

Translation of Japanese Original

November 1, 2016

To All Concerned Parties

REIT Issuer:
Kenedix Office Investment Corporation
Naokatsu Uchida, Executive Director
(Securities Code: 8972)

Asset Management Company:
Kenedix Real Estate Fund Management, Inc.
Ryosuke Homma, CEO and President

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**Notice Concerning Acquisition of Property (Nishi-Shinbashi TS Building) and
Sale of Property (KDX Nihonbashi Kabutocho Building)**

Kenedix Office Investment Corporation (“the Investment Corporation”) announced today, that Kenedix Real Estate Fund Management, Inc. (“the Asset Management Company”), the asset management company for the Investment Corporation, has decided to acquire and sell the following properties (respectively “the Acquisition” and “the Sale”, and collectively “the Transaction”). Furthermore, the seller of the following property is a related party, etc. as defined in the Investment Trusts and Investment Corporations Law (“the Investment Trust Law”) and a related party as defined in the Office REIT Division Related-party Transaction Rules of the Asset Management Company. The Acquisition was deliberated and approved by a resolution of the Investment Corporation’s Board of Directors, and the Asset Management Company gained the consent of the Executive Director of the Investment Corporation based on the resolution.

1. Outline of the Transaction

(1) Outline of the Acquisition

- | | |
|-----------------------------------|--|
| ① Property Name | : Nishi-Shinbashi TS Building |
| ② Type of Property to be Acquired | : Trust beneficiary interest in real estate |
| ③ Anticipated Acquisition Price | ¥8,400,000 thousand |
| | : (Acquisition costs, adjustment of property tax and city-planning tax, and consumption tax, etc. are excluded.) |
| ④ Seller | : Kenedix Development, Inc. (Related party) (“Kenedix Development”) Please refer to “5. Seller’s and Buyer’s Profile” for the details. |
| ⑤ Date of Contract | : November 1, 2016 |
| ⑥ Scheduled Date of Acquisition | : February 1, 2017 |
| ⑦ Acquisition Funds | : Proceeds from the Sale |
| ⑧ Settlement Method | : Payment in full on settlement |

The aforementioned property shall hereinafter be referred to as “the Acquired Property”.

(2) Outline of the Sale

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|--|--|
| ① Property Name | : KDX Nihonbashi Kabutocho Building |
| ② Type of Property to be Sold | : Trust beneficiary interest in real estate |
| ③ Anticipated Sale Price | ¥12,400,000 thousand |
| | : (Transfer costs, adjustment of property tax and city-planning tax, and consumption tax, etc. are excluded.) |
| ④ Assumed Book Value | ¥11,104,000 thousand |
| | (The assumed book value as of the scheduled date of sale is shown. Figure is rounded down to the nearest ¥1 million.) |
| ⑤ Difference between Anticipated Sale Price and Assumed Book Value | ¥1,296,000 thousand |
| | (Figure is rounded down to the nearest ¥1 million and is referential amount, calculated as a difference between anticipated sale price and assumed book value, and different from profit or loss on sale.) |
| ⑥ Buyer | : Domestic general business corporation (Not related party)
Please refer to “5. Seller’s and Buyer’s Profile” for the details. |
| ⑦ Date of Contract | : November 1, 2016 |
| ⑧ Scheduled Date of Sale | : February 1, 2017 |
| ⑨ Use of Proceeds | : Acquisition funds for the Acquired Property and cash on hand |
| ⑩ Settlement Method | : Payment in full on settlement |
| ⑪ Method of Buyer Selection | Please refer to “2. Reason for the Transaction”. |

The aforementioned property shall hereinafter be referred to as “the Sale Property”.

2. Reason for the Transaction

Nihombashi Kabutocho, where the Sale Property is located, is a district where various initiatives are under way including redevelopment project plans due to it being part of the area based on “Tokyo Global Financial Center Vision” promoted by the Tokyo Metropolitan Government.

In light of this situation, a domestic general business corporation pursuing redevelopment projects in the Nihombashi Kabutocho area informed the Investment Corporation, via Kenedix Inc. (“Kenedix”), which is the parent company, etc. of the Asset Management Company under the Financial Instruments and Exchange Act, of its interest in acquiring the Sale Property, and the Investment Corporation reassessed its management policy with respect to the Sale Property.

While there were other options beside not selling the Sale Property and instead continuing to own it, such as participating in a redevelopment project, the decision was made to sell the Sale Property based on various considerations, such as the property’s competitive advantage if redevelopment projects in the surrounding area continue to move forward, the risks and financial impact of participating in redevelopment, etc.

However, since a reduction in rental operating income was expected as a result of the Sale, the Investment Corporation, with a view to minimizing that reduction, requested the domestic general business corporation to select a property that could be sold as an alternate property of the Sale Property. In response to this request, the Acquired Property was proposed, and the Investment Corporation decided to proceed with the Transaction after comprehensively evaluating the Acquired Property and various conditions, such as the transaction price.

The Acquired Property is currently owned by the domestic general business corporation and its wholly owned subsidiary (“the Domestic General Business Corporation, etc.”). For various circumstances of the Domestic General Business Corporation, etc., the Acquisition will be conducted via the intermediary for the Sale, Kenedix. This transaction will be carried out by Kenedix Development, a wholly owned subsidiary of Kenedix, first acquiring the Acquired Property from the Domestic General Business Corporation, etc., then transferring it to the Investment Corporation on the same date.

In the decision to acquire the Acquired Property, which is mid-sized office building that the Investment Corporation has focused on as main investment target, the following characteristics of the Acquired Property were evaluated.

(i) Area

Nishi-Shinbashi/Toranomon, where the Acquired Property is located, is close to several subway stations and has matured into one of the highest-profile office districts in the portion of central Tokyo near the central government office district. The area has flourished recently because of the opening of Toranomon Hills and the partial opening of Loop Road No. 2 (also known as Shintora-dori), which links central Tokyo and the Tokyo Bay area. Furthermore, with many urban development projects also planned, including the establishment of a new station on the Tokyo Metro Hibiya Line and several redevelopment projects, the area is expected to develop even further as a hub for international business exchange.

The Acquired Property is an office building with high traffic convenience, located approximately eight minutes on foot from Toranomon Station on the Tokyo Metro Ginza Line and Kamiyacho Station on the Tokyo Metro Hibiya Line as well as Onarimon Station and Uchisaiwaicho Station on the Toei Mita Line. In addition, the Acquired Property is expected to be located with higher traffic convenience in the future due to the location of four minutes on foot from a planned new station on the Tokyo Metro Hibiya Line.

(ii) Building

The Property has leasable floor areas of about 502m² (about 152 tsubos) on the standard floors with ceiling height of 2.6m, and is equipped with individual air conditioning systems, OA floors (55mm), automated security system and automated parking spaces for 48 vehicles (of which, 14 spaces are for vehicles needing high roof clearance and 14 spaces are for large-size vehicles). The regular-shaped lease spaces have an open feel due to the natural light on three sides and enable layouts that are easy to use for tenants. Moreover, since each floor can be leased separately, flexible leasing that accommodates a variety of tenant needs is possible.

In addition, while the Acquired Property is around 24 years old, it has been managed appropriately, including renovations (e.g., installation of new air-conditioning in 2011), and it is therefore reasonably competitive within the area's office rental market.

3. Details of the Acquired Property

Nishi-Shinbashi TS Building

Property Name		Nishi-Shinbashi TS Building
Type of Specified Asset		Trust beneficiary interest in real estate
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust Term		January 14, 2005 to February 28, 2023 and so on (Note 1)
Current Owner (Current Beneficiary)		① Domestic general business corporation ② Wholly owned subsidiary of the above company
Location (Address)		3-3-1 Nishi-Shinbashi, Minato-ku, Tokyo
Usage		Office, Garage, Storeroom
Type of Structure		Flat-roofed, Steel-framed reinforced concrete structure; one underground and eleven above-ground floors
Site Area	Land	1,406.56 m ² (Note 2)
	Building (total floor area)	8,851.60 m ² (Note 3)
Type of Ownership	Land	Proprietary ownership
	Building	Compartmentalized ownership (Note 4)
Completion Date		August 31, 1992
Architect		Kume Architect Office Co., Ltd. (currently Kume Sekkei Co., Ltd.)
Construction Company		Fujitakougyo Co., Ltd. (currently Fujita Corporation)
Construction Confirmation Authority		Minato-ku, Tokyo

Probable Maximum Loss		5.99% (Sompo Risk Management & Health Care Inc.)
Anticipated Acquisition Price		¥8,400,000 thousand
Appraisal	Appraisal Value	¥8,480,000 thousand
	Base Date for Appraisal	October 31, 2016
	Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
	Details	Please refer to “11. Summary of Appraisal Report.”
Existence of Secured Interests after Acquisition		None
Master Lease Company after Acquisition		The Investment Corporation
Property Management Company after Acquisition		Kenedix Property Management, Inc.
Details of Tenant		As of September 30, 2016
	Number of End Tenants	9
	Total Leasable Area	5,734.79 m ²
	Total Leased Area	5,734.79 m ²
	Occupancy Rate	100.0% (Note 5)
	Monthly Rent and Common Area Charge (Excluding Consumption Tax, etc.)	¥32,258 thousand (Note 6)
	Security and Guarantee Deposit	¥285,014 thousand (Note 6)
Forecast income and expenditure (annual amount)		Please refer to “Reference Material 1 for the details.”
	Forecast Net Operating Income	¥324 million
	Forecast Net Operating Income after Depreciation	¥299 million
Special Considerations	None	
Other	<p>(Note 1) Four trust contracts for the Acquired Property have been entered into. Among them, the trust term with the oldest start date is shown. The Investment Corporation plans to change the end of trust term to August 1, 2025 at the time of acquisition.</p> <p>(Note 2) A receding part of road (8.71m²) under Article 42, Paragraph 2 of the Building Standards Act is included.</p> <p>(Note 3) Total floor area for the entire building is shown.</p> <p>(Note 4) The Acquired Property is a compartmentalized ownership building wholly owned by the trustee.</p> <p>(Note 5) The Property is occupied with tenants including IT, trading and pharmaceutical companies.</p> <p>(Note 6) The indicated figures include the total amount of monthly rent, common area charge, and security and guarantee deposit for the end-tenants for which the lease period started as of September 30, 2016. Figures are truncated to thousands of yen.</p>	

4. Details of the Sale Property

KDX Nihonbashi Kabutocho Building

Property Name	KDX Nihonbashi Kabutocho Building
Type of Specified Asset	Trust beneficiary interest in real estate
Trustee	Mitsubishi UFJ Trust and Banking Corporation
Trust Term	July 1, 2003 to August 1, 2020
Location (Address)	6-5 Nihombashi Kabutocho, Chuo-ku, Tokyo
Usage	Office, Parking
Type of Structure	Flat-roofed, steel-reinforced steel-framed reinforced concrete structure; one underground and eight above-ground floors

Site Area	Land	1,920.79 m ²
	Building (total floor area)	11,705.49 m ²
Type of Ownership	Land	Proprietary ownership
	Building	Proprietary ownership
Completion Date		November 6, 1998
Acquisition Date		December 26, 2011
Acquisition Price		¥11,270,000 thousand
Appraisal	Appraisal Value	¥12,400,000 thousand
	Base Date for Appraisal	October 31, 2016
	Appraiser	Japan Real Estate Institute
	Details	Please refer to “11. Summary of Appraisal Report.”
Details of Tenant		As of September 30, 2016
	Security and Guarantee Deposit	¥328,384 thousand (Figure is truncated to thousands of yen.)
	Number of End Tenants	7
	Total Leasable Area	7,562.93 m ²
	Total Leased Area	7,562.93 m ²
	Occupancy Rate	100.0%
Operating Results		The total of the actual amounts for fiscal periods ended October 31, 2015 and April 30, 2016
	Rent Revenue	¥553 million
	Net Operating Income	¥383 million
	Rental operating income (Net Operating Income after Depreciation)	¥252 million

5. Seller's and Buyer's Profile

(1) Outline of Seller

Company Name	Kenedix Development, Inc.
Location	6-5 Nihombashi Kabutocho, Chuo-ku, Tokyo
Title and Name of Representative	Nobuko Ishimoto, Execution of Duty Person
Description of Business	1. Acquisition, holding, disposal, leasing and management of real estate 2. Real estate appraisal 3. Planning, examination and designing of real estate beneficial use 4. Purchase and sale, hold, management and investment of securities 5. Real estate deal and application, and consulting business for asset management related 6. Development of solar power plants and sale of electricity by solar power 7. Aforementioned associated business
Amount of Capital	¥10,000 thousand
Date of Incorporation	January 18, 2002
Net Assets	¥755 million
Total Assets	¥1,606 million
Relationship with the Investment Corporation or the Asset Management Company	
Capital Relationship	Kenedix holds the company's entire share. Kenedix is the parent company, etc. of the Asset Management Company under the Financial Instruments and Exchange Act.
Personnel Relationship	There is no special personnel relationship between the Investment Corporation or the Asset Management Company.
Business Relationship	There is no special business relationship between the Investment Corporation or the Asset Management Company.
Applicability of Related Party Relationships	The seller is a related party, etc. as defined in the Investment Trust Law and a related party as defined in the Office REIT Division Related-party Transaction Rules of the Asset Management Company.

*As of October 20, 2016

(2) Outline of Buyer

Name and other information of the buyer, a domestic general business corporation, are not disclosed because the buyer has not given consent. In addition, there is no special capital relationship, no special personnel relationship or no special business relationship between the Investment Corporation or the Asset Management Company and the buyer. Furthermore, the buyer is not a related party, etc. as defined in the Investment Trust Law and not a related party as defined in the Office REIT Division Related-party Transaction Rules of the Asset Management Company.

6. Acquirer's Profile

The Investment Corporation	Seller	Current Owner/ Trust beneficiary
<p><Background・Reason for Acquisition> In accordance with its basic investment principles, the Investment Corporation shall obtain the Property following its determination as a competitive property that will contribute to the Investment Corporation's medium- to long-term profitability.</p> <p>The anticipated acquisition price is determined to be appropriate, as it is below the appraisal value (¥8,480 million) determined by Daiwa Real Estate Appraisal Co., Ltd.</p>	<p><Company Name/Relationship to Specified Related Party> Kenedix Development</p> <p>Please refer to above "5. Seller's and Buyer's Profile".</p> <p><Background・Reason for Acquisition> Acquisition to be anticipated for the purpose of sale to the Investment Corporation</p>	<p><Company Name/Relationship to Specified Related Party> ① Domestic general business corporation ② Wholly owned subsidiary of the above company</p> <p>Name, etc. are not disclosed because the consent can not be obtained.</p> <p>Other than specified related party</p>
< Anticipated Acquisition Price> ¥8,400 million (excluding consumption tax, etc.)	< Anticipated Acquisition Price> ¥8,400 million (excluding consumption tax, etc.)	-
< Scheduled Date of Acquisition > February 1, 2017	< Scheduled Date of Acquisition > February 1, 2017	-

7. Details of Brokerage

(1) Not applicable for the Acquisition

(2) The details of the brokerage firm and the brokerage fee for the Sale are as follows.

Name of Brokerage Firm	Kenedix, Inc.
Location	6-5 Nihombashi Kabutocho, Chuo-ku, Tokyo
Title and Name of Representative	Taisuke Miyajima, CEO & President
Description of Business	1. Consulting business related to real estate transactions and usage as well as asset management 2. Real estate transaction, leasing, brokerage and appraisal 3. Management of real estate
Amount of Capital	About ¥40.2 billion
Date of Incorporation	April 17, 1995
Brokerage Fee	¥248,000 thousand (excluding consumption tax, etc.)
Relationship with the Investment Corporation or the Asset Management Company	The brokerage firm is the parent company, etc. of the Asset Management Company under the Financial Instruments and Exchange Act, and a related party, etc. as defined in the Investment Trust Law and a related party as defined in the Office REIT Division Related-party Transaction Rules of the Asset Management Company.

*As of October 6, 2016

8. Related-party Transaction

(1) Transactions with the related party, etc. in the Acquisition

Regarding the Acquisition, transactions with the related party, etc. shall fall under the following categories of transaction.

① Acquisition of Property

The seller falls under the category of the related party defined in the Office REIT Division Related-party Transaction Rules of the Asset Management Company. Details of the seller are provided in “5. Seller’s and Buyer’s Profile” and “6. Acquirer’s Profile” above.

For the Acquisition, the Asset Management Company, pursuant to the Office REIT Division Related-party Transaction Rules, worked to ensure strict compliance with statutory and other regulatory requirements and submitted the transaction for deliberation and resolution by the Compliance Committee. After the Compliance Committee approved, the transaction was then submitted to the Office REIT Division Asset Management Committee for deliberation and resolution and approved. In addition, the transaction was deliberated and approved by a resolution of the Investment Corporation’s Board of Directors, and the Asset Management Company gained the consent of the Executive Director of the Investment Corporation based on the said resolution.

In accordance with the Investment Trust Law, the Asset Management Company shall provide a report to the Investment Corporation relating to the transaction with the related party, etc. concernig the Acquisition.

② Appointment of Property Management Company

The Investment Corporation plans to execute the property management agreement for the Acquired Property with Kenedix Property Management, Inc. on the scheduled date of acquisition.

For the execution of the property management agreement, the Asset Management Company, pursuant to the Office REIT Division Related-party Transaction Rules, worked to ensure strict compliance with statutory and other regulatory requirements and submitted the transaction for deliberation and resolution by the Compliance Committee. After the Compliance Committee approved, the transaction was then submitted to the Office REIT Division Asset Management Committee for deliberation and resolution and approved. Fee relating to property management remains at the same level as the properties owned by the Investment Corporation.

Outline of Kenedix Property Management, Inc.

Name of Company	Kenedix Property Management, Inc.
Location	7-2 Nihombashi Koamicho, Chuo-ku, Tokyo
Title and Name of Representative	Keizo Katayama, CEO & President
Description of Business	1. Real estate trading, building management and operation related consulting business 2. Maintenance for buildings and various attached facilities, cleaning, security service contract 3. Real estate transaction, leasing, brokerage, management and appraisalment 4. Class II Financial Instrument Business Operator
Amount of Capital	¥100,000 thousand
Date of Incorporation	January 31, 2014
Relationship with the Investment Corporation or the Asset Management Company	The property management company is the subsidiary company of Kenedix, Inc., the parent company, etc. of the Asset Management Company under the Financial Instruments and Exchange Act and is a related party, etc. as defined in the Investment Trust Law and a related party as defined in the Office REIT Division Related-party Transaction Rules of the Asset Management Company.

*As of October 6, 2016

Outline of Property Management Fee

Leasing Management Fee	Rental income \times 2% + Real estate operating income after management overhead expenses and before depreciation \times 2% (excluding consumption tax, etc.)
Management Transfer Fee (At the Time of Acquisition)	¥2.4 million (excluding consumption tax, etc.)

(2) Transactions with the related party, etc. in the Sale

Regarding the Sale, transactions with the related party, etc. shall fall under the following categories of transaction.

① Consignment of brokerage operation

Details of brokerage are provided in “7. Details of Brokerage” above.

For the consignment of brokerage operation, the Asset Management Company, pursuant to the Office REIT Division Related-party Transaction Rules, worked to ensure strict compliance with statutory and other regulatory requirements and submitted the transaction for deliberation and resolution by the Compliance Committee. After the Compliance Committee approved, the transaction was then submitted to the Office REIT Division Asset Management Committee for resolution and approved.

② Payment for management transfer fee under the property management agreement

Regarding the Sale Property, the Investment Corporation shall pay Kenedix Property Management, Inc. the management transfer fee under the property management agreement with Kenedix Property Management, Inc.

Management Transfer Fee (At the Time of Disposition)	¥2.5 million (excluding consumption tax, etc.)
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9. Scheduled Date of Acquisition

Determination Date of the Acquisition and the Sale Acquisition and Sale Agreement Execution Date	November 1, 2016
Scheduled Payment Date Scheduled Settlement Date	February 1, 2017 (Note)

Note: The trust beneficiary interest purchase and sale agreements with the Seller and the Buyer (“the Transaction Agreement”) in the Transaction fall under the category of forward commitment made by investment corporations as stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” determined by the Financial Services Agency of Japan. In the event of a violation of the Transaction Agreement made by the Investment Corporation, the Seller or the Buyer, the penalty is stipulated to be an amount equivalent to 10% of the transaction price (the Acquisition: ¥840,000 thousand, the Sale: ¥1,240,000 thousand) in the Transaction Agreement.

10. Outlook

The scheduled date of acquisition and sale in the Transaction is in the fiscal period ending April 30, 2017 (November 1, 2016 to April 30, 2017) and there was no impact of the Transaction on the financial results for the fiscal period ended October 31, 2016 (May 1, 2016 to October 31, 2016). Therefore, the forecast of financial results for the fiscal period ended October 31, 2016 remains unchanged.

Though a gain from the Sale is expected to occur, the forecast of financial results for the fiscal period ending April 30, 2017 together with handling of the gain is scheduled to be disclosed at the time of announcement on financial results for the fiscal period ended October 31, 2016.

11. Summary of Appraisal Report

Property Name	Nishi-Shinbashi TS Building
Appraisal Value	¥8,480,000,000
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Date	October 31, 2016

Unit: Yen

Item	Content	Basis
Income Capitalization Approach Value	8,480,000,000	Assess by verifying the Value Calculated Using the Direct Capitalization Method as well as handling Value Calculated Using the Discounted Cash Flow Method as a standard
Value Calculated Using the Direct Capitalization Method	8,770,000,000	
(1) Gross Operating Revenue	443,497,182	
Maximum Gross Operating Revenue	462,869,220	Assess based on a rent of leasable space and revenues from common area charge, parking and other that are believed to remain stable over the medium and long term
Shortfall Attributed to Vacancies	19,372,038	Assess based on the premise of an occupancy rate that can be maintained over the medium and long term.
(2) Operating Expenses	101,461,811	
Maintenance Expenses	22,899,000	Assess by verifying the level of maintenance expenses at similar properties based on the past actual amount
Utility Expenses	28,103,000	Assess by verifying the level of utility expenses at similar properties based on the past actual amount
Repair Expenses	3,598,083	Assess by verifying the level of repair expenses at similar properties based on the engineering report
Property Management Fee	8,349,812	Assess and recognize a standard level of property management fee by verifying based on the level of property management fee at similar properties
Tenant Recruitment Expenses, etc.	2,718,396	Assess by reflecting turnover and occupancy rate based on the level of tenant recruitment expenses at similar properties
Taxes and Dues	34,222,000	Recognize an amount based on the fiscal 2016 tax statement, etc.
Damage Insurance Fee	530,520	Assess by verifying the level of damage insurance fee, etc. at similar properties based on the estimated amount of insurance premium
Other Expenses	1,041,000	Assess by reflecting discretionary reserve and referring to the past actual amount
(3) Net Operating Income (NOI=(1)-(2))	342,035,371	
(4) Gain on guarantee deposit investment	5,410,016	Assess and recognize income from investments by using an investment return of 2.0% through comprehensive consideration in terms of both management and procurement
(5) Capital Expenditure	22,773,485	Add assessed amount equivalent of construction management fee to assessed amount by verifying the level of renewal expenses, etc. at similar properties based on the engineering report
(6) Net Cash Flow (NCF=(3)+(4)-(5))	324,671,902	
(7) Capitalization Rate	3.7%	Assess by comprehensively considering the property's location, the characteristics of the building and other based on a comparison with transaction cases, etc. at similar properties
Value Calculated Using the Discounted Cash Flow Method	8,360,000,000	
Discount Rate	3.5%	Assess by considering a comparison with transaction cases at similar properties and the property's unique characteristics
Terminal Capitalization Rate	3.9%	Assess by considering future uncertainty, risks and liquidity associated with the property to be invested and other factors based on the capitalization rate
Value Calculated Using the Cost Method	10,100,000,000	
Land	90.1%	
Building	9.9%	

Items applied to adjustments in approaches to the value and the determination of the appraisal value	Nothing in particular
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*Reference

Appraisal NOI Yield (Note)	4.1%
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Note: Appraisal NOI yield is calculated by dividing net operating income (NOI) based on the direct capitalization method described in the above appraisal report by the anticipated acquisition price of the Acquired Property (¥8,400,000 thousand), rounded to the first decimal place.

Property Name	KDX Nihonbashi Kabutocho Building
Appraisal Value	¥12,400,000,000
Appraiser	Japan Real Estate Institute
Appraisal Date	October 31, 2016

Unit: Yen

Item	Content	Basis
Income Capitalization Approach Value	12,400,000,000	Estimate by treating equally the value calculated using the Direct Capitalization Method and the Value Calculated Using the Discounted Cash Flow Method
Value Calculated Using the Direct Capitalization Method	12,500,000,000	Assess by using the cap rate based on medium to long-term stable net cash flow
(1) Gross Operating Revenue	732,946,000	
Maximum Gross Operating Revenue	747,790,000	Assess based on a level of fair rent that is believed to remain stable over the medium and long term
Shortfall Attributed to Vacancies	14,844,000	Assess based on the premise of an occupancy rate that can be maintained over the medium and long term.
(2) Operating Expenses	178,367,000	
Maintenance Expenses	32,088,000	Assess by referring to the actual amount in prior years and maintenance expenses at similar properties
Utility Expenses	50,340,000	Recognize by considering an occupancy rate of leasable space based on the actual amount in prior years
Repair Expenses	13,744,000	Assess by considering actual amount in prior years, future administrative operation plan, expenses at similar properties, annual average repair, maintenance and renewal expenses in the engineering report, and other factors
Property Management Fee	13,816,000	Assess by reflecting compensation rates at similar properties, the property's unique characteristics, and other factors
Tenant Recruitment Expenses, etc.	4,885,000	Recognize the average annual amount that was determined based on the anticipated turnover period of the tenant
Taxes and Dues	62,804,000	Recognize an amount based on the fiscal 2016 tax statement, etc.
Damage Insurance Fee	590,000	Recognize by referring to the insurance premium rate, etc. at similar properties
Other Expenses	100,000	Recognize communication expenses, etc.
(3) Net Operating Income (NOI=(1)-(2))	554,579,000	
(4) Gain on guarantee deposit investment	4,835,000	Assess income from investments by using an investment return of 1.0%
(5) Capital Expenditure	33,180,000	Assuming that an equal amount is added to a reserve in each fiscal period, assess by taking into account the level of capital expenditures at similar properties, the age of the property, and the level of capital expenditure and the average annual repair, maintenance and renewal expenses in the engineering report
(6) Net Cash Flow (NCF=(3)+(4)-(5))	526,234,000	
(7) Capitalization Rate	4.2%	Assess by comprehensively taking into account the property's location, the characteristics of the building and other
Value Calculated Using the Discounted Cash Flow Method	12,300,000,000	
Discount Rate	3.8%	While referring to investment yield, etc. of similar property transactions, assess by comprehensively taking into account the property's unique characteristics
Terminal Capitalization Rate	4.2%	While referring to yield, etc. associated with transactions of similar properties, assess by comprehensively taking into account upcoming changes in investment yield, risks associated with the property to be invested, general prediction of economic growth rate, trends in real estate prices and rent trends, and other factors
Value Calculated Using the Cost Method	10,800,000,000	
Land	84.8%	
Building	15.2%	
Items applied to adjustments in approaches to the value and the determination of the appraisal value		Nothing in particular

Attached Materials

- Reference Material 1 Summary of Projected Revenue and Expense for the Acquired Property
- Reference Material 2 Summary of Building Condition Investigation Report
- Reference Material 3 Property Photographs
- Reference Material 4 Property Portfolio after the Transaction

The Investment Corporation's website: <http://www.kdo-reit.com/en/>

<p>This notice is the English translation of the Japanese announcement on our website released on November 1, 2016. However, no assurance or warranties are given for the completeness or accuracy of this English translation.</p>

Reference Material 1

Summary of Projected Revenue and Expense for the Acquired Property

Unit: Millions of Yen	
A. Projected Operating Revenue	434
B. Projected Operating Expense (Excluding Depreciation Expense)	110
C. Projected NOI (A-B)	324
D. Projected Depreciation Expense	25
E. Projected NOI after Depreciation (C-D)	299
F. Occupancy Rate	96.0%

Underlying assumptions:

1. The above projected revenue and expense are estimates for one year and are exclusive of extraordinary factors from the year of acquisition.
2. Revenue is based on an occupancy rate in the above chart “F. Occupancy Rate”, which is based on the current occupancy rate and future changes of occupancy.
3. Expense includes property management fee, tax and due, repairs and maintenance expense, and insurance premium, etc.

Reference Material 2

Summary of Building Condition Investigation Report

Unit: Yen	
Investigation Company	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Date of Investigation	September 2016
Repairs, maintenance and renovation expenses required over the next year	0
Repairs, maintenance and renovation expenses expected to be required within 2-12 years	305,494,000
Unit-in-Place	2,729,600,000

* The abovementioned investigation company undertakes building assessments such as

- A diagnosis of building deteriorations
- Formulation of a short- and long-term repair and maintenance plans
- Assessment of legal compliance with the Building Standards Act
- Analyses of the existence of hazardous substances
- Analyses of the soil environment

and submits a building assessment report to the Investment Corporation.

Reference Material 3

Property Photographs

Nishi-Shinbashi TS Building



Reference Material 4

Property Portfolio after the Transaction

Type of Use	Area	Property Name	Acquisition Price (Millions of Yen) (Note 1)	Ratio (Note 1)	Acquisition Date
Office Buildings	Tokyo Metropolitan Area	Nittochi Toranomom Building	15,550	3.9%	March 30, 2016
		KDX Musashi-Kosugi Building	12,000	3.0%	March 20, 2014
		KDX Nihonbashi Kabutocho Building	-	-	December 26, 2011
		KDX Harumi Building	10,250	2.5%	June 30, 2008
		KDX Toyosu Grand Square	8,666	2.1%	May 30, 2014
		Nishi-Shinbashi TS Building	8,400	2.1%	February 1, 2017 (Planned)
		Hiei Kudan-Kita Building	7,600	1.9%	February 1, 2008
		KDX Yokohama Building	7,210	1.8%	October 29, 2014
		KDX Shinjuku Building	6,800	1.7%	February 18, 2010
		KDX Ochanomizu Building	6,400	1.6%	April 2, 2007
		KDX Fuchu Building	6,120	1.5%	September 21, 2012
		KDX Shiba-Daimon Building	6,090	1.5%	March 1, 2007
		KDX Kojimachi Building	5,950	1.5%	November 1, 2005
		KDX Nihonbashi 313 Building	5,940	1.5%	August 1, 2005
		KDX Shin-Yokohama 381 Building (Note 2)	5,800	1.4%	Existing Tower: February 1, 2008 Annex Tower: November 18, 2009
		Toshin 24 Building	5,300	1.3%	May 1, 2006
		KDX Takanawadai Building	5,250	1.3%	November 19, 2013
		KDX Iidabashi Building	4,670	1.1%	July 22, 2011
		KDX Ebisu Building	4,640	1.1%	May 1, 2006
		KDX Higashi Shinagawa Building	4,590	1.1%	July 22, 2011
		Higashi-Kayabacho Yuraku Building	4,450	1.1%	August 1, 2005
		KDX Iidabashi Square	4,350	1.0%	January 10, 2014
		KDX Ginza 1chome Building	4,300	1.0%	November 12, 2010
		KDX Nishi-Gotanda Building	4,200	1.0%	December 1, 2006
		KDX Nihonbashi Honcho Building	4,000	1.0%	November 12, 2010
		KDX Hamamatsucho Center Building	3,950	0.9%	September 1, 2015
		KDX Ikebukuro Building	3,900	0.9%	November 18, 2013
		KDX Shin-Nihonbashi Ekimae Building	3,829	0.9%	August 2, 2016
		KDX Kawasaki-Ekimae Hon-cho Building	3,760	0.9%	February 1, 2008
		KDX Shinbashi Building (Note 3)	3,728	0.9%	Acquired Portion: May 1, 2006 Additionally Acquired Portion: December 2, 2013
		KDX Hatchobori Building	3,680	0.9%	August 1, 2005
		KDX Takadanobaba Building	3,650	0.9%	May 30, 2014
		KDX Ginza East Building	3,600	0.9%	March 13, 2015
		KDX Hamamatsucho Building	3,460	0.8%	May 1, 2006
		Pentel Building (Note 4)	3,350	0.8%	March 26, 2015
		KDX Roppongi 228 Building	3,300	0.8%	January 10, 2008
		KDX Mita Building	3,180	0.8%	November 18, 2013
		Koishikawa TG Building	3,080	0.7%	November 18, 2009
		KDX Higashi-Shinjuku Building	2,950	0.7%	September 1, 2006
		KDX Kasuga Building	2,800	0.7%	September 21, 2012
		KDX Kayabacho Building	2,780	0.7%	May 1, 2006
		KDX Jimbocho Building	2,760	0.6%	March 31, 2008
		KDX Yokohama Nishiguchi Building	2,750	0.6%	December 2, 2014
		KDX Hakozaeki Building	2,710	0.6%	July 22, 2011
		Gotanda TG Building	2,620	0.6%	November 18, 2009
		KDX Akihabara Building	2,600	0.6%	November 19, 2013
		KDX Nakano-Sakaue Building	2,533	0.6%	August 1, 2005
		KDX Shin-Yokohama Building	2,520	0.6%	May 1, 2006
		Harajuku F.F. Building	2,450	0.6%	August 1, 2005

Office Buildings	Tokyo Metropolitan Area	KDX Ikejiri-Oohashi Building	2,400	0.6%	February 1, 2008
		KDX Kajicho Building	2,350	0.5%	July 3, 2006
		KDX Hamacho Nakanohashi Building	2,310	0.5%	February 1, 2008
		KDX Shinjuku 286 Building	2,300	0.5%	June 1, 2007
		KDX Shin-Nihonbashi Building	2,300	0.5%	July 22, 2011
		KDX Minami Aoyama Building	2,270	0.5%	August 1, 2005
		KDX Funabashi Building	2,252	0.5%	March 1, 2006
		KDX Hamamatsucho Dai-2 Building	2,200	0.5%	September 1, 2008
		Itopia Nihonbashi SA Building	2,200	0.5%	August 19, 2013
		KDX Shin-Yokohama 214 Building	2,200	0.5%	December 2, 2014
		Shin-toshin Maruzen Building	2,110	0.5%	February 29, 2008
		KDX Omiya Building	2,020	0.5%	March 26, 2013
		KDX Nihonbashi 216 Building	2,010	0.5%	December 1, 2009
		KDX Okachimachi Building	2,000	0.5%	March 1, 2007
		KDX Gobancho Building	1,951	0.4%	March 31, 2008
		Kanda Kihara Building	1,950	0.4%	August 1, 2005
		KDX Ikebukuro West Building	1,934	0.4%	September 3, 2014
		KDX Shinjuku 6-chome Building	1,900	0.4%	September 13, 2013
		KDX Nakameguro Building	1,880	0.4%	September 21, 2012
		KDX Iwamoto-cho Building	1,864	0.4%	May 1, 2008
		BUREX Toranomom	1,750	0.4%	December 3, 2014
		KDX Kiba Building	1,580	0.3%	June 20, 2006
		KDX Nishi-Shinjuku Building	1,500	0.3%	April 2, 2007
		KDX Monzen-Nakacho Building	1,400	0.3%	January 19, 2007
		KDX Kanda Misaki-cho Building	1,380	0.3%	February 1, 2008
		KDX Nihonbashi Edo-dori Building	1,350	0.3%	August 2, 2016
		KDX Hon-Atsugi Building	1,305	0.3%	March 1, 2007
		KDX Tachikawa Ekimae Building	1,267	0.3%	December 26, 2011
		KDX Hachioji Building	1,155	0.2%	March 1, 2007
		Other Regional Areas	Senri Life Science Center Building	13,000	3.2%
	KDX Nagoya Sakae Building		7,550	1.9%	Land: April 25, 2008 Building: July 1, 2009
	KDX Nagoya Ekimae Building		7,327	1.8%	December 26, 2011
	KDX Sakura-dori Building		5,900	1.4%	January 9, 2015
	Portus Center Building		5,570	1.4%	September 21, 2005
	KDX Karasuma Building		5,400	1.3%	June 1, 2007
	KDX Hakata-Minami Building		4,900	1.2%	February 1, 2008
	KDX Shin-Osaka Building		4,550	1.1%	September 1, 2015
	Nichigin-mae KD Building		3,500	0.8%	March 15, 2016
	KDX Kobayashi-Doshomachi Building		2,870	0.7%	December 1, 2010
	KDX Higashi Umeda Building		2,770	0.7%	March 28, 2012
	KDX Utsunomiya Building		2,350	0.5%	May 30, 2014
	KDX Kitahama Building		2,220	0.5%	February 1, 2008
	KDX Minami-Honmachi Building		2,200	0.5%	December 2, 2014
	KDX Sendai Building		2,100	0.5%	June 1, 2007
	KDX Sapporo Building		2,005	0.5%	March 25, 2011
	KDX Hiroshima Building	1,300	0.3%	September 1, 2014	
Total of 94 Office Buildings			365,067	92.3%	-
Central Urban Retail Properties	Tokyo Metropolitan Area	Frame Jinnan-zaka	9,900	2.5%	August 1, 2005
		Ginza 4chome Tower	9,800	2.4%	August 19, 2013
		KDX Yoyogi Building	2,479	0.6%	September 30, 2005
	Total of 3 Central Urban Retail Properties			22,179	5.6%
Residential Property	Tokyo Metropolitan Area	Residence Charmante Tsukishima	5,353	1.3%	May 1, 2006
	Total of 1 Residential Property			5,353	1.3%

Others	Tokyo Metropolitan Area	Shinjuku 6chome Building (Land)	2,880	0.7%	April 18, 2014
	Total of 1 Others Property		2,880	0.7%	-
	Total of 99 Properties		395,480	100.0%	Portfolio PML 2.39%

Investment Securities	G.K. KRF43 Silent Partnership Equity Interest		1,107	-	March 28, 2014
	Total of 1 Investment Securities		1,107	-	

Notes:

1. The acquisition prices and ratios are rounded down to the nearest million and first decimal place respectively.
2. The acquisition price of the existing tower acquired on February 1, 2008 was 4,700 million yen, and the acquisition price of the annex tower acquired on November 18, 2009 was 1,100 million yen.
3. The acquisition price of the portion acquired on May 1, 2006 was 2,690 million yen, and the acquisition price of the additional portion acquired on December 2, 2013 was 1,038 million yen.
4. Building and site, and the land for Pentel Building are counted as one property.