The above data is based on the survey by the Asset Management company with regard to reasons of office relocation for relevant tenants. We classify responses of the survey into three categories; "Expansion", "Contraction" and "Other/unknown". For move-in, the figures are based on the number of tenants on office floors on the 2nd floor or above. For move-out, figures are based on the number of tenants on all floors except for residential part.

# Trends in asking rents for KRI's office buildings

- Change in asking rents is on a recovering trend after the 15th period (2012/10) for overall office buildings

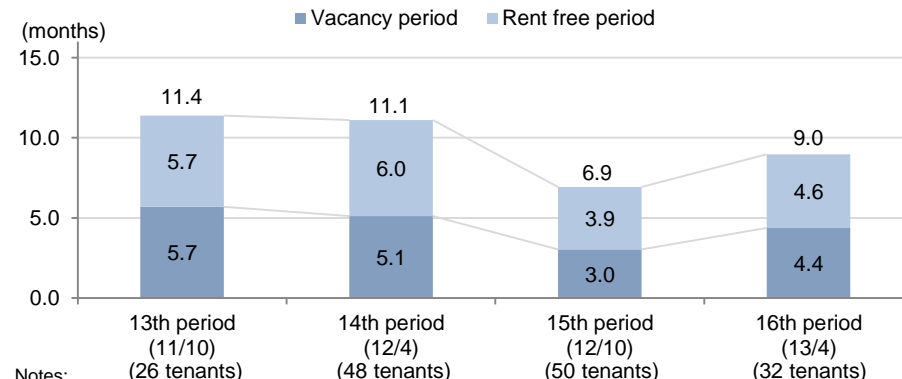
Percentage change in asking rent



Notes:

- The figures represent the simple average value of percentage differences of average monthly rents (per tsubo) for existing tenants and new tenants in the respective buildings. In case there is difficulty to calculate an average monthly rent for the end of the previous month as a result of vacancy due to tenant move-out, the above figures are calculated using the average monthly rent before the tenant moves out.
- The analysis is based on office floors on the 2nd floor or above and excludes buildings that were newly acquired during the relevant fiscal periods.

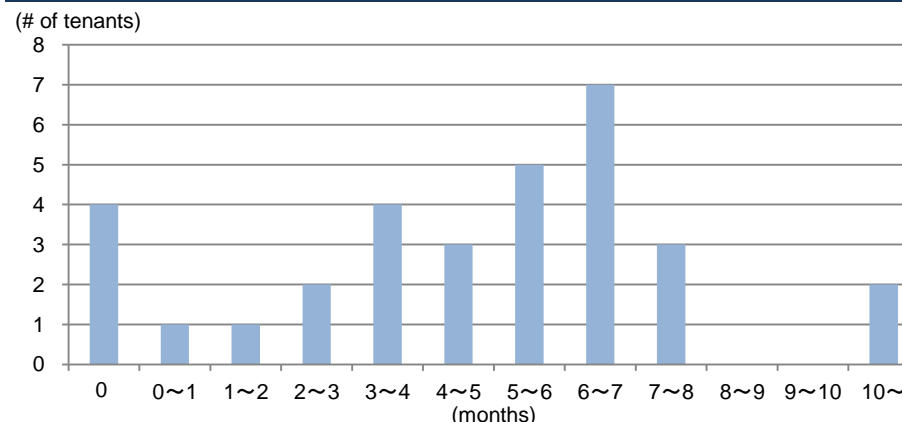
Average vacancy period and rent free period for properties in Tokyo metropolitan area



Notes:

- Vacancy period refers to a period from the cancellation date of contract by previous tenant until the start date of new contract by new tenant for newly contract floor area for relevant period. Rent-free period refers to a period from the start date of contract until the start date of contracted full rent. Above figures are monthly average and are expressed in terms of month by dividing by 30 days. Figures are rounded to the first decimal place.
- The analysis is based on office floors on the 2nd floor or above and excludes buildings that were newly acquired during the relevant fiscal periods.
- Figures in brackets represent number of tenants. If the same tenant leases multiple sections on the same floor, the number of tenants is combined and is counted as one given vacancy and rent free periods are identical for different sections.

Distribution of rent free periods during 16th period (2013/4) for properties in Tokyo metropolitan area

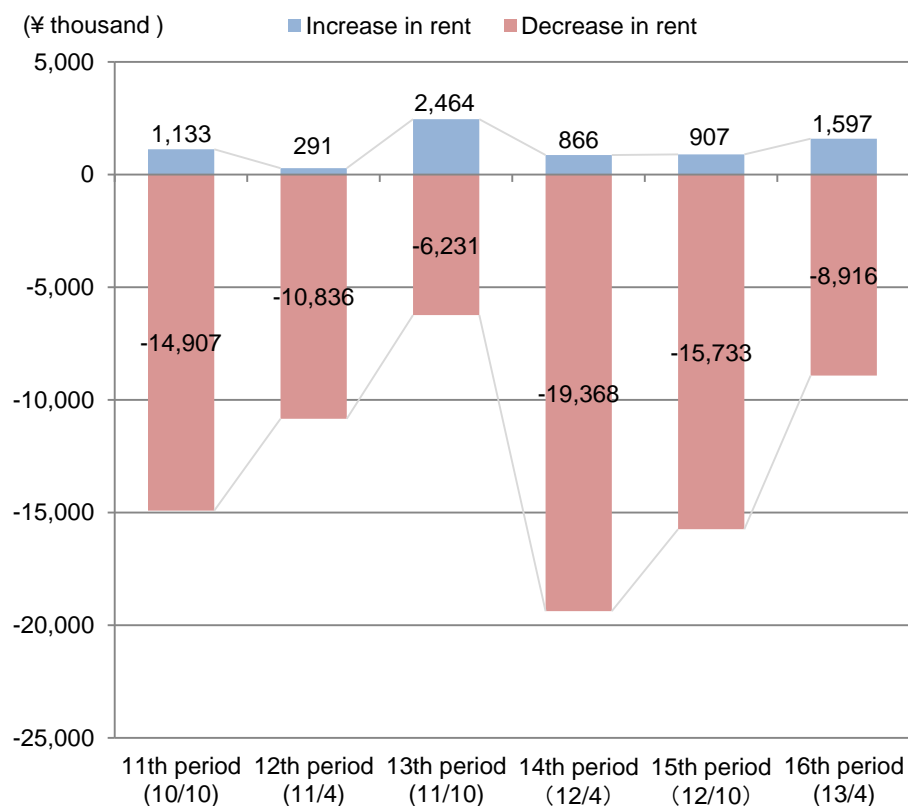


Note: The distribution of rent free periods is for 32 contracts in Tokyo metropolitan area. 19

# Renewed rent level of KRI's office buildings

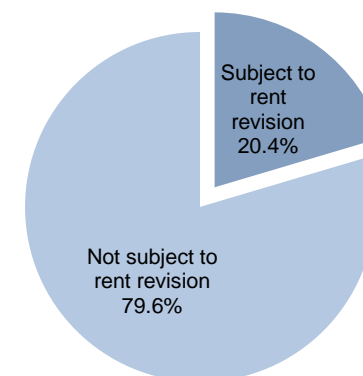
- Contraction trend for change in rent level at the time of rent revisions
- Increasing proportion of "Increase" and "No change" for rent revision while that of "decline" decreasing

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



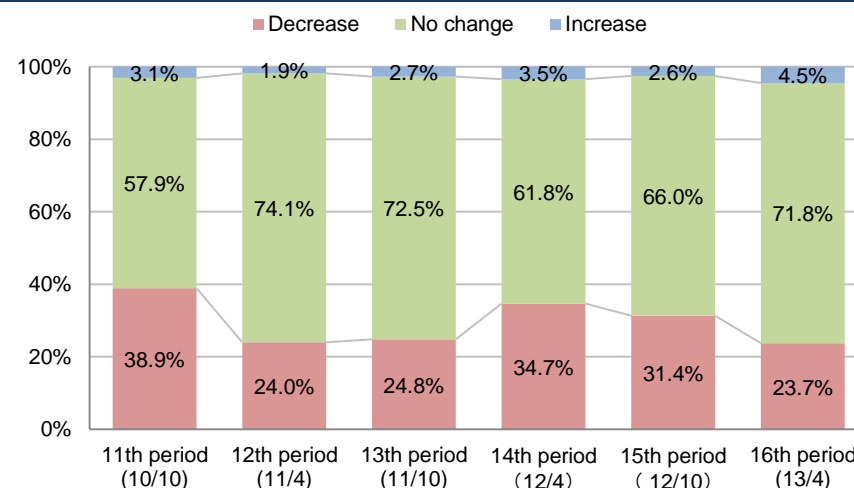
Note: The above figures are the monthly rent level difference before and after the rent revision and are calculated separately for each tenant. Numbers are rounded to the nearest ¥1,000

Rent revision during 16th period (based on leased floor area)



Note: Based on leased floor area that are either renewed or revised during the 16th period, including leased floor area that are renewed before the renewal deadline.

Status of rent revision (based on leased floor area)



Note: Above figures are for any renewed or revised contracts during relevant periods and such contracts are summarized by the status of rent revision (increase / decrease / no change). The percentages are based on leased floor area and are rounded to the first decimal place.



# Key steps to rent income recovery for KRI's properties

- Bottoming out of rental income as the result of improvement in rent-based occupancy rate
- Percentage change in rent per unit has improved and the trend will continue for the next period

## Key steps to rent income recovery

Rise in occupancy rate

Upward trend in occupancy rate:

92.8% (14th period) → 94.5% (15th period) → 95.1% (16th period) → 95.5% (17th period, forecast)

Rise in rent-based occupancy rate

Rent-based occupancy rate increased to 93.5% (16th period) and is expected to further improve to 94.4% for the 17th period due to a drop in remaining periods of free rent

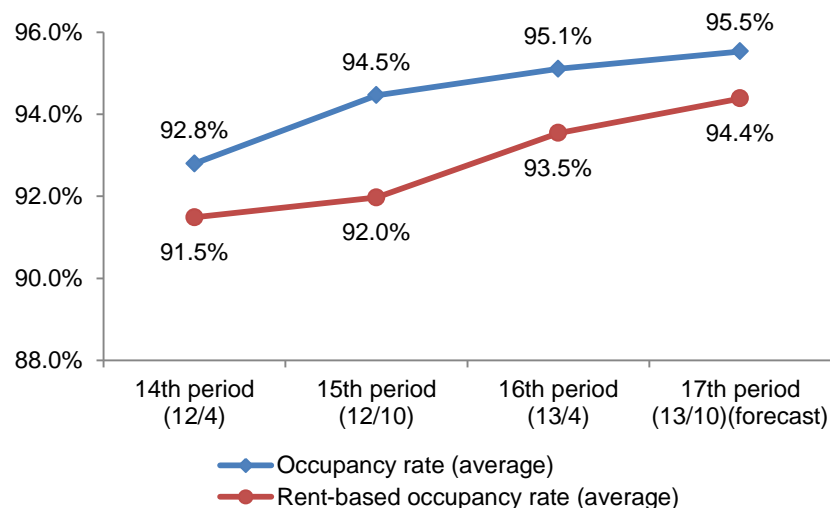
Rise in rent per unit

Percentage change in rent per unit has been contracting from -3.1% (15th period) to -1.5% (16th period). Expected to contract further for the 17th period

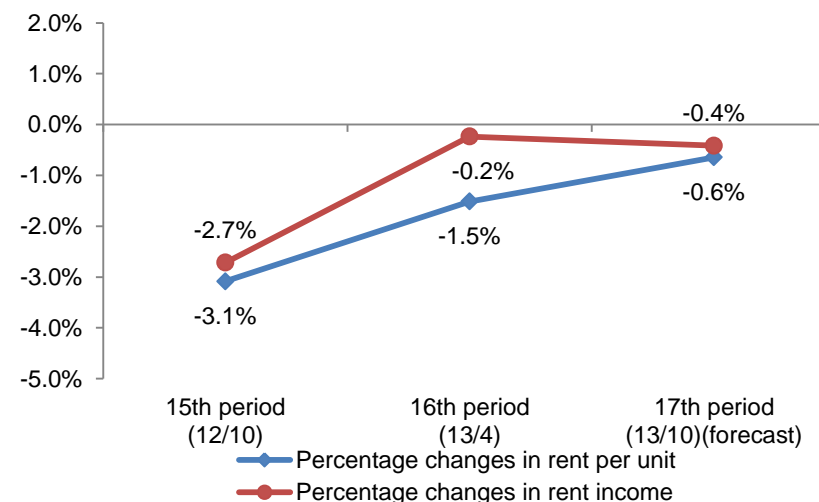
Rise in rent income

Percentage change in rent income expected to slightly decline in the 17th period. Expecting rent income to bottom out after the next period.

## Occupancy and rent-based occupancy rates



## Percentage changes in rent per unit and rent income

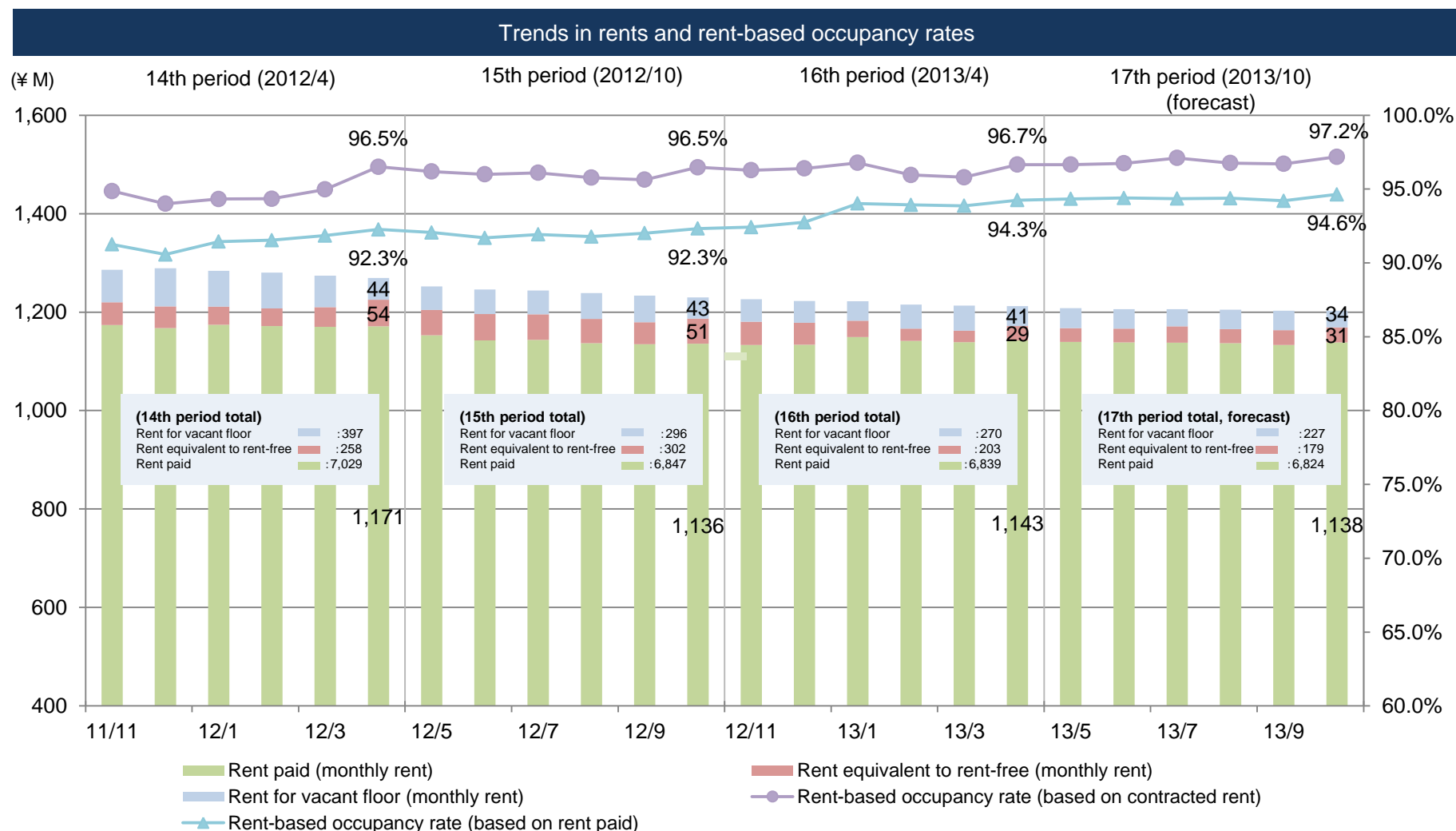


### Notes

1. Based on 71 properties that KRI owned from the beginning of the 14th period (12/4), excluding properties sold over the period. Rental revenue includes common area charges.
2. Rent-based occupancy rate is a monthly average of rents paid (contracted rents – rents equivalent to rent free period) divided by total potential rent (contracted rent + minimum rent expected for vacant floor).
3. Percentage change in rent per unit is calculated by taking a change from the end of previous fiscal period to the current fiscal period.

# Trends for rents and rent-based occupancy rates for KRI's properties (existing properties)

- Occupancy rate based on rent paid steadily improving due to the fall of vacant floor space
- Extent of a fall in total rent diminishing period by period



**Notes:**

1. The above figures reflect the 71 properties (excluding the properties sold) held at the beginning of the 14th period (2012/4). The rents include common area charges.
2. The rent-based occupancy rates are calculated by dividing the contract rent or the rent paid (the contract rent – the portion of rent that is not paid due to the rent-free period) by the total potential rent (the contracted rent + the minimum rent expected for new tenants to move in)

# Leasing status and forecasts for KDX Nihonbashi Kabutocho Bldg.

- Achieved contract rate of 99.8% in 6 months from lease termination of the entire building at Nov 31, 2012
- Reduced rental revenue fluctuation risk in the event of tenant move-out by introducing multiple tenants

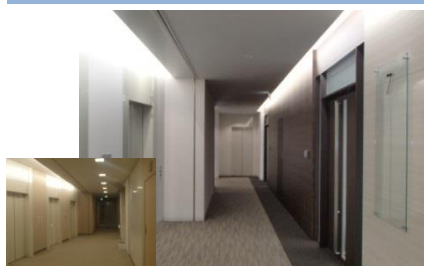
## Value-up works for KDX Nihonbashi Kabutocho Building

- Changed the building specification to accommodate a multi-tenants switching from a single-tenant property. Concurrently, improved functionality and interior of the building

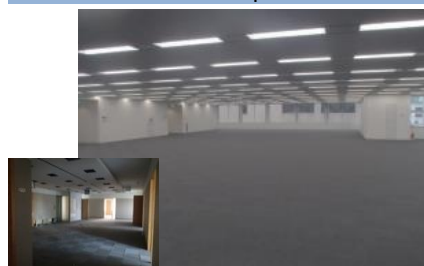
### Details of the works

- Renewal of common area
- Introduction of new security system
- Removal of certain facilities specifically prepared for the old tenant and establishment of rooms for rent
- Upgrading of central monitoring system
- Conversion of office space (1F) to retail shop
- Addition of new signboard for rent

### Common corridor



### Exclusive space



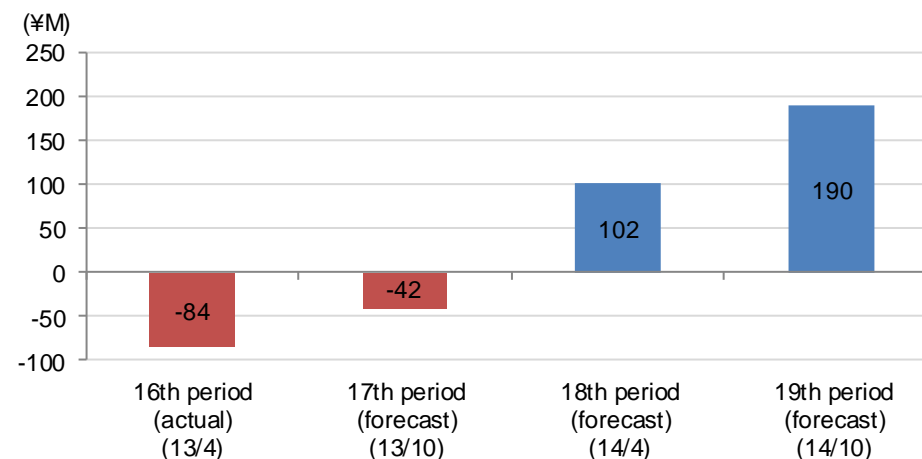
## Leasing status (Note 1-3)

	Actual		Forecast		
	As of the end of 16th period (2013/4)	As of 2013/5/30	As of the end of 17th period (2013/10)	As of the end of 18th period (2014/4)	As of the end of 19th period (2014/10)
Occupancy rate (%) (Note 2)	13.4	16.8	99.8	99.8	99.8
Contract rate (%) (Note 3)	14.2	99.8	99.8	99.8	99.8
# of tenants	2	4	7	7	7

### Notes:

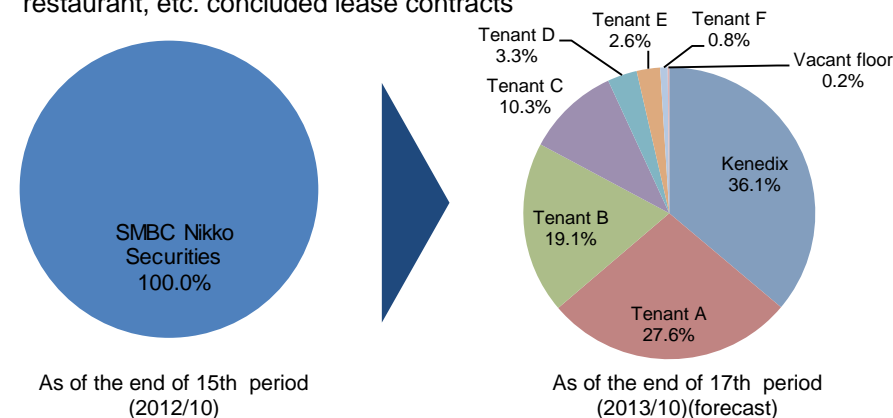
- Figures are based on the lease contracts concluded as of disclosure date of this material with an assumption that no tenant would move out up until the end of 19th period. All data are subject to change depending on actual performance.
- Occupancy rate for the contract that has started is calculated by dividing leased floor area by leasable floor area and is rounded to the first decimal place.
- Contract rate is calculated by dividing contracted area by total leasable area based on lease contracts which are already concluded for each period and are rounded to the first decimal place. The occupancy rate may differ because the figures could include contracted area for which lease contract has not yet started.
- NOI (Net operating income) is calculated by the Asset Management Company using its own formula. Figures are rounded down to the nearest ¥1 million. However, the projected NOI is not a guarantee of future NOI.

## Actual and forecasts for NOI (Note 4)



## Achieved introduction of multi-tenants

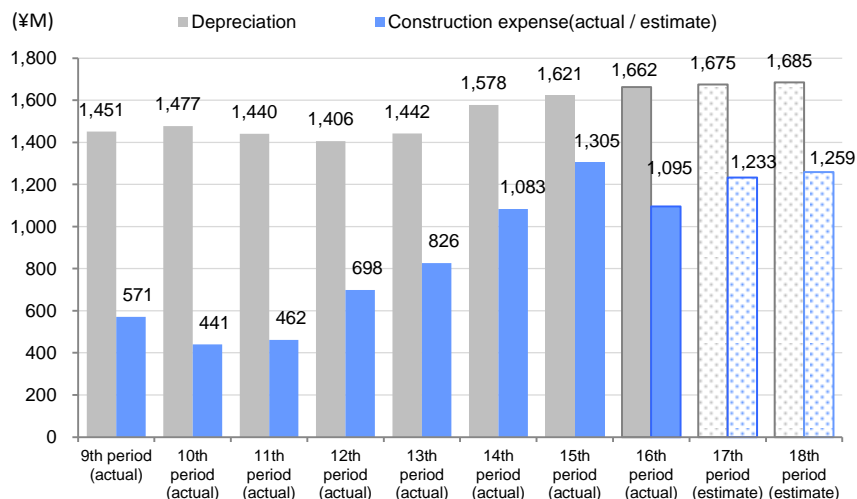
- A wide range of tenants including service, manufacturer, wholesale, retail and restaurant, etc. concluded lease contracts



# Measures for maintaining / improving quality of properties

- Implemented strategic measures to maintain/improve property value
- Achieved early lease-up through timely value-up works

Changes in depreciation and construction expense  
(actual/estimate)



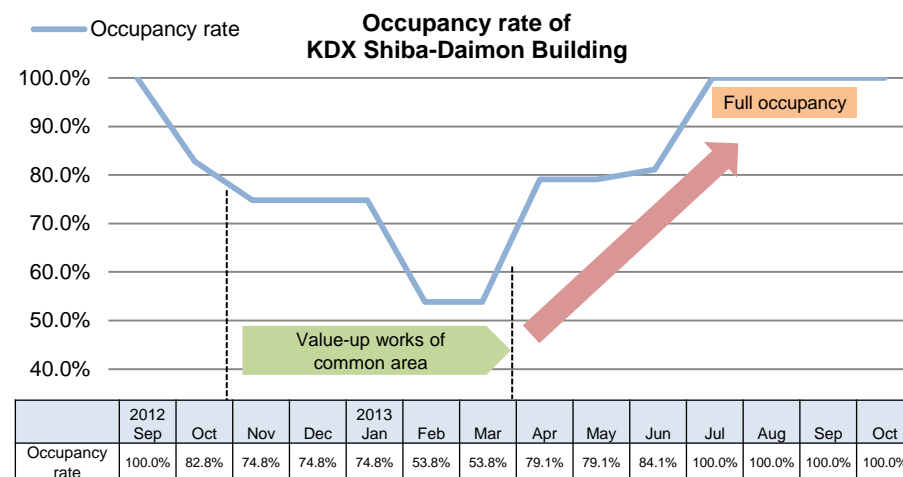
Major repair/renovation works during 17th /18th periods (Note)

Items	17th period		18th period	
	Estimated expense (¥ million)	Ratio to the total expenses (%)	Estimated expense (¥ million)	Ratio to the total expenses (%)
Maintenance works	731	68.6	624	57.2
(Renewal of air conditioning)	524	49.2	486	44.6
(Others)	207	19.5	138	12.7
Value-up works	125	11.8	49	4.5
Works described in ER	52	4.9	381	35.0
Energy saving measures	105	9.9	0	0.0
	<b>Total (17th period)</b>	<b>Ratio to the depreciation (%)</b>	<b>Total (18th period)</b>	<b>Ratio to the depreciation (%)</b>
	1,233	73.5	1,259	74.5

Note: Estimated expense is an approximate estimate as of the date in which repair schedule is prepared.  
Minor repair works are not included above.

Occupancy rate performance of KDX Shiba-Daimon Bldg.  
and example of value-up works

- Implemented value-up works on five floors at the time of tenant move-outs
- Achieved early lease-up of new tenants by improving competitiveness of the property through value-up works while minimizing duration of such works through detailed management of entire schedule



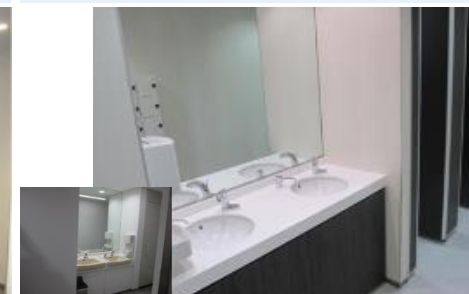
Notes:

1. Occupancy rates are as of the end of relevant month.
2. Above table describes monthly occupancy rate. Lease cancellation in the middle of a month is considered as if it occurred at the end of the previous month. New lease contract in the middle of a month is considered as if it occurred at the beginning of the month.
3. The figures are forecast up to the end of the 17th period based on available information as of the disclosure date of this material. Due to various reasons including additional receipts of notices of lease cancellation, actual result might not turn out as described.

Elevator hall



Bathroom





# End tenants for KRI's office buildings

- Largest tenant occupies 3% of total leased floor area for entire portfolio
- Top 10 tenants occupy 11% of total leased floor area for entire portfolio (As of May 31, 2013)

List of top end tenants			
	Name	Leased floor area (tsubo)	Ratio of leased floor area (Note 1)
1	SMBC Nikko Securities (financial)	2,929.2 (2,333.6) (Note 2)	3.0 (2.4) (Note 2)
2	Tenant A (service)	1,550.3	1.6
3	Bank of Tokyo Mitsubishi UFJ (financial services)	1,188.1	1.2
4	Medical Corporation DOYUKAI (service)	1,022.4	1.0
5	Tenant B (wholesales, retail, and restaurant)	863.7	0.9
6	Kodak Japan (wholesales, retail, and restaurant)	844.5	0.9
7	Tenant C (manufacturer)	816.6	0.8
8	Tenant D (financial)	781.8	0.8
9	Tenant E (manufacturer)	685.2	0.7
10	Tenant F (service)	669.4	0.7
Total		11,351.2 (10,755.6) (Note 2)	11.5 (10.9) (Note 2)

**Notes**

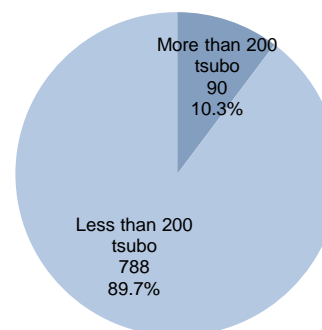
1. Based on leased floor area of each tenant against total portfolio leased floor area as of the end of the 16th period. Numbers are rounded to the first decimal place.
2. Ikebukuro Nikko Bldg is sold on May 10, 2013. Numbers in bracket represent figures after the sales of Ikebukuro Nikko Bldg.

Reference: Average rent by area			
	# of properties	Average rent (yen/tsubo) (Note 1)	Percentage change compared to the previous period (Note 2)
Tokyo metropolitan area	63	15,300	-3.7%
Japan	78	14,400	-3.3%

**Notes**

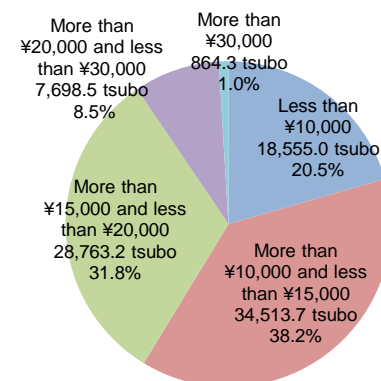
1. Average rent is a weighted average by area and is truncated to the nearest ¥100.
2. These figures include KDX Nihonbashi Kabutocho Bldg where a major tenant moved out during the 16th period. If the property is excluded, percentage change of average rent would be -2.1% and -1.9% for Tokyo metropolitan area and Japan, respectively.

Distribution by leased floor area (based on # of tenants)



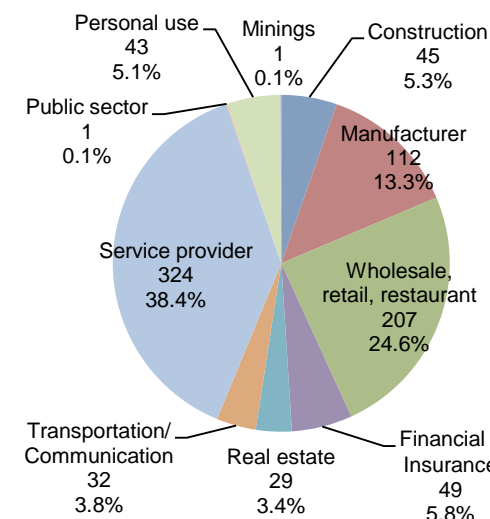
Note: Based on the number of tenants in each office buildings

Distribution by contracted rent (based on leased floor area)



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

Distribution by type of tenant (based on # of tenant)



Note: The above chart shows the breakdown of tenants by the type of business they are in, based on the total number of tenants in office portfolio (aggregated by name-base)

## Section 4

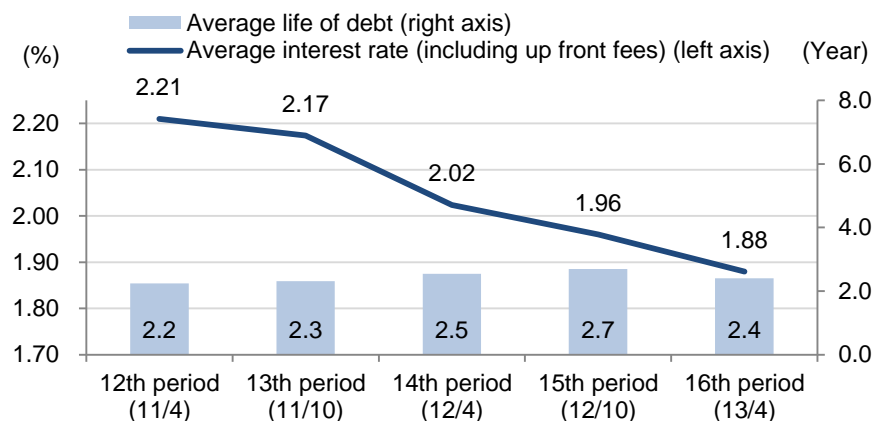
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### Financial strategy

# Interest rate of debt and diversification of debt maturity

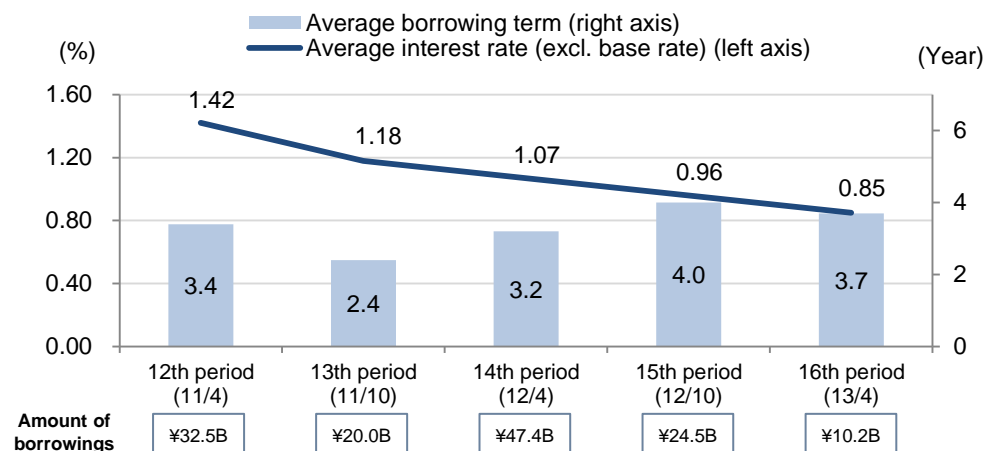
- Achieving a gradual decline in financing cost of debt
- Maintaining stable financial base by extending terms of debt and fixing interest rates

Average interest rate and average life of debt



Note: Average interest rate and average life of debt are weighted averages based on outstanding debts at the end of each fiscal period. Average interest rate (including up front fees) and average life of debt are rounded to the second and first decimal places respectively.

Changes in borrowings for relevant periods

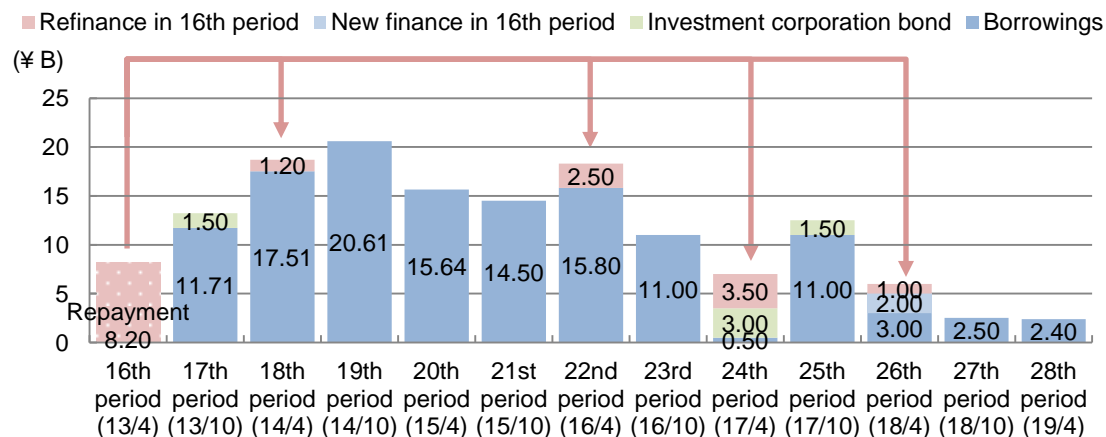


Amount of borrowings

Notes:

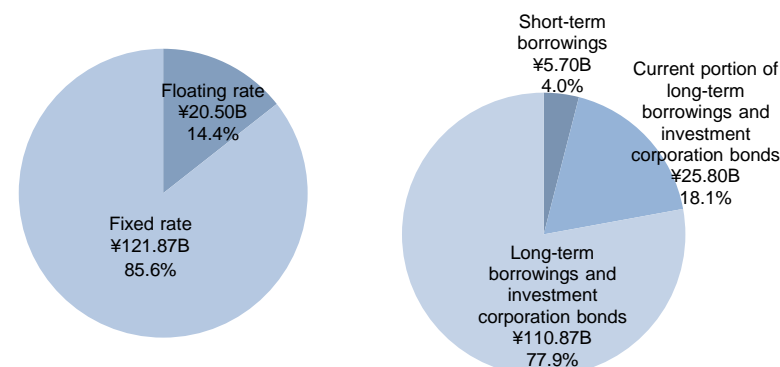
1. Average borrowing term is a weighted average based on amount of borrowings (rounded to the first decimal place).
2. Average interest rate is weighted by amount of new borrowings and by adding annualized upfront fee to the spread cost for total debt costs (rounded to the second decimal place).
3. Borrowings that are repaid within the same period are not included for the calculation.

Diversification of debt maturity as of the end of 16th period (13/4)



Note: The chart illustrates total debt amounts that reach maturity in each period, including repayment of a part of principle based on contract (rounded to the second decimal place).

Fixing rate of interest and extending terms of debt as of the end of 16th period (13/4) (Note 1)



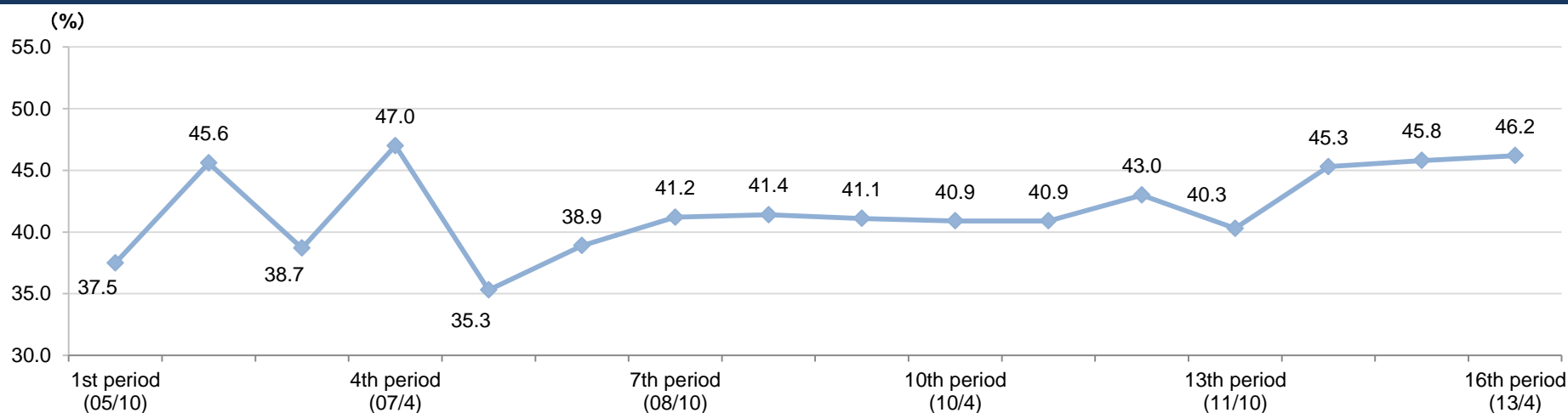
Notes:

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

# LTV and list of lenders

- Maintaining conservative LTV level
- Upgrade of credit rating (A → A+) reflecting positive evaluations on our abilities on property operation and financial management


LTV performance



Note: LTV = Interest-bearing debt at end of period / Total assets

Status of credit ratings

Credit rating agency: Japan Credit Rating Agency (JCR)

	Rating		
	Before		After
Long-term issuer rating	A (Outlook : positive)		A+ (Outlook: stable)
Ratings on bonds	A		A+
Ratings of shelf registration			

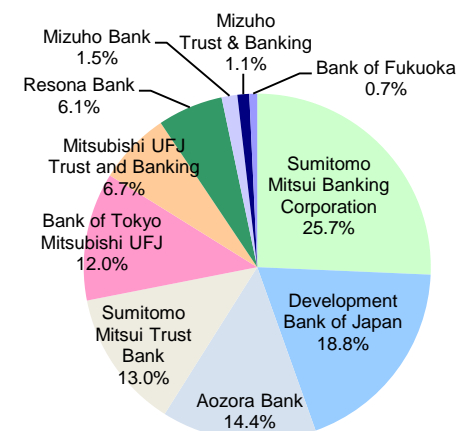
Note: Credit rating was altered on Mar 8, 2013

List of lenders based on outstanding amount of borrowings

	Lenders	Outstanding borrowings (¥B)
1	Sumitomo Mitsui Banking Corporation	35.03
2	Development Bank of Japan	25.70
3	Aozora Bank	19.66
4	Sumitomo Mitsui Trust Bank	17.68
5	Bank of Tokyo Mitsubishi UFJ	16.30
6	Mitsubishi UFJ Trust and Banking	9.20
7	Resona Bank	8.30
8	Mizuho Bank	2.00
9	Mizuho Trust & Banking	1.50
10	Bank of Fukuoka	1.00
Total		136.37

Note: The total outstanding debt at the end of 16th period is ¥142.37 billion including investment corporation bonds (totaling ¥6.0 billion). (Amounts are rounded to the second decimal place.)

Breakdown of lenders



## Appendices

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# Portfolio overview 1

## Office Buildings (78 properties)

Type	Area	No.	Name	Location	Acquisition Price (¥M) (Note 1)	Year Built (Note 2)	16th period occupancy rate (%) (Note 3)
Office Buildings	Tokyo Metropolitan Area	A-1	KDX Nihonbashi 313 Building	Chuo-ward, Tokyo	5,940	1974/4	99.7
		A-3	Higashi-Kayabacho Yuraku Building	Chuo-ward, Tokyo	4,450	1987/1	89.1
		A-4	KDX Hatchobori Building	Chuo-ward, Tokyo	3,680	1993/6	100.0
		A-5	KDX Nakano-Sakaue Building	Nakano-ward, Tokyo	2,533	1992/8	100.0
		A-6	Harajuku F.F. Building	Shibuya-ward, Tokyo	2,450	1985/11	100.0
		A-7	FIK Minami Aoyama	Minato-ward, Tokyo	2,270	1988/11	100.0
		A-8	Kanda Kihara Building	Chiyoda-ward, Tokyo	1,950	1993/5	86.5
		A-13	KDX Kojimachi Building	Chiyoda-ward, Tokyo	5,950	1994/5	100.0
		A-14	KDX Funabashi Building	Funabashi, Chiba	2,252	1989/4	100.0
		A-15	KDX Hamacho Building	Chuo-ward, Tokyo	2,300	1993/9	100.0
		A-16	Toshin 24 Building	Yokohama, Kanagawa	5,300	1984/9	100.0
		A-17	KDX Ebisu Building	Shibuya-ward, Tokyo	4,640	1992/1	100.0
		A-19	KDX Hamamatsucho Building	Minato-ward, Tokyo	3,460	1999/9	100.0
		A-20	KDX Kayabacho Building	Chuo-ward, Tokyo	2,780	1987/10	100.0
		A-21	KDX Shinbashi Building	Minato-ward, Tokyo	2,690	1992/2	100.0
		A-22	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	1990/9	92.9
		A-26	KDX Kiba Building	Koto-ward, Tokyo	1,580	1992/10	100.0
		A-27	KDX Kajicho Building	Chiyoda-ward, Tokyo	2,350	1990/3	100.0
		A-28	KDX Nogizaka Building	Minato-ward, Tokyo	1,065	1991/5	100.0
		A-29	KDX Higashi-Shinjuku Building	Shinjuku-ward, Tokyo	2,950	1990/1	100.0
		A-30	KDX Nishi-Gotanda Building	Shinagawa-ward, Tokyo	4,200	1992/11	100.0
		A-31	KDX Monzen-Nakacho Building	Koto-ward, Tokyo	1,400	1986/9	100.0
		A-32	KDX Shiba-Daimon Building	Minato-ward, Tokyo	6,090	1986/7	79.1
		A-33	KDX Okachimachi Building	Taito-ward, Tokyo	2,000	1988/6	100.0
		A-34	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	1995/5	95.7
		A-35	KDX Hachioji Building	Hachioji, Tokyo	1,155	1985/12	100.0
		A-37	KDX Ochanomizu Building	Chiyoda-ward, Tokyo	6,400	1982/8	100.0
		A-38	KDX Nishi-Shinjuku Building	Shinjuku-ward, Tokyo	1,500	1992/10	100.0
		A-39	KDX Toranomon Building	Minato-ward, Tokyo	4,400	1988/4	100.0
		A-40	Toranomon Toyo Building	Minato-ward, Tokyo	9,850	1962/8	96.9
		A-41	KDX Shinjuku 286 Building	Shinjuku-ward, Tokyo	2,300	1989/8	100.0
Office Buildings	Tokyo Metropolitan Area	A-45	KDX Roppongi 228 Building	Minato-ward, Tokyo	3,300	1989/4	54.4
		A-46	Hiei Kudan-Kita Building	Chiyoda-ward, Tokyo	7,600	1988/3	100.0
		A-47	KDX Shin-Yokohama 381 Building	Yokohama, Kanagawa	5,800	1988/3	100.0
		A-48	KDX Kawasaki-Ekimaie Hon-cho Building	Kawasaki, Kanagawa	3,760	1985/2	100.0
		A-49	Nissou Dai-17 Building	Yokohama, Kanagawa	2,710	1991/7	46.7
		A-50	Ikejiri-Ohashi Building	Meguro-ward, Tokyo	2,400	1988/9	91.3
		A-51	KDX Hamacho Nakanohashi Building	Chuo-ward, Tokyo	2,310	1988/9	100.0
		A-52	KDX Kanda Misaki-cho Building	Chiyoda-ward, Tokyo	1,380	1992/10	100.0
		A-55	Shin-toshin Maruzen Building	Shinjuku-ward, Tokyo	2,110	1990/7	100.0
		A-56	KDX Jimbocho Building	Chiyoda-ward, Tokyo	2,760	1994/5	100.0
		A-57	KDX Gobancho Building	Chiyoda-ward, Tokyo	1,951	2000/8	85.7
		A-59	KDX Iwamoto-cho Building	Chiyoda-ward, Tokyo	1,864	2008/3	100.0
		A-60	KDX Harumi Building	Chuo-ward, Tokyo	10,250	2008/2	72.2
		A-61	KDX Hamamatsucho Dai-2 Building	Minato-ward, Tokyo	2,200	1992/4	100.0
		A-62	Koishikawa TG Building	Bunkyo-ward, Tokyo	3,080	1989/11	100.0
		A-63	Gotanda TG Building	Shinagawa-ward, Tokyo	2,620	1988/4	100.0
		A-64	KDX Nihonbashi 216 Building	Chuo-ward, Tokyo	2,010	2006/10	100.0
		A-66	KDX Shinjuku Building	Shinjuku-ward, Tokyo	6,800	1993/5	96.5
		A-67	KDX Ginza 1 chome Building	Chuo-ward, Tokyo	4,300	1991/11	100.0
		A-68	KDX Nihonbashi Honcho Building	Chuo-ward, Tokyo	4,000	1984/1	100.0
		A-71	KDX Iidabashi Building	Shinjuku-ward, Tokyo	4,670	1990/3	100.0
		A-72	KDX Higashi-Shinagawa Building	Shinagawa-ward, Tokyo	4,590	1993/1	100.0
		A-73	KDX Hakozaeki Building	Chuo-ward, Tokyo	2,710	1993/11	100.0
		A-74	KDX Shin-Nihonbashi Building	Chuo-ward, Tokyo	2,300	2002/11	100.0
		A-75	KDX Nihonbashi Kabutocho Building	Chuo-ward, Tokyo	11,270	1998/11	13.4
		A-76	Ikebukuro Nikko Building (Note 4)	Toshima-ward, Tokyo	1,653	1986/3	100.0
		A-77	Kabutocho Nikko Building II	Chuo-ward, Tokyo	1,280	2001/10	100.0
		A-78	Tachikawa Ekimaie Building	Tachikawa, Tokyo	1,267	1990/2	100.0
		A-83	Fuchu South Building	Fuchu, Tokyo	6,120	1996/3	97.2
		A-84	Kasuga Business Center Building	Bunkyo-ward, Tokyo	2,800	1992/6	92.4
		A-85	Nakameguro Business Center Building	Meguro-ward, Tokyo	1,880	1985/10	100.0
		A-86	Nomura Fudosan Omiya Kyodo Building	Saitama, Saitama	2,020	1993/4	95.1

### Notes:

1. Acquisition price is the purchase price of the trust beneficiary interests etc. acquired by KRI.
2. Year built shows the completion date recorded in land register book. The average value shown in subtotal section is a weighted average number calculated based on acquisition prices with a base date of April 30, 2013, and is rounded down to the first decimal place.
3. Occupancy rate is calculated by dividing leased floor area by leasable floor area and is rounded to the first decimal place.
4. Purchase and sales agreement of Ikebukuro Nikko Building was concluded on March 21, 2013 during the 16th period and the property was sold on May 10, 2013.

# Portfolio overview 2

## Office Buildings (78 properties)

Type	Area	No.	Name	Location	Acquisition Price (¥M) (Note 1)	Year Built (Note 2)	16th period occupancy rate (%) (Note 3)
Office Buildings	Other Regional Areas	A-12	Portus Center Building	Sakai, Osaka	5,570	1993/9	98.6
		A-24	KDX Minami Sembai Dai-1 Building	Osaka, Osaka	1,610	1993/3	82.9
		A-25	KDX Minami Sembai Dai-2 Building	Osaka, Osaka	1,560	1993/9	94.1
		A-36	KDX Niigata Building	Niigata, Niigata	1,305	1983/7	61.9
		A-42	Karasuma Building	Kyoto, Kyoto	5,400	1982/10	98.3
		A-44	KDX Sendai Building	Sendai, Miyagi	2,100	1984/2	96.8
		A-53	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	1973/6	94.9
		A-54	KDX Kitahama Building	Osaka, Osaka	2,220	1994/7	92.8
		A-58	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	2009/4	100.0
		A-69	KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	2009/7	93.5
		A-70	Kitananajo SIA Building	Sapporo, Hokkaido	2,005	1989/10	94.4
		A-79	KDX Nagoya Ekimae Building	Nagoya, Aichi	7,327	1986/4	100.0
		A-80	Nagoya Nikko Shoken Building	Nagoya, Aichi	4,158	1974/8	98.0
		A-81	Sendai Nikko Building	Sendai, Miyagi	950	1989/3	75.4
		A-82	KDX Higashi Umeda Building	Osaka, Osaka	2,770	2009/7	100.0
Office Buildings (78 properties) Subtotal					271,771	Ave. 22.7 yrs	93.5

## Central Urban Retail Properties (2 properties)

Type	Area	No.	Name	Location	Acquisition Price (¥M) (Note 1)	Year Built (Note 2)	16th period occupancyrate (%) (Note 3)
Central Urban Retail Properties	Tokyo Metropolitan Area	C-1	Frame Jinnan-zaka	Shibuya-ward, Tokyo	9,900	2005/3	100.0
		C-2	KDX Yoyogi Building	Shibuya-ward, Tokyo	2,479	1991/8	100.0
		Central Urban Retail Properties (2 properties) Subtotal				12,379	Ave. 10.8 yrs

## Residential Properties (3 properties)

Type	Area	No.	Name	Location	Acquisition Price (¥M) (Note 1)	Year Built (Note 2)	16th period occupancy rate (%) (Note 3)
Residential Properties	Tokyo Metropolitan Area	B-3	Court Mejiro	Shinjuku-ward, Tokyo	1,250	1997/3	90.1
		B-19	Residence Charmante Tsukishima	Chuo-ward, Tokyo	5,353	2004/1	100.0
	Other Regional Areas	B-18	Venus Hibiya-gaoka	Sapporo, Hokkaido	1,800	1989/3	96.3
Residential Properties (3 properties) Subtotal					8,403	Ave. 13.5 yrs	97.0

## Total (83 properties, excluding investment securities)

Portfolio (83 properties) Total	292,553	Ave. 22.0 yrs	93.9
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Note: The total number of end tenants for 78 office buildings is 878 (843 if tenants are aggregated based on their names)

## Investment Securities (2 properties)

Type	Name	Location	Acquisition Price (¥M)	Year Built
Investment Securities	Senri Property TMK Preferred Securities	Toyonaka, Osaka	891	1992/6
	Silent partnership equity interest of G.K. KRF 31 (Note 5)	Minato-ward, Tokyo	200	1993/3
Investment Securities (2) Total			1,091	

## Properties sold (2 properties)

Properties sold during the 16th period (13/4)

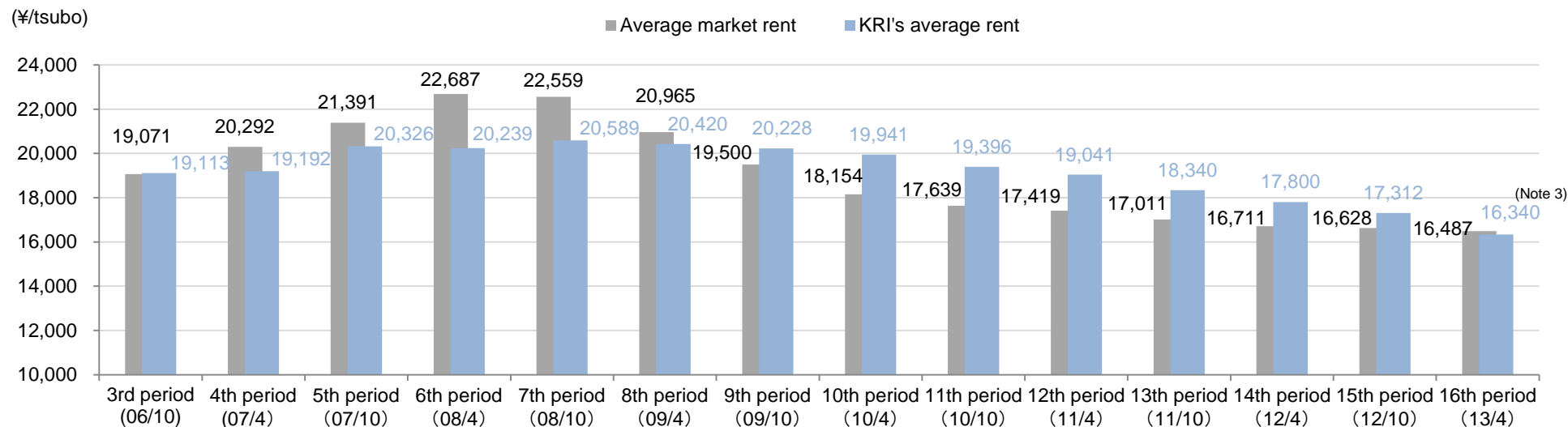
Type	Area	No.	Name	Location	Acquisition Price (¥M)	Sale Price (¥M)	Date of Sale
Office Buildings	Tokyo Metropolitan Area	A-23	KDX Yotsuya Building	Shinjuku-ward, Tokyo	1,950	2,400	2013/4
Other Properties	Other Regional Areas	D-1	Kanazawa Nikko Building	Kanazawa, Ishikawa	645	780	2012/11

Notes:

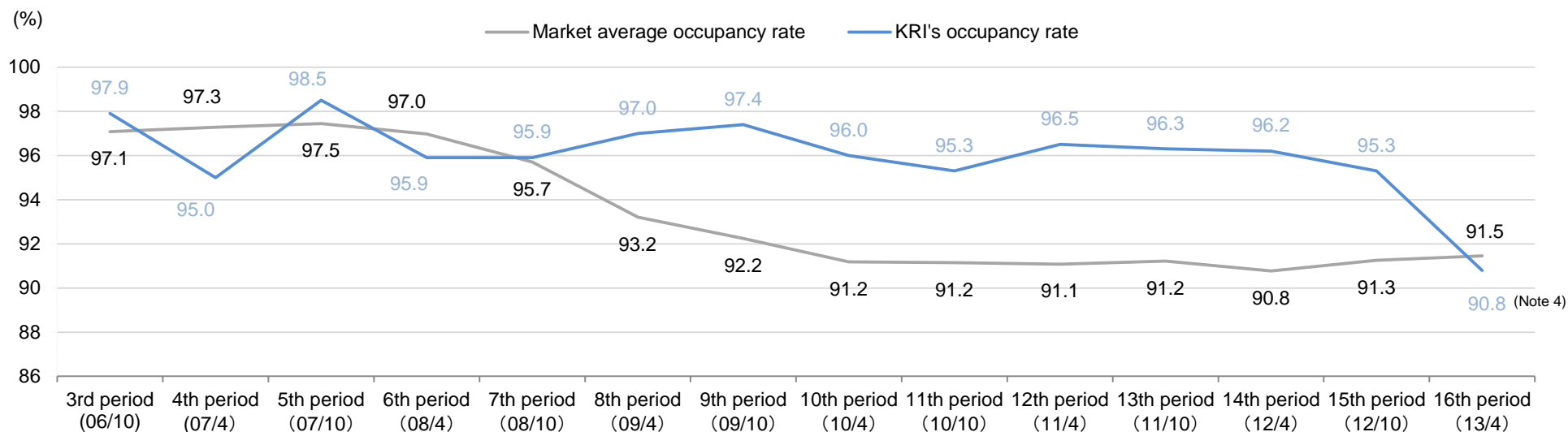
1. Acquisition price is the purchase price of the trust beneficiary interests etc. acquired by KRI.
2. Year built shows the completion date recorded in land register book. The average value shown in subtotal section is a weighted average number calculated based on acquisition prices with a base date of April 30, 2013, and is rounded down to the first decimal place.
3. Occupancy rate is calculated by dividing leased floor area by leasable floor area and is rounded to the first decimal place.
4. Purchase and sales agreement of Ikebukuro Nikko Building was concluded on March 21, 2013 during the 16th period and the property was sold on May 10, 2013.
5. Acquired silent partnership equity interests of G.K. KRF 31 during the 17th period (May 23, 2013).

# KRI's average rent and occupancy rate of office buildings: comparison with market average

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



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



Notes:

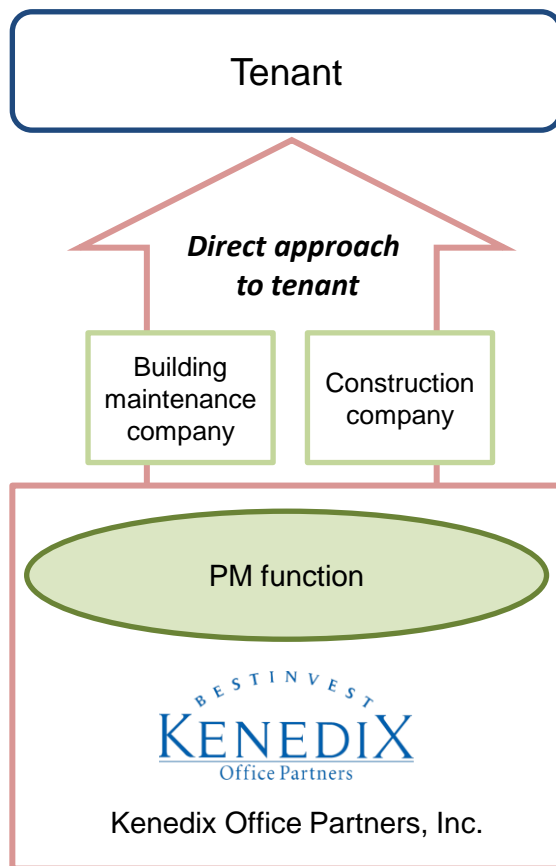
1. Average market rent and occupancy rate of the market refer to the average values of Tokyo central 5 wards published by Miki Shoji.
2. Average rent and occupancy rate of KRI refer to the average values of office buildings in Tokyo central 5 wards held at the end of each period.
3. KDX Nihonbashi Nikko Building where a major tenant vacated during the 16th period is included for calculation of KRI's average rent. If excluded, the KRI's average rent for the 16th period (13/4) would be 16,759 yen.
4. KDX Nihonbashi Nikko Building where a major tenant vacated during the 16th period is included for calculation of KRI's average occupancy rate. If excluded, the KRI's average occupancy rate as of the end of the 16th period (13/4) would be 95.3%.

# Maintaining/improving property value through integration of AM/PM functions and tenant-focused management based on CS survey

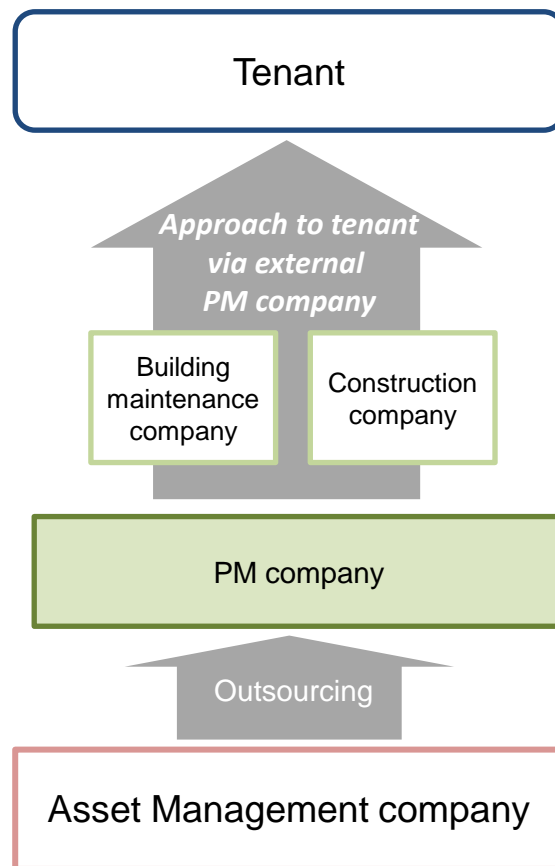
- Competitive advantages among mid-sized office building leasing market attained through integration of AM/PM functions
- High motivation for continuous occupancy among tenants backed by proactive measures targeted at maintaining/improving property value based on CS survey

## Integration of AM/PM functions

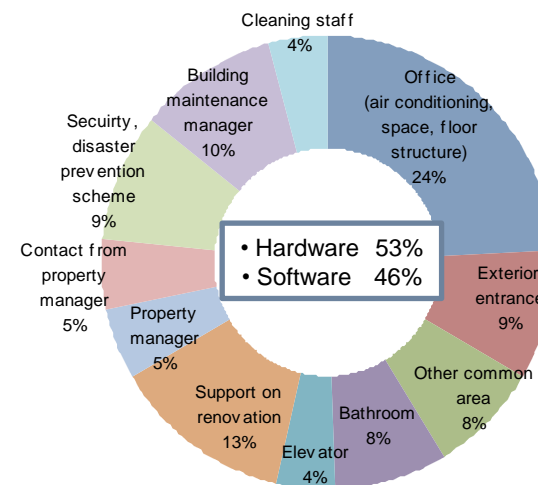
### KRI's structure



### Common structure for J-REITs

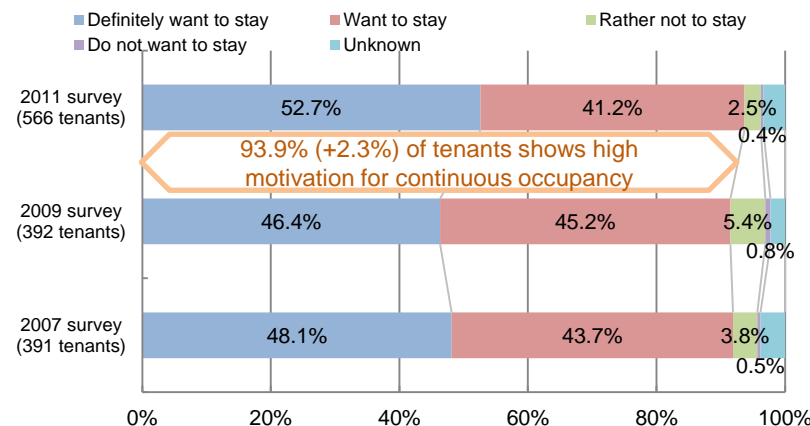


## The result of the 4th CS survey: reasons of satisfaction



Note: Breakdown of tenant satisfaction based on the 4th customer survey that KRI implemented in September, 2011 (interviewed the person in charge of general affairs)

## Motivation for continuous occupancy

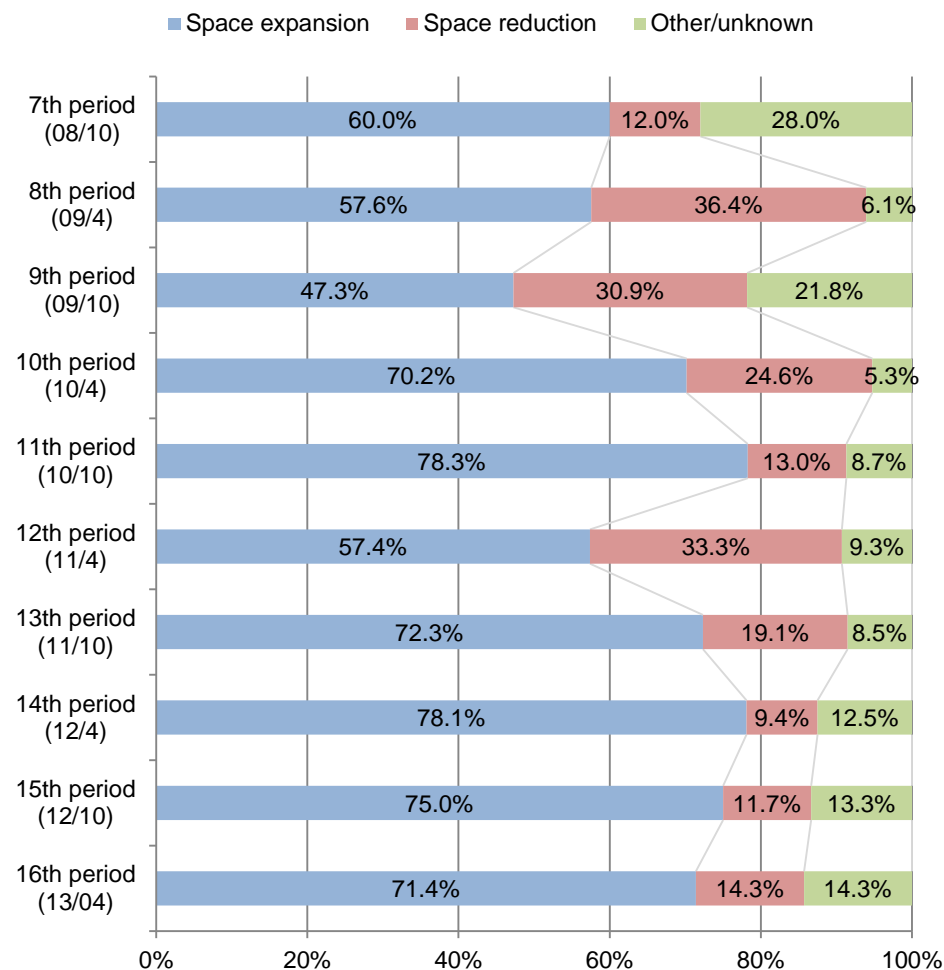


Note: Percentage based on answers to a question regarding continuous occupancy in tenant satisfaction surveys in 2007, 2009, and 2011 (interviewed the person in charge of general affairs).

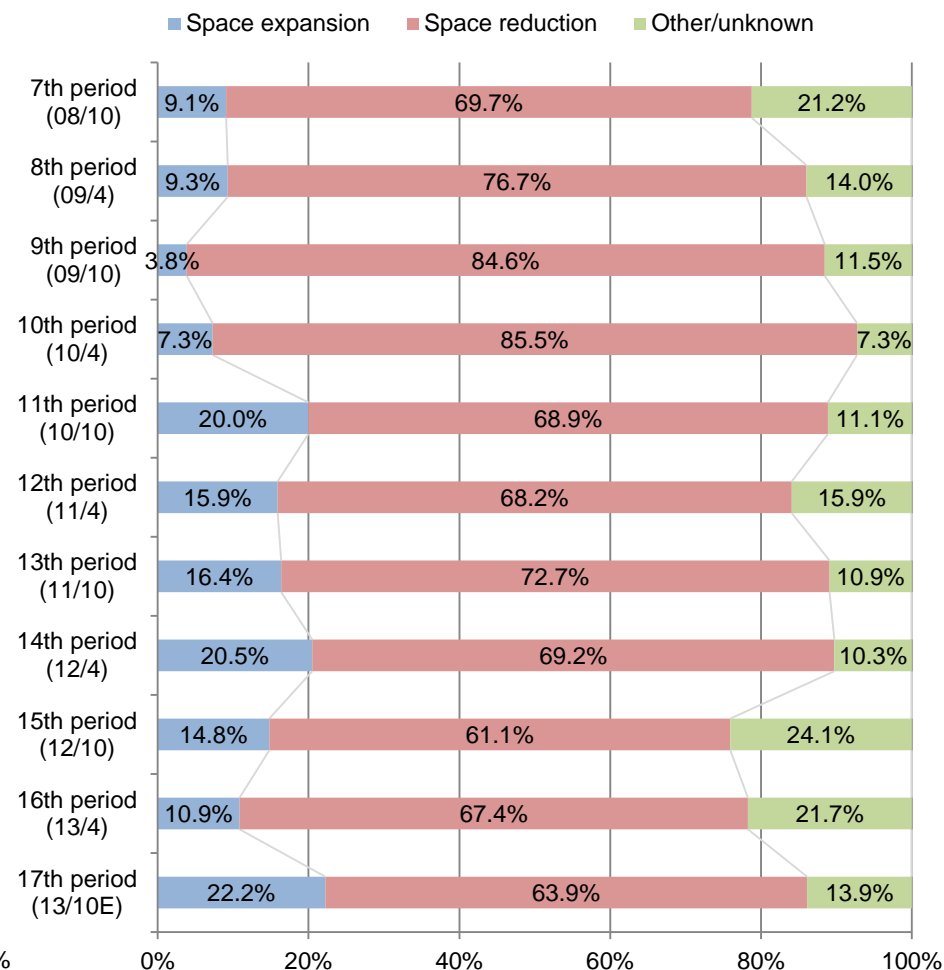
# Reasons of move-in/-out for KRI's office buildings

- For move-ins, space expansion motives continue to remain high
- For move-outs, space reduction motives occupy the majority

Reasons of move-in for office buildings (Note)



Reasons of move-out for office buildings (Note)



Note: The above data is based on the survey by the Asset Management company with regard to reasons of office relocation for relevant tenants. We classify responses of the survey into three categories; "Space expansion", "Space reduction" and "Other/unknown". For move-ins, the figures are based on the number of tenants on office floors on the 2nd floor or above. For move-outs, figures are based on the number of tenants on all floors except for residential part.

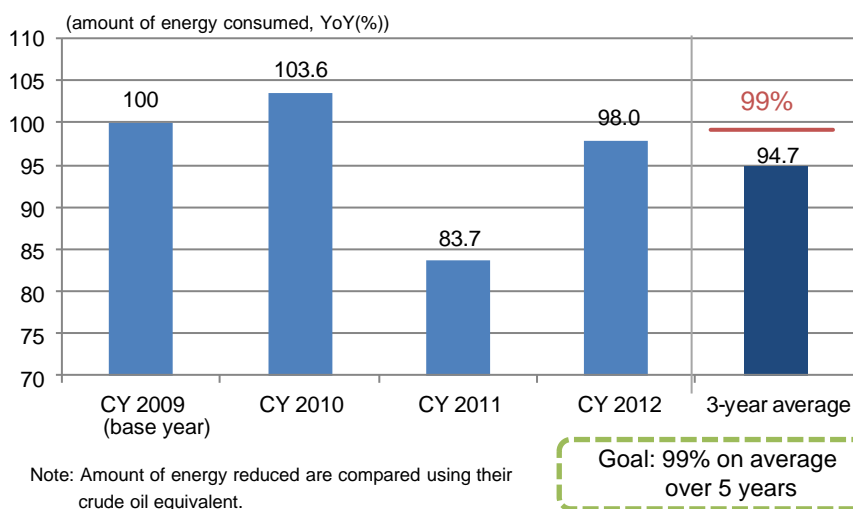


# Energy-saving measures and environmental initiatives

- Successfully achieved energy cost reduction through planned repairing/renovation works
- Three properties additionally certified by DBJ Green Building Certification System

## Energy reduction in accordance with Energy Saving Act

- Implemented renovation works based on 5-year energy reduction plan
- Achieving reduction rate well below the targeted level (99% of the previous year)



## Major planned energy-saving measures during 17th period

- Total amount of energy reduction amounts to 888.96kℓ (crude oil equivalent) since KRI implemented energy-saving measures
- Energy-saving measures are applied to all properties in portfolio with main focuses on upgrades of air conditioning and lighting

Energy-saving measures	Number of properties under consideration	Amount of energy reduced
Installation of high-efficiency air conditioning	7	116.40kℓ
Use of LED lights for common area	12	42.12kℓ
Introduction of lighting with motion sensor		
Other energy –saving works	2	5.43kℓ
	Total	163.95kℓ

## List of properties certified by DBJ Green Building Certification System

- On Dec 26, 2012, three properties are additionally certified by DBJ Green Building Certification System, increasing the number of certified buildings to 7
- Built in 1982, Karasuma Building is relatively old but our proactive repairing/renovation works and use of consulting company for energy conservation are highly evaluated

KDX Nihonbashi Kabutocho Bldg.

DBJ Green Building

**Bronze**

2012

Karasuma Bldg.

DBJ Green Building

**Certified**

2012

KDX Shinjuku Bldg.

DBJ Green Building

**Certified**

2012

- List of properties certified by DBJ Green Building Certification System

Property name	Certification level (Note 1)	Acquisition date of certification (Note 2)
KDX Harumi Bldg.	Silver	June 9, 2011
KDX Nagoya Sakae Bldg.	Silver	June 9, 2011
KDX Kobayashi-Doshomachi Bldg.	Bronze	June 9, 2011
KDX Higashi Umeda Bldg.	Bronze	March 28, 2012

Notes:

1. Definitions of each rank are as follows:

Silver: Properties with excellent environmental & social awareness

Bronze: Properties with high environmental & social awareness

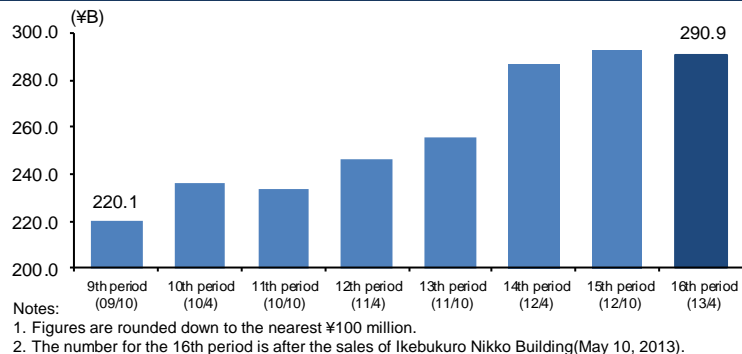
Certified: Properties with sufficient environmental & social awareness

2. On August 22, 2012, the properties received the certifications again but there are no changes in certification levels.

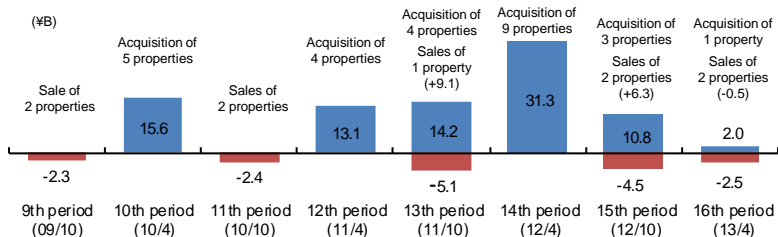
# Continuous external growth and improvement in profitability BEST INVEST KENEDIX Realty Investment Corporation

- Improvement in portfolio profitability achieved through continuous property acquisitions

Asset size



Track record of property acquisitions/sales



Notes

- KDX Shin-Yokohama 381 Building Annex Tower (acquired in the 10th period) is counted as one property. Investment securities (acquired in the 14th period) are excluded.
- Change in asset size is calculated based on acquisition price.
- Figures are rounded down to the nearest ¥100 million.

Details of portfolio growth (Note 1, 2)

	Properties owned at the end of 9th period (09/10) (Note 2)	Properties owned at the end of 16th period (13/4) (Note 2)	Percentage change (%)	Properties acquired after November, 2009
Total number of tenants	795	1,032	29.8	237
Number of properties	59	82	39.0	23
Leasable area (m <sup>2</sup> )	239,548	345,870	44.4	106,321
Total acquisition price (¥B) (Note 1)	2,071	2,909	40.5	837
Annual NOI (¥B) (NOI yield) (Note 3-6)	84 (4.1%)	122 (4.2%)	45.0	38 (4.5%)

Notes:

- Acquisition price is rounded down to the nearest ¥100 million
- Properties that are sold prior to relevant fiscal periods are excluded.
- Data for KDX Shin-Yokohama 381 Bldg. Annex Tower (acquired in the 10th period) is included in the data for A47 KDX Shin-Yokohama 381 Bldg. (acquired in the 6th period).
- For Nomura Fudosan Omiya Kyodo Bldg., NOI yield is calculated based on actual NOI at the time of acquisition. Property tax and city planning tax are not imposed in the first year of acquisition but are assumed as if they are imposed for the calculation
- Annual NOI is annualized based on the actual NOI data for the 16th period (13/4)
- NOI yield is rounded to the first decimal place.

12th period (11/4)



13th period (11/10)



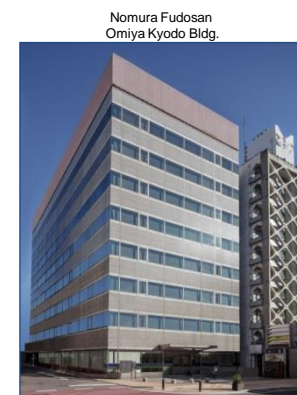
14th period (12/4)



15th period (12/10)



16th period (13/4)

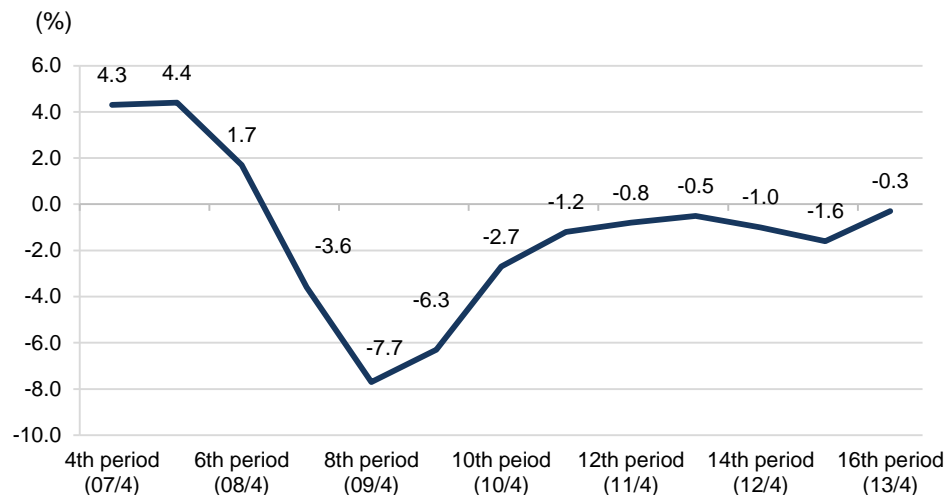


Notes:

- Sold Ikebukuro Nikko Building on May 10, 2013.
- Sold Kanazawa Nikko Building on November 1, 2012.

# Historical appraisal value of office buildings

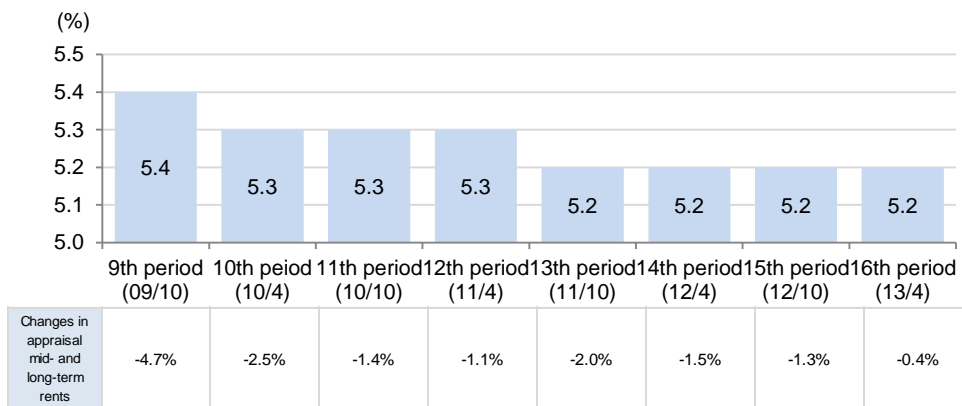
Office buildings: Percentage changes in appraisal value



Notes:

- Figures are change in appraisal values at the end of each period compared with that of the previous period.
- For the properties acquired during relevant period, the appraisal value at the time of acquisition is used for the appraisal value of the previous period.

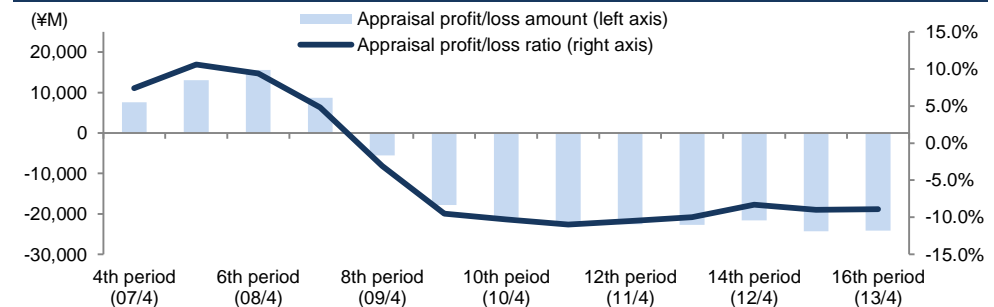
Changes in average appraisal cap rate



Notes:

- Changes in mid- and long-term rent and cap rate (average) of appraisal office buildings owned at the end of each period.
- Figures are based on weighted average acquisition price.
- For the properties acquired during relevant period, the rent and cap rate at the time of acquisition is used for the values of the previous period.

Office buildings: Changes in appraisal profit/loss amount and ratio

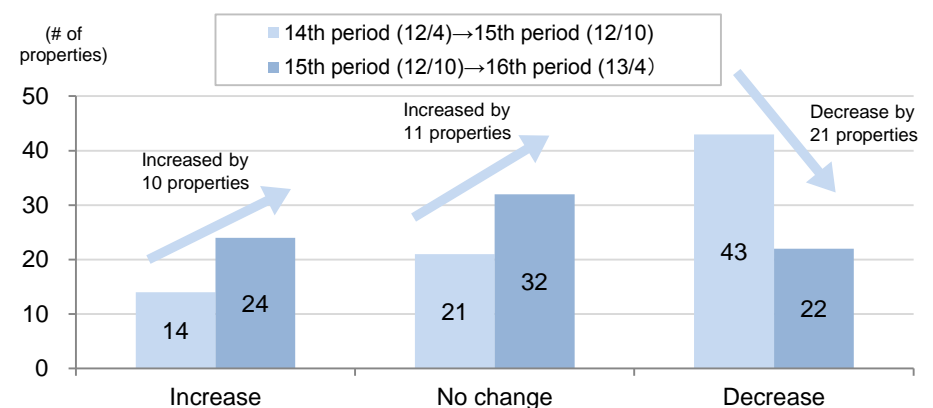


	9th period (09/10)	10th period (10/4)	11th period (10/10)	12th period (11/4)	13th period (11/10)	14th period (12/4)	15th period (12/10)	16th period (13/4)
Appraisal profit/loss amount (¥M)	-17,813	-20,921	-22,249	-22,551	-22,728	-21,586	-24,335	-24,139
Appraisal Profit/loss ratio	-9.5%	-10.3%	-11.0%	-10.5%	-10.0%	-8.3%	-9.0%	-8.9%

Note:

Appraisal profit/loss is calculated by subtracting office buildings' book values from appraisal values for properties owned at the end of each period. The ratio is calculated by dividing the appraisal profit/loss by the total book value.

Office buildings: Changes in appraisal value



Notes:

- Properties owned at the end of each period is categorized into three types based on the extent of the change in appraisal values (increase, no change, decrease). The change in appraisal values are calculated by comparing appraisal value of the properties owned as of the end of relevant period with that of the previous period.
- For the properties acquired in relevant period, appraisal values as of the date of acquisition is used for the appraisal value of the previous period.

# Appraisal values and cap rates as of the end of the 16th period

No	Name of property	Appraiser	Acquisition price	16th period					Cap rate	
				Appraisal value	Book value	vs acquisition	vs 14th period	vs book value	End of 16th period	vs 15th period
A01	KDX Nihonbashi 313 Building	Daiwa	5,940	6,400	6,058	7.7%	0.3%	5.6%	4.7%	-
A03	Higashi-Kayabacho Yuraku Building	JREI	4,450	4,940	4,302	11.0%	-1.4%	14.8%	4.9%	-
A04	KDX Hatchobori Building	Daiwa	3,680	3,440	3,326	-6.5%	-	3.4%	5.0%	-
A05	KDX Nakano-Sakaue Building	Daiwa	2,533	2,250	2,432	-11.2%	-	-7.5%	5.2%	-0.1%
A06	Harajuku F.F. Building	JREI	2,450	3,030	2,433	23.7%	1.7%	24.5%	5.5%	-0.1%
A07	FIK Minami Aoyama	JREI	2,270	2,190	2,242	-3.5%	-	-2.4%	4.8%	-
A08	Kanda Kihara Building	Daiwa	1,950	1,740	1,836	-10.8%	-3.3%	-5.2%	5.0%	-
A12	Portus Center Building	Daiwa	5,570	4,610	4,483	-17.2%	-	2.8%	6.4%	-
A13	KDX Kojimachi Building	JREI	5,950	4,320	5,603	-27.4%	-1.8%	-22.9%	4.4%	-
A14	KDX Funabashi Building	JREI	2,252	1,950	2,367	-13.4%	-	-17.6%	6.1%	-
A15	KDX Hamacho Building	JREI	2,300	2,200	2,231	-4.3%	-3.5%	-1.4%	5.2%	-
A16	Toshin 24 Building	JREI	5,300	4,000	5,056	-24.5%	-0.2%	-20.9%	5.7%	-
A17	KDX Ebisu Building	JREI	4,640	4,120	4,534	-11.2%	-0.7%	-9.1%	4.9%	-
A19	KDX Hamamatsucho Building	Daiwa	3,460	3,150	3,205	-9.0%	-0.6%	-1.7%	4.6%	-
A20	KDX Kayabacho Building	JREI	2,780	2,420	2,843	-12.9%	-	-14.9%	5.3%	-
A21	KDX Shinbashi Building	JREI	2,690	2,640	2,682	-1.9%	-	-1.6%	4.6%	-
A22	KDX Shin-Yokohama Building	JREI	2,520	2,160	2,414	-14.3%	-3.6%	-10.5%	5.9%	-
A24	KDX Minami Semba Dai-1 Building	JREI	1,610	978	1,440	-39.3%	-2.2%	-32.1%	5.9%	0.1%
A25	KDX Minami Semba Dai-2 Building	JREI	1,560	990	1,351	-36.5%	-2.0%	-26.7%	5.8%	-
A26	KDX Kiba Building	JREI	1,580	1,420	1,539	-10.1%	0.7%	-7.7%	5.6%	-0.1%
A27	KDX Kajicho Building	Daiwa	2,350	2,360	2,367	0.4%	-	-0.3%	5.0%	-
A28	KDX Nogizaka Building	JREI	1,065	700	1,117	-34.3%	0.6%	-37.4%	5.4%	-0.2%
A29	KDX Higashi-Shinjuku Building	Daiwa	2,950	3,340	3,161	13.2%	0.6%	5.7%	5.1%	-
A30	KDX Nishi-Gotanda Building	JREI	4,200	3,680	4,076	-12.4%	-1.3%	-9.7%	5.2%	0.1%
A31	KDX Monzen-Nakacho Building	Daiwa	1,400	1,120	1,388	-20.0%	-0.9%	-19.4%	5.5%	-
A32	KDX Shiba-Daimon Building	JREI	6,090	4,380	6,215	-28.1%	-2.9%	-29.5%	5.0%	0.1%
A33	KDX Okachimachi Building	Daiwa	2,000	1,820	2,106	-9.0%	1.1%	-13.6%	5.0%	-
A34	KDX Hon-Atsugi Building	Daiwa	1,305	1,040	1,158	-20.3%	-2.8%	-10.2%	6.3%	-
A35	KDX Hachioji Building	Daiwa	1,155	914	1,267	-20.9%	10.0%	-27.9%	5.9%	-
A36	KDX Niigata Building	JREI	1,305	892	1,449	-31.6%	0.3%	-38.5%	7.3%	-
A37	KDX Ochanomizu Building	JREI	6,400	6,170	6,598	-3.6%	-1.0%	-6.5%	4.7%	-
A38	KDX Nishi-Shinjuku Building	JREI	1,500	1,130	1,572	-24.7%	-	-28.1%	5.2%	-
A39	KDX Toranomon Building	JREI	4,400	3,380	4,767	-23.2%	-	-29.1%	4.4%	-
A40	Toranomon Toyo Building	JREI	9,850	10,300	9,832	4.6%	-	4.8%	4.5%	-
A41	KDX Shinjuku 286 Building	JREI	2,300	2,210	2,379	-3.9%	0.9%	-7.1%	4.8%	-0.2%
A42	Karasuma Building	Daiwa	5,400	4,960	5,348	-8.1%	-	-7.3%	5.6%	-
A44	KDX Sendai Building	Daiwa	2,100	1,410	2,131	-32.9%	-	-33.9%	6.1%	-
A45	KDX Roppongi 228 Building	JREI	3,300	2,120	3,428	-35.8%	-1.9%	-38.2%	4.8%	-
A46	Hiei Kudan-Kita Building	Daiwa	7,600	7,440	7,616	-2.1%	0.5%	-2.3%	4.6%	-
A47	KDX Shin-Yokohama 381 Building	JREI	5,800	3,970	5,818	-31.6%	-0.5%	-31.8%	5.8%	-
A48	KDX Kawasaki-Ekimae Hon-cho Building	JREI	3,760	2,990	3,731	-20.5%	-	-19.9%	6.1%	-
A49	Nissou Dai-17 Building	JREI	2,710	1,570	2,590	-42.1%	-	-39.4%	5.8%	-
A50	Ikejiri-Oohashi Building	JREI	2,400	1,490	2,436	-37.9%	2.1%	-38.8%	5.6%	-0.2%

## Notes:

1. Acquisition price, appraisal value and book value are rounded down to the nearest ¥1 million (ratios are rounded to the first decimal place).
2. Total cap rate for each property type are based on the weighted average of acquisition price.
3. KDX Shin-Yokohama 381 Building (existing tower) and KDX Shin-Yokohama 381 Building Annex Tower are counted as one property.



# Appraisal values and cap rates as of the end of the 16th period

No	Name of property	Appraiser	Acquisition price	16th period					Cap rate	
				Appraisal value	Book value	vs acquisition	vs 14th period	vs book value	End of 16th period	vs 15th period
A51	KDX Hamacho Nakanohashi Building	JREI	2,310	1,720	2,329	-25.5%	1.2%	-26.2%	5.3%	-
A52	KDX Kanda Misaki-cho Building	JREI	1,380	924	1,369	-33.0%	-1.7%	-32.5%	5.3%	-
A53	KDX Hakata-Minami Building	JREI	4,900	3,450	4,777	-29.6%	-0.6%	-27.8%	6.6%	-
A54	KDX Kitahama Building	JREI	2,220	1,530	2,171	-31.1%	0.7%	-29.5%	6.0%	-
A55	Shin-toshin Maruzen Building	JREI	2,110	1,550	2,146	-26.5%	-	-27.8%	5.3%	-
A56	KDX Jimbocho Building	JREI	2,760	1,890	2,887	-31.5%	1.6%	-34.6%	5.2%	-0.1%
A57	KDX Gobancho Building	JREI	1,951	1,380	1,969	-29.3%	-4.2%	-29.9%	4.8%	-0.1%
A58	KDX Nagoya Sakae Building	Daiwa	7,550	4,780	7,350	-36.7%	0.4%	-35.0%	5.2%	-
A59	KDX Iwamoto-cho Building	JREI	1,864	1,310	1,776	-29.8%	-	-26.3%	5.3%	-
A60	KDX Harumi Building	JREI	10,250	8,250	9,546	-19.5%	0.1%	-13.6%	4.8%	-
A61	KDX Hamamatsucho Dai-2 Building	Daiwa	2,200	1,860	2,279	-15.5%	-	-18.4%	4.6%	-
A62	Koishikawa TG Building	JREI	3,080	3,040	3,113	-1.3%	-	-2.4%	5.0%	-
A63	Gotanda TG Building	JREI	2,620	2,580	2,792	-1.5%	-	-7.6%	5.3%	-
A64	KDX Nihonbashi 216 Building	JREI	2,010	1,810	1,951	-10.0%	1.1%	-7.2%	4.7%	-
A66	KDX Shinjuku Building	JREI	6,800	6,400	6,860	-5.9%	-	-6.7%	4.5%	-
A67	KDX Ginza 1chome Building	Daiwa	4,300	4,860	4,288	13.0%	0.2%	13.3%	4.4%	-
A68	KDX Nihonbashi Honcho Building	Daiwa	4,000	4,350	4,007	8.7%	1.2%	8.5%	4.8%	-
A69	KDX Kobayashi-Doshomachi Building	JREI	2,870	2,760	2,649	-3.8%	-	4.2%	7.0%	-
A70	Kitanajicho SIA Building	Daiwa	2,005	2,050	2,066	2.2%	-	-0.8%	5.7%	-
A71	KDX Iidabashi Building	Daiwa	4,670	4,940	4,668	5.8%	0.6%	5.8%	4.8%	-
A72	KDX Higashi-Shinagawa Building	Daiwa	4,590	4,800	4,898	4.6%	-	-2.0%	5.0%	-
A73	KDX Hakozaeki Building	Daiwa	2,710	2,850	2,872	5.2%	-	-0.8%	5.2%	-
A74	KDX Shin-Nihonbashi Building	Daiwa	2,300	2,480	2,263	7.8%	1.6%	9.5%	4.6%	-
A75	KDX Nihonbashi Kabutocho Building	JREI	11,270	11,600	11,531	2.9%	-4.1%	0.6%	4.6%	-0.2%
A76	Ikebukuro Nikko Building	JREI	1,653	1,700	1,673	2.8%	-	1.6%	5.5%	-
A77	Kabutocho Nikko Building II	JREI	1,280	1,550	1,275	21.1%	-	21.5%	5.0%	-
A78	Tachikawa Ekimae Building	JREI	1,267	1,330	1,310	5.0%	-	1.5%	5.9%	-
A79	KDX Nagoya Ekimae Building	JREI	7,327	7,700	7,637	5.1%	-1.3%	0.8%	5.1%	-
A80	Nagoya Nikko Shoken Building	JREI	4,158	4,050	4,235	-2.6%	-	-4.4%	5.5%	-
A81	Sendai Nikko Building	JREI	950	1,030	1,054	8.4%	-	-2.4%	5.9%	-
A82	KDX Higashi Umeda Building	Daiwa	2,770	3,320	2,812	19.9%	2.2%	18.1%	5.1%	-
A83	Fuchu South Building	Daiwa	6,120	6,600	6,171	7.8%	0.6%	6.9%	5.5%	-
A84	Kasuga Business Center Building	JREI	2,800	3,200	2,848	14.3%	7.4%	12.4%	5.0%	-0.2%
A85	Nakameguro Business Center Building	Daiwa	1,880	2,230	1,904	18.6%	-	17.1%	5.1%	-0.2%
A86	Nomura Fudosan Omiya Kyodo Building	Daiwa	2,020	2,200	2,105	8.9%	-	4.5%	5.8%	-
Office buildings subtotal			271,771	246,408	270,547	-9.3%	-0.3%	-8.9%	5.2%	-0.0%
B03	Court Mejiro	JREI	1,250	973	1,155	-22.2%	1.8%	-15.8%	5.3%	-0.1%
B18	Venus Hibiyaoka	JREI	1,800	1,560	1,766	-13.3%	1.3%	-11.7%	6.4%	-0.1%
B19	Residence Charmante Tsukishima	JREI	5,353	4,600	4,893	-14.1%	1.8%	-6.0%	5.1%	-0.1%
Residential properties subtotal			8,403	7,133	7,815	-15.1%	1.7%	-8.7%	5.4%	-0.1%
C01	Frame Jinnan-zaka	JREI	9,900	9,230	9,702	-6.8%	-	-4.9%	4.4%	-
C02	KDX Yoyogi Building	JREI	2,479	1,920	2,528	-22.6%	-	-24.1%	5.3%	-
Others subtotal			12,379	11,150	12,230	-9.9%	-	-8.8%	4.6%	0.0%
Total			292,553	264,691	290,593	-9.5%	-0.2%	-8.9%	5.1%	-0.0%

## Notes:

1. Acquisition price, appraisal value and book value are rounded down to the nearest ¥1 million (ratios are rounded to the first decimal place).
2. Total cap rate for each property type are based on the weighted average of acquisition price.



# Unit price and trading volume since IPO

Kenedix Realty Investment Corporation (KRI) price/volume performance (from the listing to June 14, 2013)

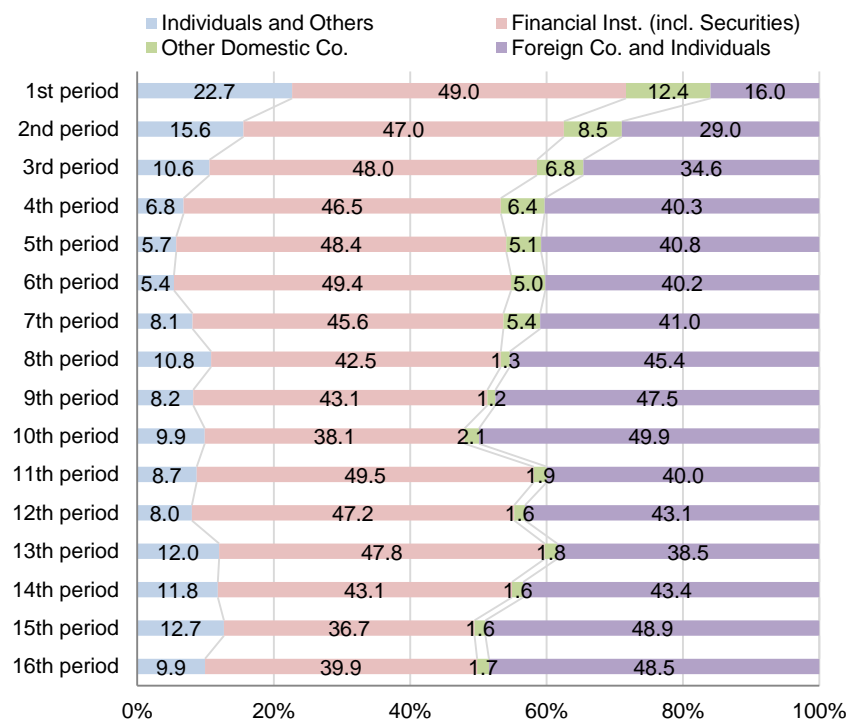


Note: Excluding over 8,000 trading volume (2008/10/20:19,728 units)

- As of April 30, 2013
- Highest price (trading price): ¥988,000 (2007/5/31)
- Lowest price (trading price): ¥100,300 (2008/10/20)
- Average trading volume during 16th period: 1,519units

# KRI Unitholders (as of the end of the 16th period (2013/4))

## Change in % share of investment units by unitholders



Note: Ratios are rounded to the first decimal place.

## Type of unitholders

Type of unitholders	# of Unitholders	Ratio (%)	# of Units held (unit)	Ratio (%)
Individual and Others	8,696	95.5%	28,416	9.9%
Financial Inst. (Incl. Securities co.)	57	0.6%	114,334	39.9%
Other Domestic Co	127	1.4%	4,932	1.7%
Foreign Co. and Individuals	221	2.4%	138,868	48.5%
Total	9,101	100.0%	286,550	100.0%

Note: Ratios are rounded to the first decimal place.

## Top 10 unitholders

Name	# of units held (unit)	Percentage share (%)
Japan Trustee Services Bank, Ltd. (Trust Acct.)	41,175	14.36%
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	20,273	7.07%
The Master Trust Bank of Japan, Ltd. (Trust Acct.)	18,374	6.41%
The Nomura Trust and Banking Co., Ltd. (Trust Acct.)	17,953	6.26%
JP Morgan Chase & Co. 385174	8,540	2.98%
The Bank of NY Treaty JASDEC Account	8,494	2.96%
State Street Bank and Trust Company (Note 2)	7,418	2.58%
State Street Bank and Trust Company (Note 3)	7,164	2.50%
Nomura Bank (Luxembourg) S.A.	6,660	2.32%
MSIP CLIENT SECURITIES	4,864	1.69%
Total	140,915	49.17%

Notes:

1. The percentage of total units owned to total units outstanding is rounded down to the second decimal place.
2. The standing proxy is Custody department of The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch.
3. The standing proxy is Settlement & Clearing Services Division, Mizuho Corporate Bank, Ltd.

## Reference: Reporting of major unitholders (as of the end of June 5, 2013)

Name	Submitted on	# of units held (unit)
Mizuho Asset Management Co., Ltd.	2013/2/7	23,126
Mizuho Asset Management Co., Ltd.		11,005
Sinko Investment Trust Management Co., Ltd.		12,121
DIAM Co., Ltd.	2013/6/5	18,749
CBRE Clarion Securities LLC	2012/8/31	15,297
Nomura Securities Co., Ltd.	2013/4/5	14,366
Nomura Securities Co., Ltd.		384
Nomura International plc		938
Nomura Asset Management Co., Ltd.		13,044
Sumitomo Mitsui Trust Holdings, Inc	2013/5/21	13,792
The Sumitomo Trust and Banking Co., Ltd.		839
Sumitomo Mitsui Trust Asset Management		4,980
Nikko Asset Management Co., Ltd.		7,973

# Summary of financial results for 16th period (2013/4) - Income statement, etc.

Comparison between 15th (2012/10) and 16th (2013/4) periods				Basis for calculating cash distribution (unit: yen)		
Ordinary income/loss	Operating income/loss		15th period (¥ M)	16th period (¥ M)	Change (¥ M)	Major Factors
		Rental and other operating revenues	8,224	8,217	-6	
		Rental revenues	6,664	6,628	-36	
		Common area charges	1,559	1,589	29	
		Other rental revenue	1,393	1,088	-305	
		Parking space rental revenues	286	292	5	
		Utility charge reimbursements	769	681	-88	Seasonal change (14th: 621)
		Miscellaneous	337	114	-222	Removal of gains on restoration fee for Nihonbashi Kabutocho Bldg. in 15th period -214
		Total rental and other operating revenues A	9,617	9,306	-311	
		Gain on sale of real estate property	595	462	-133	Removal of gains on the sales of KDX Omori Bldg. in 15th period -595 Removal of gains on the sales of KDX Kanazawa Niikko Bldg. +80 and KDX Yatsuya Bldg. +381
		Dividends income	-	99	99	Dividends from Senri Property TMK
		Operating revenues	10,212	9,867	-345	
		Property/facility management fees	937	951	14	
		Utilities	790	753	-37	Seasonal change (14th: 663)
		Taxes	823	820	-3	
		Repairs and maintenance	400	322	-78	
		Others (Note 1)	249	230	-18	
		Depreciation	1,621	1,662	40	Whole-period operation of 3 properties acquired in 15th period +45
	Total rental and other operating expenses B	4,822	4,740	-82		
Rental business profit (A-B)	4,795	4,566	-229			
Net operating income (NOI)	6,416	6,228	-188			
Loss on sale of real estate property	151	-	-151	Removal of loss on the sales of Gradito Kawaguchi in 15th period -151		
Asset management fee	548	553	4			
Others (Note 2)	174	172	-1			
Operating expenses	5,696	5,465	-230			
Operating income	4,516	4,401	-115			
Non-operating income/loss	Non-operating income	2	2	-		
	Interest expenses	1,031	984	-46	Decrease in interest rate	
	Interest expenses on corporate bonds	62	62	-		
	Financing related expenses	366	315	-51	Costs for repayment before maturity in 15th period -23 Amortization of financing costs -16	
	Amortization of corporate bonds issuance costs	6	6	-		
	Amortization of unit issuance costs	27	18	-8		
	Other non-operating expenses	13	13	-		
	Non-operating expenses	1,508	1,400	-107		
	Ordinary income	3,011	3,003	-7		
	X/O gain/loss	Settlement fee for law suits	-	-	-	
Extraordinary loss		-	-	-		
Income before income taxes		3,011	3,003	-7		
Income taxes		1	1	0		
Net income	3,009	3,002	-7			
Retained earnings brought forward	0	0	0			
Retained earnings at the end of period	3,009	3,002	-7			

Basis for calculating cash distribution (unit: yen)		
	15th period	16th period
I Retained earnings at the end of period	3,009,927,991	3,002,198,217
II Total distributions	2,738,558,350	2,703,312,700
(Distributions per unit)	(9,557)	(9,434)
III Provision of voluntary reserve		
Provision for reserve for reduction entry	271,247,024	298,885,517
IV Retained earnings to be carried forward	122,617	-

Cash flow statement		
	15th period (¥ M)	16th period (¥ M)
Cash flow from operating activities	8,739	7,880
Cash flow from investing activities	-12,283	-3,060
Cash flow from financing activities	526	-950
Net change in cash and cash equivalents	-3,017	3,869
Cash and cash equivalents at beginning of period	13,519	10,501
Cash and cash equivalents at end of period	10,501	14,371

Notes:

- Insurance, trust fees, etc.
- Director's compensation, asset custody fees, administrative fees, auditor's fees, etc.
- Numbers showing changes are rounded down to the nearest ¥M.

Cash flow statement		
	15th period	16th period
	(¥ M)	(¥ M)
Cash flow from operating activities	8,739	7,880
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## Notes:

- Insurance, trust fees, etc.
- Director's compensation, asset custody fees, administrative fees, auditor's fees, etc.
- Numbers showing changes are rounded down to the nearest ¥M.

# Summary of financial results for 16th period (2013/4) - Balance sheet, etc

	15th period		16th period	
	As of October 31, 2012		As of April 30, 2013	
	(¥ M)	(%)	(¥ M)	(%)
<b>Asset</b>				
Current assets	12,019	3.9	15,075	4.9
Cash and bank deposits	4,042		8,053	
Cash and bank deposits in trusts	7,471		6,760	
Other current assets	505		261	
Noncurrent assets	294,626	96.1	293,032	95.1
Property, plant and equipment	291,662		290,236	
Buildings	13,046		13,505	
Land	29,104		30,513	
Buildings in trust	72,676		71,021	
Land in trust	176,829		175,189	
Construction in progress in trust	6		6	
Intangible assets	358		357	
Leasehold right	285		285	
Leasehold right in trust	72		71	
Right of using water facilities in trust	0		0	
Investment and other assets	2,604		2,439	
Investments in securities	896		896	
Leasehold and guarantee deposits	133		133	
Long-term prepaid expenses	1,574		1,408	
Deferred assets	89	0.0	63	0.0
Corporate bond issuance costs	32		26	
Unit issuance expenses	56		37	
<b>Total assets</b>	<b>306,734</b>	<b>100.0</b>	<b>308,172</b>	<b>100.0</b>
<b>Liability</b>				
Current liabilities	23,924	7.8	34,432	11.2
Account payables	709		654	
Short-term loans payables	5,700		5,700	
Current portion of corporate bonds	1,500		1,500	
Current portion of long-term loans payable	14,000		24,300	
Other account payables	184		208	
Advance received	1,482		1,686	
Others	347		382	
Noncurrent liabilities	132,420	43.2	123,086	39.9
Corporate bonds	4,500		4,500	
Long-term loans payables	114,881		106,369	
Tenant leasehold and security deposits	1,544		1,723	
Tenant leasehold and security deposit in trust	11,494		10,493	
<b>Total liabilities</b>	<b>156,345</b>	<b>51.0</b>	<b>157,519</b>	<b>51.1</b>
<b>Equity</b>				
Total unitholders' capital	147,153		147,153	
Reserve for reduction entry	225		497	
Retained earnings	3,009		3,002	
<b>Total unitholders' equity</b>	<b>150,389</b>	<b>49.0</b>	<b>150,653</b>	<b>48.9</b>
<b>Total liabilities and unitholders' equity</b>	<b>306,734</b>	<b>100.0</b>	<b>308,172</b>	<b>100.0</b>

## Key indicators

	15th period (2012/10)	16th period (2013/4)	Change	Note
Unitholders equity per unit	¥524,828	¥525,747	¥+919	
Interest bearing debt ratio at the end of each period	45.8%	46.2%	+0.4%	
Unitholders equity to total asset ratio	49.0%	48.9%	-0.1%	
Number of properties at the end of each period	84	83	-1	1 property acquired 2 properties sold
Total leasable floor area	351,153.72㎡	347,853.97㎡	+3,299.75㎡	1 property acquired 2 properties sold
Occupancy ratio at the end of each period	95.5%	93.9%	-1.6%	

## Reference: Historical rent based NOI yield (by asset type/annualized base)

	10th period (2010/4)	11th period (2010/10)	12th period (2011/4)	13th period (2011/10)	14th period (2012/4)	15th period (2012/10)	16th period (2013/4)
Office building	5.1%	4.9%	4.7%	4.7%	4.6%	4.4%	4.3%
Central urban retail	4.5%	4.5%	4.6%	4.1%	4.1%	4.1%	4.3%
Residential	5.2%	4.8%	4.9%	4.7%	4.7%	4.5%	4.6%
Others	-	-	-	-	14.2%	13.6%	-7.0%
<b>Total</b>	<b>5.1%</b>	<b>4.9%</b>	<b>4.7%</b>	<b>4.7%</b>	<b>4.6%</b>	<b>4.5%</b>	<b>4.3%</b>

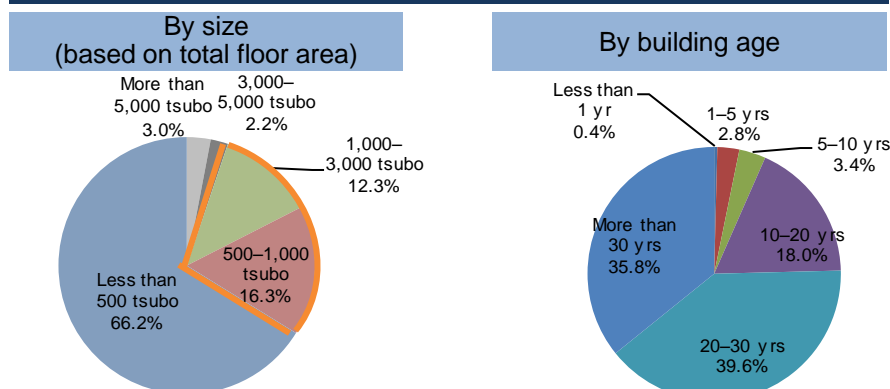
### Notes:

- NOI yield is calculated by assuming that the property tax and city planning tax are imposed for properties that does not impose the property tax and city planning tax due to the first year of acquisition. Acquisition price for the newly acquired properties and the initial acquisition price for the sold properties is calculated by dividing actual operating days to operating days in the each period.
- Each ratio is rounded to the first decimal place.
- On November 1, 2012, KRI sold Kanazawa Nikko Building which was the only property categorized as "Others". Due to property tax and other expenses, the ratio for the 16th period is a negative value.
- Excluding KDX Nihonbashi Kabutocho Building, NOI yields of "Office building" and "Total" are 4.5% for 16th period,

# Mid-sized office buildings market

- Most abundant in terms of number of properties and potential tenants in Tokyo metropolitan area
- Relatively less rent volatile compared to large-sized buildings

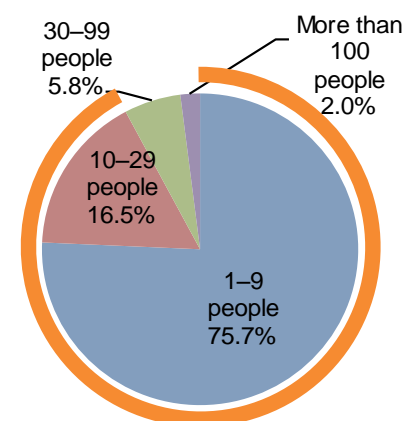
Office market in Tokyo central 5 wards (by on number of buildings)



Note: The above data covers rental office buildings located in Tokyo 23 wards that were surveyed by CB Richard Ellis Research Institute (as of 2011/3).

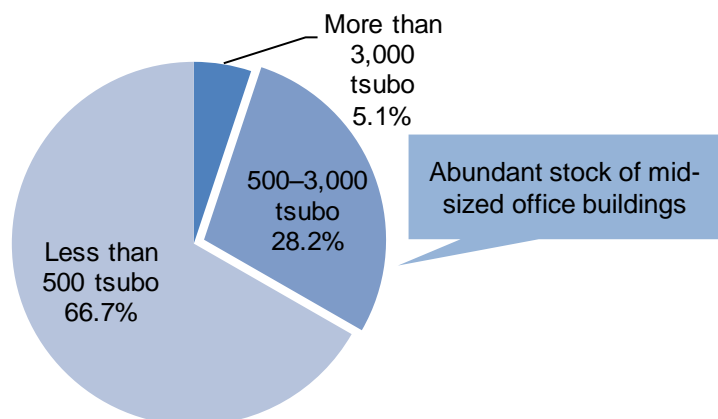
Source: Survey conducted by CB Richard Ellis Research Institute based on KOP's request "Market survey of Medium-sized buildings (2011/5)"

Breakdown of office buildings by a number of employees (Tokyo)



Source: Created by KOP based on data from 2009 Economic census-basic survey for Tokyo

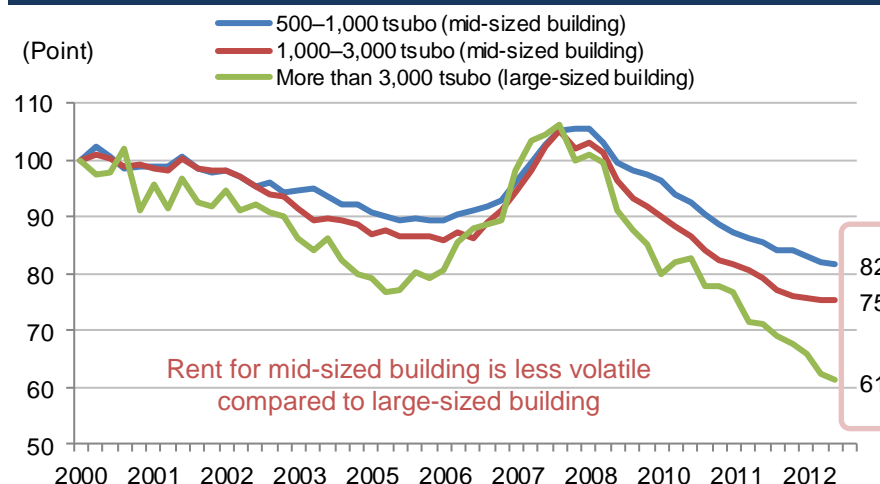
Breakdown of office buildings by GFA (Tokyo 23 wards)



Note: The above data covers rental office buildings located in Tokyo 23 wards that were surveyed by CB Richard Ellis Research Institute. The above data may not include the data of all properties in the Tokyo 23 wards (as of 2011/3).

Source: Survey conducted by CB Richard Ellis Research Institute based on KOP's request "Market survey of Medium-sized buildings" (2011/5)

Tokyo 23 wards: rent level by total floor area

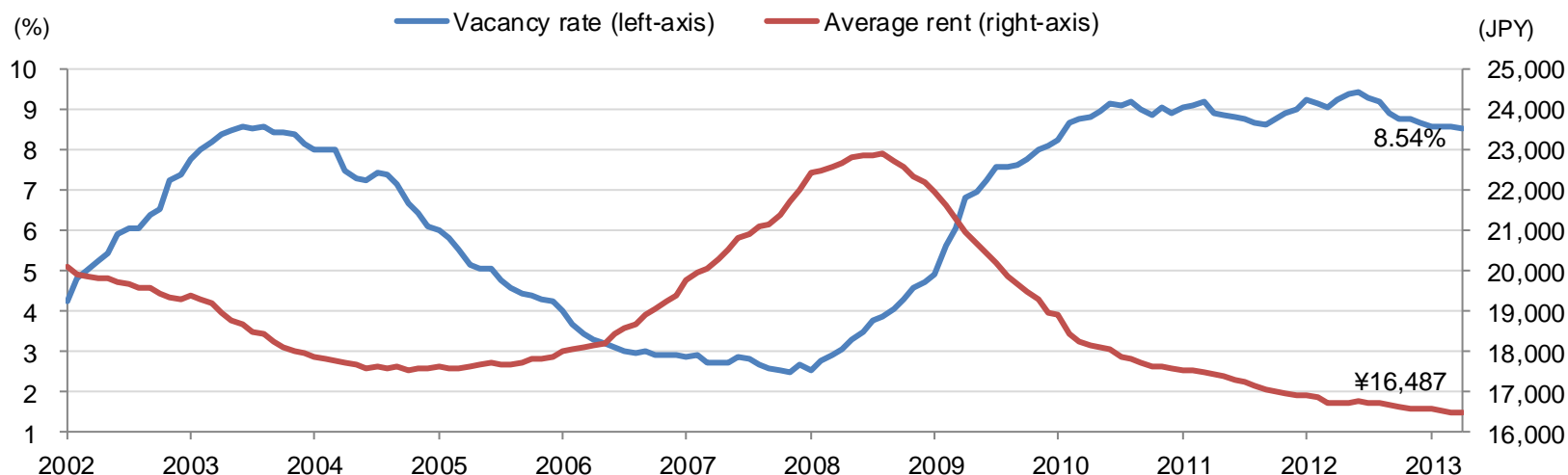


Source: Created by KOP based on the data compiled by CB Richard Ellis Research Institute (the latest value as of 2013/3)

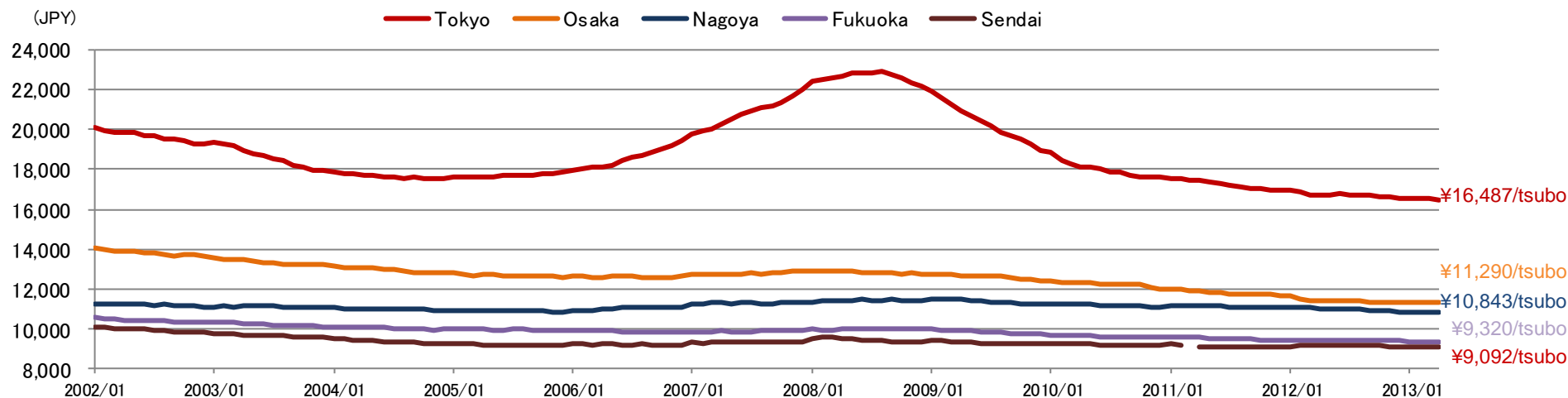


# Reference data 1

Changes in the asking rent and vacancy rate in Tokyo central 5 wards (from Jan 2002 to April 2013)



Changes in rent levels by region (from Feb 2002 to April 2013)

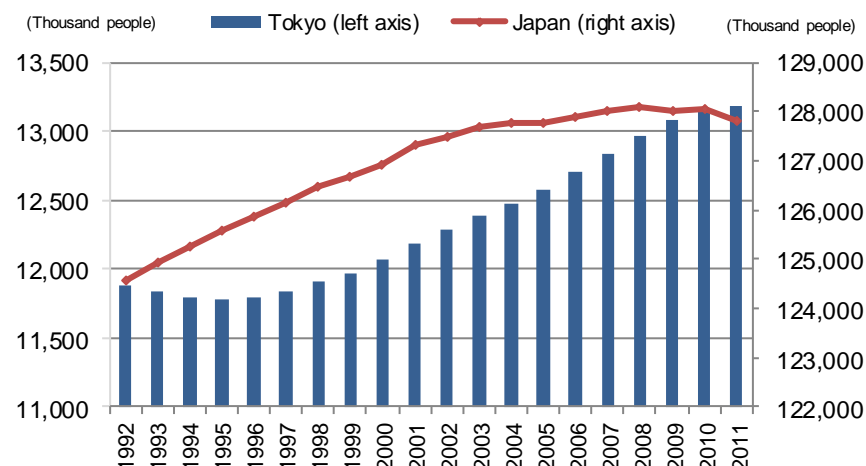


# Reference data 2

Economic foundations etc. of Tokyo			
	Japan	Tokyo	Date
Gross Production (Nominal GDP)	¥474,402B	¥85,201.6B (#1 in Japan: 17.8%)	FY 2009
# of offices	6,040,000	690,000 (#1 in Japan: 11.5%)	July 1, 2009
# of employees	62.86M	9.52M (#1 in Japan)	July 1, 2009
Total population	127.79M	13.18M (#1 in Japan)	October 1, 2011
Population of productive age (15–64 years old)	81.03M	8.85M (#1 in Japan: 10.9%)	October 1, 2010

Source: National Census and "Kurashi to toukei 2012 (Life and statistics 2012)" on the Tokyo metropolitan government website.

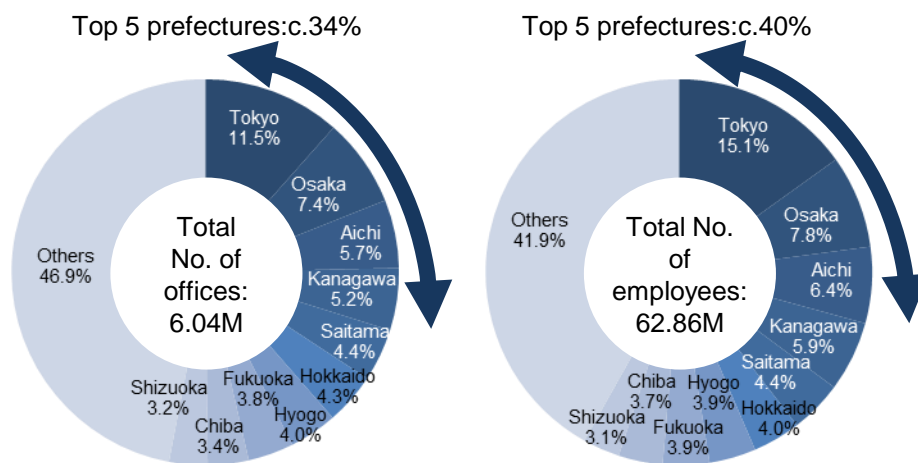
## Change in population for Tokyo and Japan (1992-2011)



Note: Figures after 2011 are estimates.

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

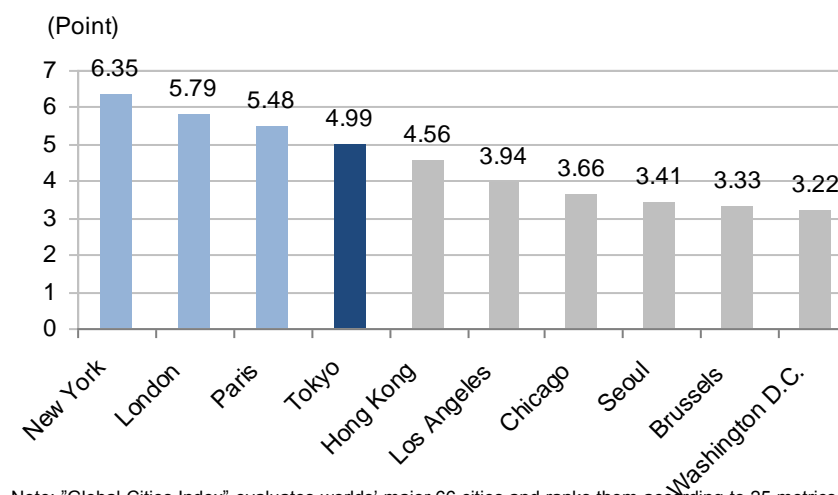
## Breakdown of number of offices and employees by prefecture (2009)



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

Source: MIAC, Statistics Bureau "2009 Economic census-basic survey" (June, 2011)

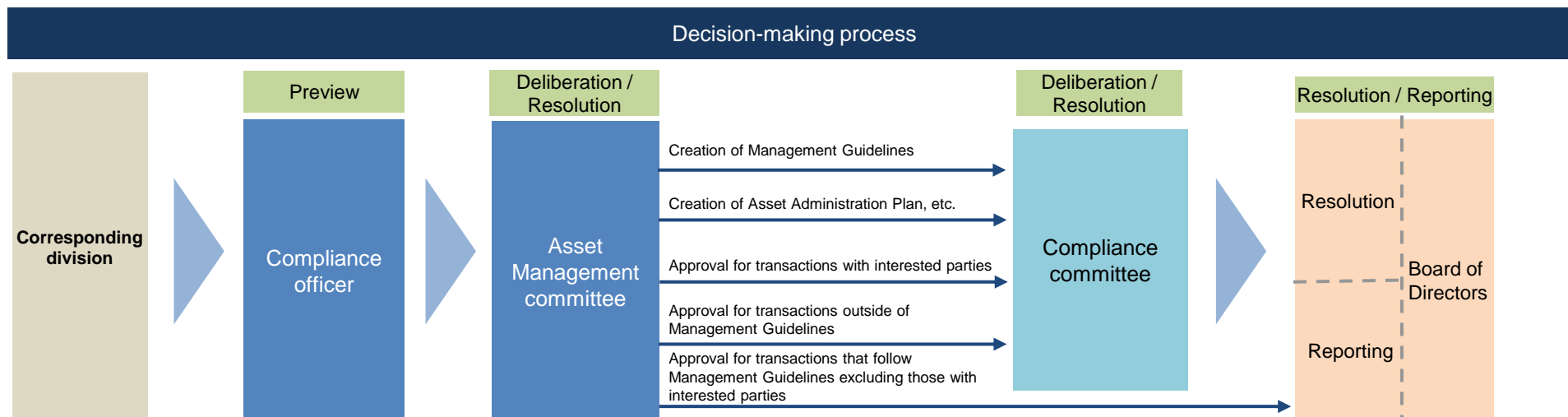
## Global Cities Index (A.T. Kearney Global Cities Index (2012))



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

Source: 2012 Global Cities Index and Emerging Cities Outlook

# Management structure of Asset Management Company (before reorganization)



**Number of meetings held by the various committees, Board of Directors of the Asset Management Company / Investment Corporation**

	11th period (10/11)	12th period (11/4)	13th period (11/10)	14th period (12/4)	15th period (12/10)	16th period (13/4)
Compliance committee	7	7	8	6	7	7
Asset Management committee	32	37	44	40	40	41
Board of Directors	11	9	11	9	12	9
Board of Directors of Investment Corporation	8	7	9	10	8	8

## Rules on transactions with interested parties

Asset acquisition	Must not acquire properties for more than appraisal value (except for properties pre-acquired by Kenedix Inc. pursuant to the MOU)
Asset disposal	Must not sell properties for less than appraisal value

## Asset management company's management fee structure

### ● Asset management fees

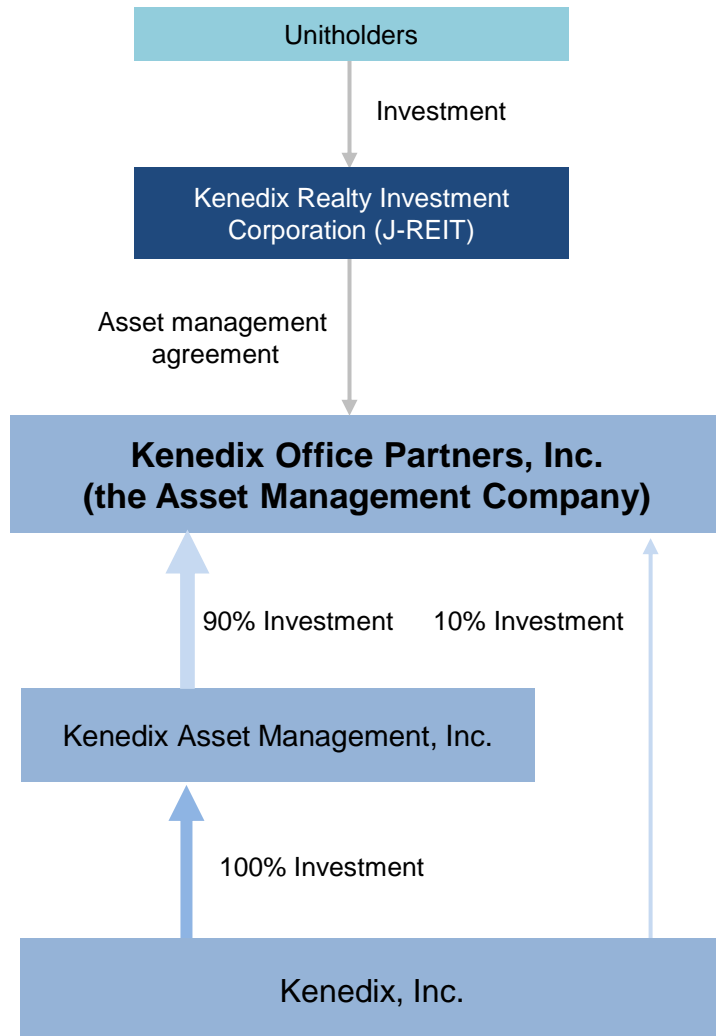
Management fee I	0.15% of total assets
Management fee II	3.0% of distributable amount each fiscal period
Acquisition fee	0.5% of acquisition price (0.25% if interested parties)
Disposition fee	Capped at 0.5% of sales price

### ● Property management fees

Rental management fee	2% of rent revenues + 2% of operating revenues from the property (after deducting operating expenses and before deducting depreciation)
Management transfer fee	Amount determined in proportion to the acquisition/sale price (e.g. ¥1-3B → ¥2M, ¥5-10B → ¥2.4M)
Construction supervision fee	Amount determined in proportion to the construction costs (e.g. ¥1-5M → 5%, ¥10-100M → ¥450,000 + 3%)

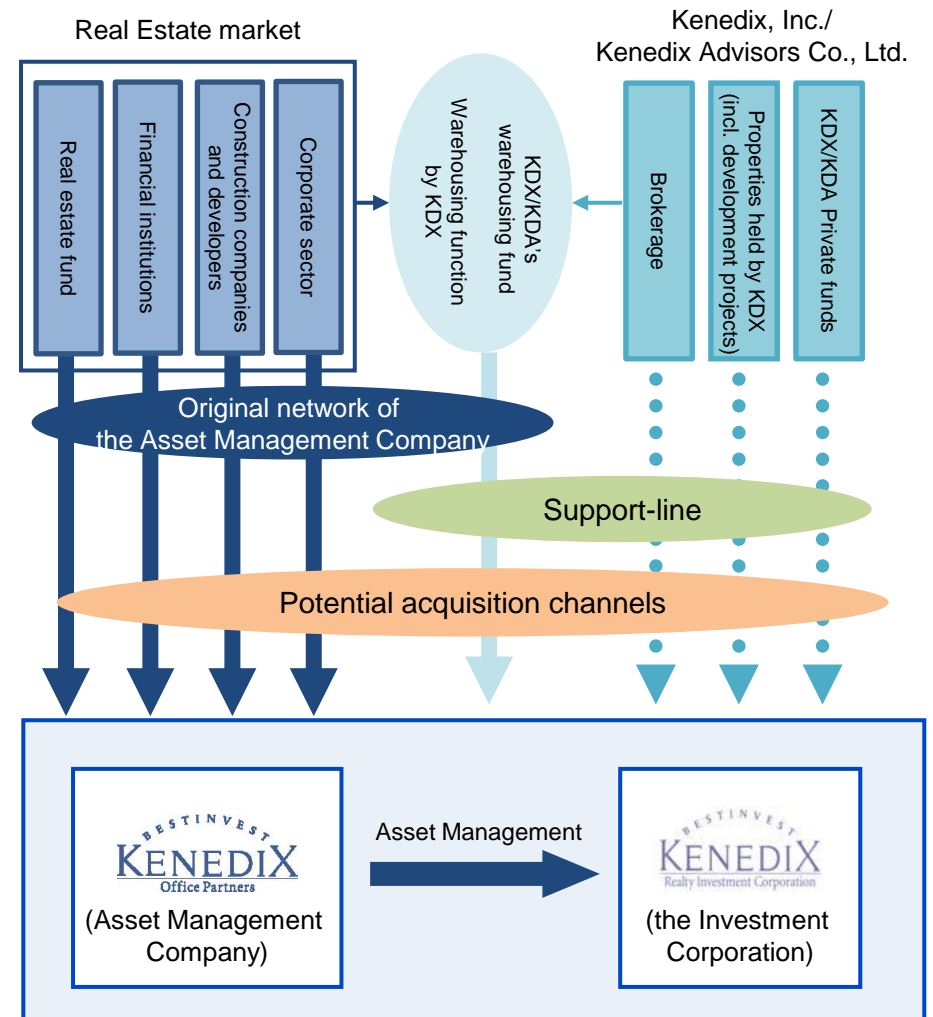
# Structure of the Asset Management Company's sponsor and Memorandum of Understanding (before reorganization)

## Structure of the Sponsor



Note: On June 5, 2013, Kenedix Office Partners became a wholly-owned consolidated subsidiary of Kenedix, Inc.

## Memorandum of Understanding (Note)



Note: To be changed after the scheduled reorganization of Kenedix Group.

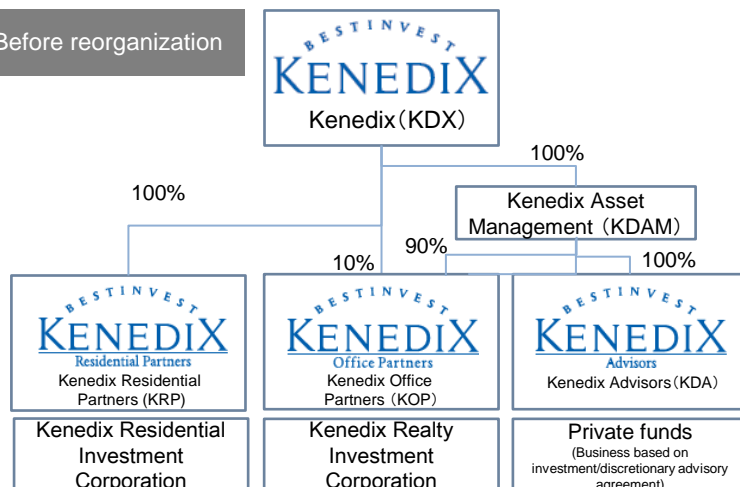
# Reorganization of Kenedix Group

## Purpose of reorganization

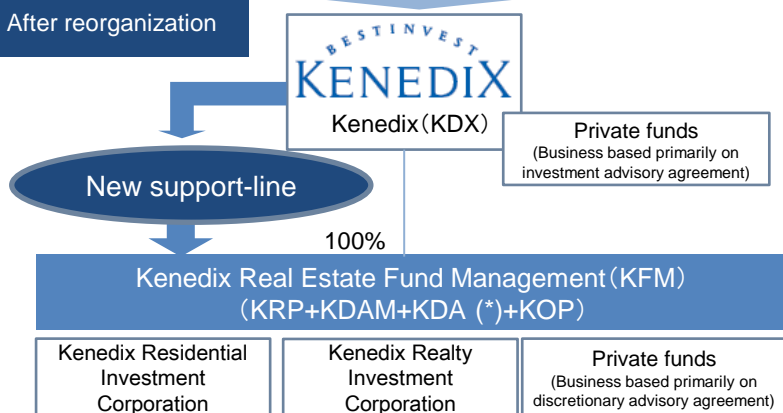
- Consolidating the real estate asset management know-how throughout the whole Group
- Increasing in the asset management capability and competitiveness of the Kenedix Group by strategically strengthening the resources deployed in the acquisition and management of real estate investment targets
- Building up a structure that contributes to the benefit of our client investors by reinforcing our internal management systems
- Aiming to improve the efficiency of the asset management operations within the Kenedix Group

## Overview of reorganization

### Before reorganization



### After reorganization



\*: Business based primarily on investment advisory agreement

## Overview of new support-line

1. When Kenedix (KDX) obtains information about the sales of real estates from third parties, and when KDX reaches the reasonable decision that the real estate complies with the investment standards of KRI and KDR, the information about the sales of real estate will be provided to Kenedix Real Estate Fund Management (KFM) no later than the information is provided to entities other than KFM.
2. For the consideration of sales of real estate that KDX directly and/or indirectly invests or that private fund for which KDX performs asset management services owns, and when KDX reaches the reasonable decision that the real estate complies with the investment standards of KRI and KDR, the information about the sales of real estate will be provided to KFM no later than the information is provided to entities other than KFM.
3. For the purpose of securing an acquisition opportunity for KRI, KFM can ask KDX to temporarily acquire/hold real estate or to create real estate fund. KDX must sincerely consider taking the requested actions.

## Overview of preferential study rights for property information

- For office buildings (note) which are KRI's main investment targets, KRI Fund Division of KFM will have the first opportunity to consider an acquisition given the following conditions are satisfied:

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

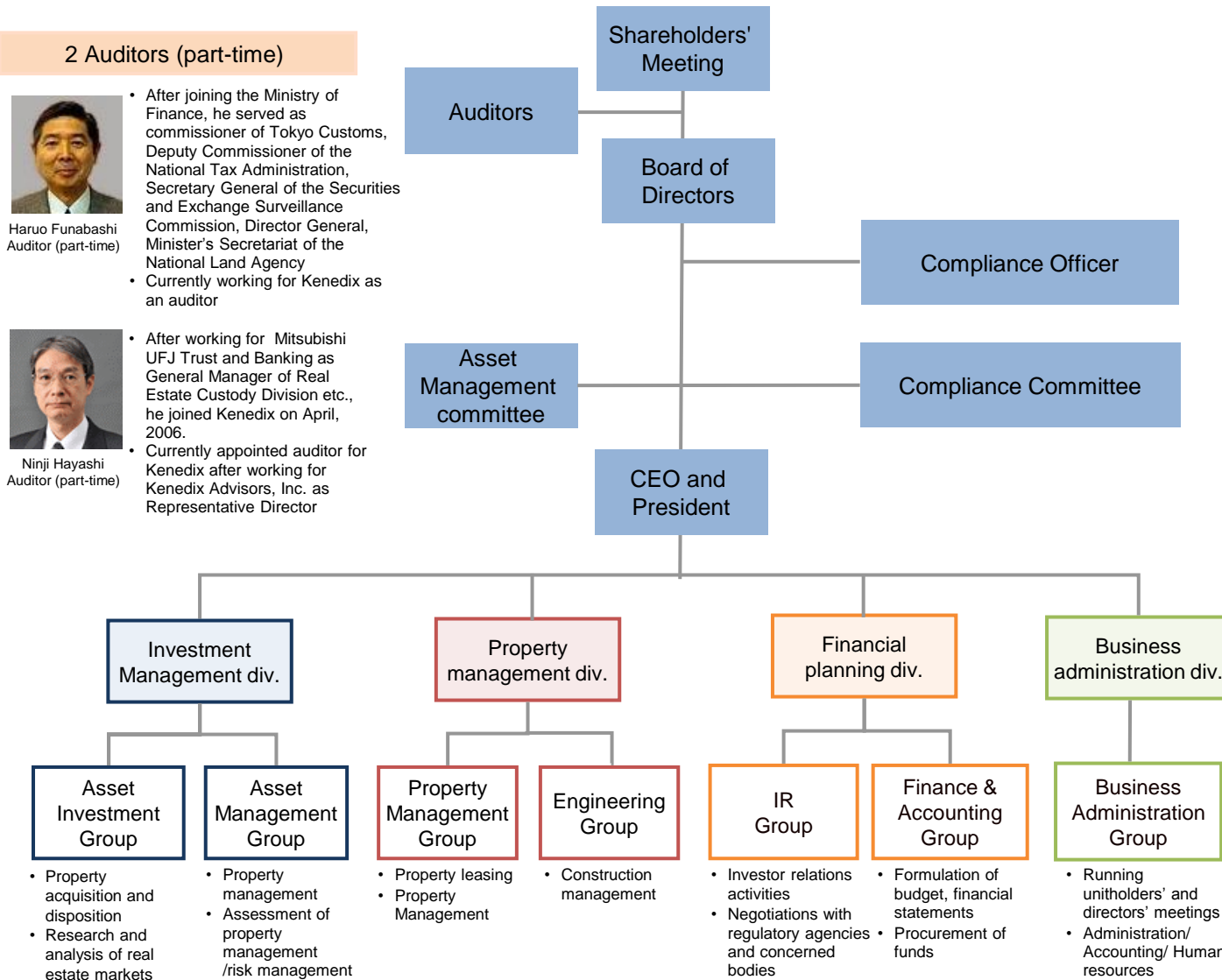
Note: Office building refers to properties where floor area for office use is the largest share of total floor area based on floor area use in accordance with the Building Standards Law.

## Timetable for reorganization

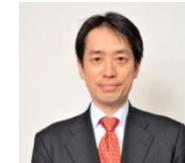
Board of Directors meeting to approve the Reorganization Conclusion of Memorandum of Understanding	Middle of July 2013 (planned)
Planned implementation date (effective date)	Within in six months after October 1, 2013 (planned)

# Kenedix Office Partners: Organization chart (before reorganization)

## Organization chart



## Key members



Naokatsu Uchida  
Representative Director

- Worked for Mitsubishi UFJ Trust and Banking Corporation for approximately 17 years (Real Estate Division, Real Estate Project Origination Division)
- After working for Joint Asset Management Co., Ltd. as its Representative Director, he joined Kenedix Office Partners, Inc. where he was a member of the Financial Planning Division for approximately 2 years
- Appointed Representative Director of Kenedix Office Partners, Inc. on Feb 2, 2012



Keisuke Sato  
Director & General Manager of Investment Management Division

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



Fumihiko Shimodome  
Director & General Manager of Property Management Division

- Worked for Mitsui Fudosan Building Management for 12 years
- Joined Kenedix Office Partners, Inc. on Jan, 2011 after working as a director for asset management companies of Pacific Management and Nippon Commercial Investment Corporation
- Appointed General Manager of Property Management Division on July 1, 2012 after working as PM Manager of Property Management Division



Hikaru Teramoto  
Director & General Manager of Financial Planning Division

- After working for Sakura Bank for 6 years, he moved to Sakura Securities, Daiwa Securities SMBC, and Goldman Sachs where he experienced investment banking business for 10 years
- Joined Kenedix Office Partners, Inc. after having worked for Goldman Sachs Realty Japan
- Appointed General Manager of Financial Planning Division on Aug 1, 2012



Yuuji Kamimura  
Compliance Officer

- Worked for 27 years at Shinsei Bank, Ltd.
- Joined Kenedix Office Partners, Inc. after 8 years of experience as a compliance officer at Shinsei Bank
- Appointed Compliance Officer on Sep 16, 2008

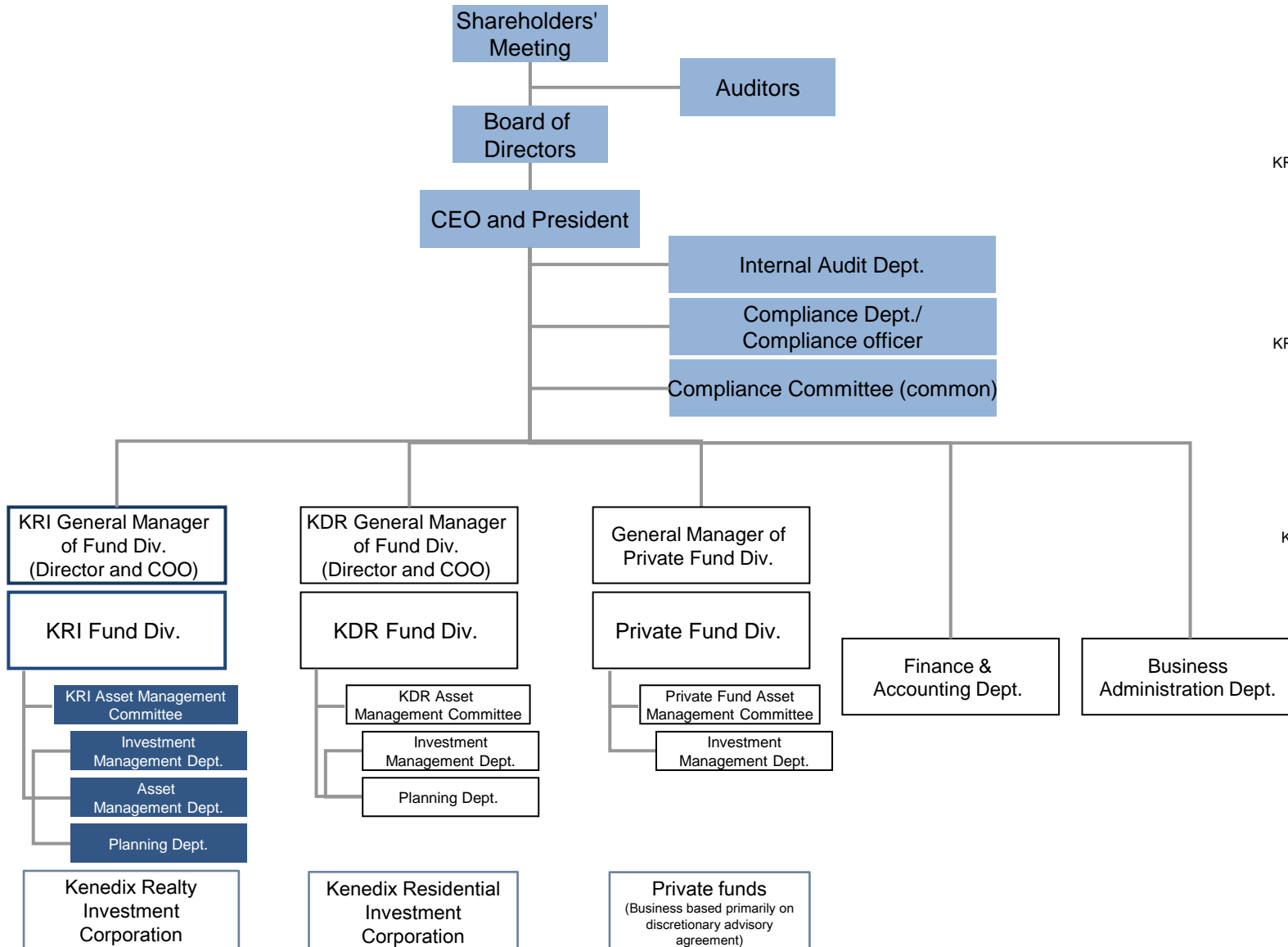


# Kenedix Real Estate Fund Management (KFM): Organization chart (planned) (after reorganization)

- No expected change in key members of KRI after the reorganization

Organization chart of KFM (planned)

KRI Fund Div.  
Key members



Naokatsu Uchida  
KRI General Manager of Fund Div.



Keisuke Sato  
KRI General Manager of Investment Management Dept.



Fumihiko Shimodoumae  
KRI General Manager of Property Management Dept.



Hikaru Teramoto  
KRI General Manager of Planning Dept.



Yuuji Kamimura  
Compliance Officer, General Manager of Compliance Dept. (KFM administration Division)

# Disclaimer

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