KENEDIX
Office Investment Corporation

Translation of Japanese Original

August 29, 2014

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
Inquiries:
Hikaru Teramoto
General Manager of Planning Department
Office REIT Division
TEL: +81-3-5623-8979

# Notice Concerning the Formation of the Real Estate Investment Corporation Specialized in Retail Properties by the Asset Management Company, and Decision to Submit Notification of Change in Details and Method of Operations

Kenedix Office Investment Corporation ("KDO") announced that Kenedix Real Estate Fund Management, Inc. ("KFM"), the asset management company for the KDO, has decided to establish a new real estate investment corporation specialized in retail properties ("the Investment Corporation") for which KFM is the organizer. As part of the establishment of the Investment Corporation, KFM will submit a notification of a change in details and method of operations based on Article 31, Paragraph 3 of the Financial Instruments and Exchange Act and Article 21 of the Cabinet Office Ordinance on Financial Instruments Business, etc. to the Commissioner of the Financial Services Agency.

1. Intent of the Decision

Kenedix Group which KFM belongs to sets stable growth of assets under management as an important strategic objective. Kenedix Group currently manages three publicly listed real estate investment corporations (J-REITs): KDO, which primarily invests in and manages mid-sized office buildings; Japan Logistics Fund, Inc., which specializes in logistics facilities; and Kenedix Residential Investment Corporation ("KDR"), which mainly targets investment in rental housing, and also manages an open-ended unlisted privately placed real estate investment corporation, Kenedix Private Investment Corporation ("KPI"). Among the currently listed J-REITs (as of July 31, 2014), only three specialize in retail properties. Based on such conditions, KFM has decided to prepare for the establishment of the Investment Corporation (Note) in order to form a J-REIT which primarily invests in retail properties. KFM aims to prevent conflicts of interest by separating the main target investments and other investment criteria of the Investment Corporation from KDO, in addition to strictly adhering to rules

concerning “preferential study rights” and “Pipeline Meeting,” which are rules for preventing conflicts of interest that arise between investment corporations and real estate funds other than investment corporations that are managed by KFM. (With the establishment of the Investment Corporation, KFM will partially amend the rules on the “preferential study rights”. An overview of the amended rules can be found in “4. Approach to Conflicts of Interest” below.)

KFM aims for the Investment Corporation to receive full support from Kenedix, Inc., the sponsor company, in the same way KDO is supported, and to provide products offering stable earnings and sustainable growth in the long term.

Note: The establishment of the Investment Corporation is conditional upon the acquisition of necessary approvals, etc. from the relevant authorities.

2. Schedule of Establishment of the Investment Corporation (Note )

| | |
|---|---|
| Notification of Establishment | Early-October 2014 (scheduled) |
| Establishment of the Investment Corporation | Early-October 2014 (scheduled) |
| Application for Registration | Early-October 2014 (scheduled) |
| Completion of Registration | Early-November 2014 (scheduled) |

Note: The above schedule is KFM’s plan as of the date of this document, and the actual schedule for the establishment of the Investment Corporation may be altered at a later date due to the progress of internal procedures within KFM or approval, etc. by the relevant authorities.

3. Overview of the Notification of the Change in Details and Method of KFM Operations

(1) Details of the Change

Provisions regarding the asset management of the Investment Corporation will be added to the statement of operational procedures.

Furthermore, the following points will be changed in the organizational rules and the rules on responsibilities and authority, which are appended to the statement of operational procedures.

- Addition of provisions on a new fund division (the “New Fund Division”) for conducting the asset management of the Investment Corporation. (Note)

Note: The New Fund Division, which is responsible for the asset management of the Investment Corporation, and the Office REIT Division, which is responsible for the asset management of KDO, are separate divisions. The name of the New Fund Division is planned to be Retail REIT Division. Please see the attached document (Reference) for details.

(2) Notification Date

Mid-September, 2014 (planned)

4. Approach to Conflicts of Interest

With the establishment of the Investment Corporation, KFM is to be entrusted with the asset management of KDO, KDR, KPI and the Investment Corporation. Furthermore, KFM will also be entrusted with the management of real estate funds, etc. other than those of investment corporations (special purpose companies and other corporate forms used as investment vehicles that include but are not limited to partnerships and trust beneficiaries, and are hereinafter referred to as "real estate funds").

Therefore there is a possibility of conflicting acquisition opportunities occurring between KDO, KDR, KPI, the Investment Corporation and real estate funds after the establishment of the Investment Corporation. To begin with, conflicts among investment corporations are avoided by having the Investment Corporation principally invest in retail properties, KDO in medium-sized office buildings, KPI in large-sized office buildings, KDR in rental housing and other residential properties, but there is expected to be some conflicts between KDO, KPI and the Investment Corporation concerning the retail properties. Furthermore, real estate funds are also expected to partially conflict with KDO, KPI and the Investment Corporation concerning the retail properties.

To address this, the rule on "preferential study rights," which is a rule for coordinating conflicts in acquisition opportunities, will be amended the definition of retail properties and ranking of each division acquiring this preferential study rights, and the land with leasehold interests ("the Land") with the establishment of the Investment Corporation, and the ranking of the preferential right to study property information shall be revised as shown below. (For an overview of the existing rule on the "preferential study rights," see "5. Conflict of Interest Approach" in the "Notice Concerning the Formation of an Open-ended Unlisted Privately Placed Real Estate Investment Corporation by the Asset Management Company, and Decision to Submit Notification of Change in Details and Method of Operations" dated October 8, 2013.)

KFM will continue to appropriately adhere to the rules on "preferential study rights" and prohibit an individual from concurrently serving as the general manager of the New Fund Division and the Office REIT Division in an effort to prevent the arbitrary distribution of information on real estate acquisitions and to prevent conflicts of interest between each fund.

Below, "KDO" refers to the Office REIT Division, "KDR" refers to the Residential REIT Division for the KDR asset management, "KPI" refers to the Private REIT Division for the KPI asset management, "New Fund" refers to the New Fund Division and "Private Fund" refers to the Private Fund Division for private fund asset management.

(1) Preferential study rights pertaining to office buildings (Note 1)

| Tokyo 23 Wards | | | |
|---|---|---|---|
| Floor area per building ($m^2$) | Primary | 2nd | 3rd |
| Under 2,000 | KPI | KDO | Private Fund |
| 2,000 to 13,000 | KDO | KPI | Private Fund |
| Over 13,000 | KPI | KDO | Private Fund |

| Outside Tokyo 23 Ward | | | |
|---|---|---|---|
| Floor area per building ($m^2$) | Primary | 2nd | 3rd |
| Under 3,000 | KPI | KDO | Private Fund |
| 3,000 to 20,000 | KDO | KPI | Private Fund |
| Over 20,000 | KPI | KDO | Private Fund |

Note 1: "Office buildings" refers to real estate where the largest amount of floor space of the building(s) composing the real estate is for office use as categorized under the Building Standards Act, or assets with such underlying real estate.

(2) Preferential study rights pertaining to rental housing and other residential properties (Note 2)

| Tokyo 23 Wards | | | |
|---|---|---|---|
| Floor area per building ($m^2$) | Primary | 2nd | 3rd |
| Less than or equal to 20,000 | KDR | KPI | Private Fund |
| Over 20,000 | Private Fund | KDR | KPI |

| Outside Tokyo 23 Wards | | | |
|---|---|---|---|
| Floor area per building ($m^2$) | Primary | 2nd | 3rd |
| Less than or equal to 30,000 | KDR | KPI | Private Fund |
| Over 30,000 | Private Fund | KDR | KPI |

Note 2: "Rental housing and other residential properties" refers to rental housing, serviced apartments, elderly-care housing, company rental housing, student dormitories and apartments, short-term apartments, etc. and other residential properties with facility operators where the largest amount of floor space of the building(s) composing the real estate is for residential use as categorized under the Building Standards Act, or assets with such underlying real estate.

(3) Preferential study rights pertaining to retail properties (Note 3)

| Retail Properties (Excluding Urban Retail Properties (Note 4)) | | | |
|---|---|---|---|
| Floor area per building ($m^2$) | Primary | 2nd | 3rd |
| All | New Fund | KPI | Private Fund |

| Service Properties [Note 5] (Excluding Urban Service Properties [Note 6]) | | | |
|---|---|---|---|
| Floor area per building ($m^2$) | Primary | 2nd | 3rd |
| All | KPI | New Fund | Private Fund |

| Urban Retail Properties | | | | |
|---|---|---|---|---|
| Floor area per building ($m^2$) | Primary | 2nd | 3rd | 4th |
| All | New Fund | KPI | KDO | Private Fund |

| Urban Service Properties | | | | |
|---|---|---|---|---|
| Floor area per building ($m^2$) | Primary | 2nd | 3rd | 4th |
| All | KPI | New Fund | KDO | Private Fund |

Note 3: "Retail Properties" refers to real estate where the largest amount of floor space of the building(s) composing the real estate is for store use as categorized under the Building Standards Act and where the largest amount of floor space of the store use is for stores that conduct the sales of goods (including restaurants, convenience stores, amusement facilities and complex tourism facilities such as theme parks, etc. but excluding sports clubs, wedding halls, prep schools, child day-care centers, insurance agencies, travel agencies, massage parlors, beauty parlors, esthetic clinics and public tenants,) or assets with such underlying real estate.

Note 4: "Urban Retail Properties" refers to retail properties which are located in a busy area with a high level of tenant substitutability, or assets with such underlying real estate.

Note 5: "Service Properties" refers to real estate where the largest amount of floor space of the building(s) composing the real estate is for store use as categorized under the Building Standards Act and where the largest amount of floor space of the store use is for stores that conduct the service business, etc. (including sports clubs, wedding halls, prep schools, child day-care centers, insurance agencies, travel agencies, massage parlors, beauty parlors, esthetic clinics and public tenants but excluding restaurants, convenience stores, amusement facilities and complex tourism facilities such as theme parks, etc.)

Note 6: "Urban Service Properties" refers to Service Properties which are located in a busy area with a high level of tenant substitutability, or assets with such underlying real estate.

(4) Preferential study rights pertaining to hotels[Note 7]

| Floor area per building ($m^2$) | Primary | 2nd | 3rd |
|---|---|---|---|
| All | KPI | Private Fund | — |

Note 7: "Hotels" refers to real estate that provides accommodation facilities where the largest amount of floor space of the building(s) composing the real estate is for hotel use as categorized under the Building Standards Act, is located in an area with high customer appeal and primarily has Western-style structure and facilities, or assets with such underlying real estate.

Furthermore, along with the amendments, divisions to obtain preferential study rights for land with leasehold interests and the obtaining order will be decided using the type of usage of the facility built on the land and utilizing the leasehold interest (if there are several facilities for different usages, the type of usage of the building with the largest floor space) as a standard. In accordance with the above, granting of preferential study rights will also be clarified.

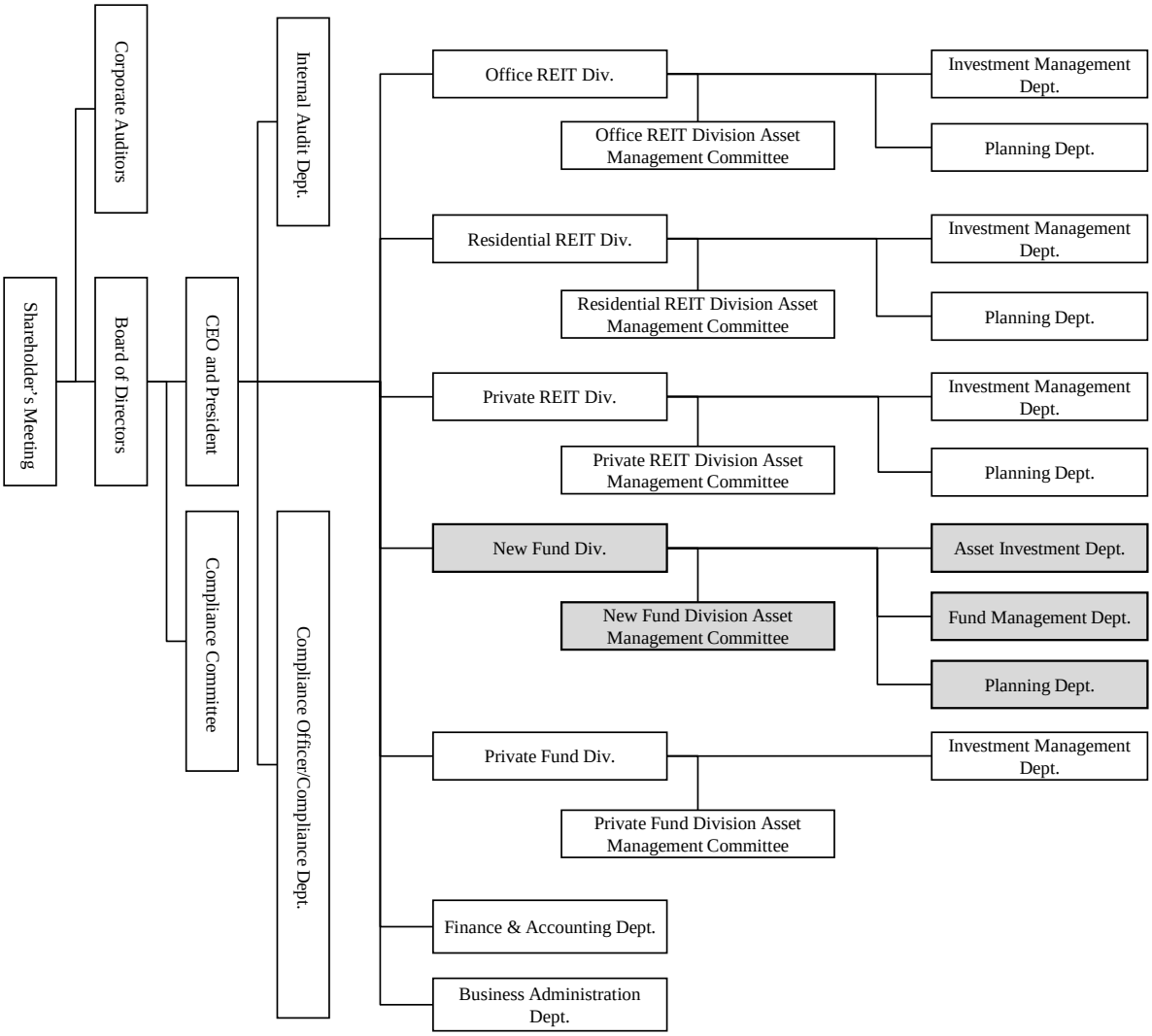
5. Impact on performance

There are no revisions to the operating forecasts of KDO for the fiscal period ending October 2014 (May 1, 2014 to October 31, 2014), as the impact on the KDO performance from the filing of notification of a change in details and method of KFM operations and related matters will be immaterial.

This notice is an English translation of the Japanese announcement on our Web site released on August 29, 2014. No assurance or warranties are given with respect to the accuracy or completeness of this English translation.

(Reference)

■ Organizational Chart of KFM (After)




: New Fund Division of Asset Management for the Real Estate Investment Corporation Specialized in Retail Properties