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Office Investment Corporation

Supplemental Material on the Acquisition and Sale Announced Today

"Notice Concerning Acquisition of Property (Nittochi Toranomon Building) and Sale of Properties (KDX Toranomon Building・Toranomon Toyo Building)"

"Notice Concerning Acquisition of Property (Nichigin-mae KD Building)"

March 1, 2016

Kenedix Office Investment Corporation
Kenedix Real Estate Fund Management, Inc.

Outline of anticipated acquisition/sale properties announced today

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Anticipated acquisition property





Property Name	Nittochi Toranomon Building	Nichigin-mae KD Building
Location	Minato-ku, Tokyo	Nagoya, Aichi
Total Floor Area	11,212.05㎡	5,862.22㎡
Completion Date	October 2013	September 2006
Occupancy Ratio (Note1)	100.0%	89.5%
Number of End Tenants (Note1)	4	12
Anticipated Acquisition Price	¥15,550 mn	¥3,500 mn
Appraisal Value (Note2)	¥16,300 mn	¥3,750 mn
Difference between Appraisal Value and Anticipated Acquisition Price (Anticipated Acquisition Price – Appraisal Value) / Appraisal Value	-4.6%	-6.7%
Seller	NIPPON TOCHI-TATEMONO Co., Ltd.	Echigo Holding TMK
Acquisition Sourcing Route	The Asset Manager's proprietary network	The Asset Manager's proprietary network
Planned Acquisition Date	March 30, 2016	March 15, 2016
Estimated NOI (Note3)	¥592 mn	¥170 mn
NOI yield (Estimated NOI / Anticipated Acquisition Price) (Note3)	3.8%	4.9%
Appraisal NOI (Note4)	¥604 mn	¥183 mn
Appraisal NOI yield (Appraisal NOI / Anticipated Acquisition Price) (Note4)	3.9%	5.2%

Anticipated sale property





Property Name	KDX Toranomon Building	Toranomon Toyo Building
Location	Minato-ku, Tokyo	Minato-ku, Tokyo
Usage	Office Building	Office Building
Total Floor Area	2,277.38㎡	8,346.83㎡
Completion Date	April 1988 (27 years)	August 1962 (53 years)
Assumed Book Value at the time of sale (Note5) / Anticipated Sale Price	¥4,692 mn / ¥3,950 mn	¥9,899 mn / ¥11,470 mn
Difference between Anticipated Sale Price and Assumed Book Value at the time of sale (Anticipated Sale Price – Assumed Book Value at the time of sale) / Assumed Book value at the time of sale	-15.8%	+15.9%
Appraisal Value (Note2)	¥3,740 mn	¥11,100mn
Buyer	NIPPON TOCHI-TATEMONO Co., Ltd.	NIPPON TOCHI-TATEMONO Co., Ltd.
Acquisition Date	April 2007	June 2007
Planned Sale Date	March 30, 2016	March 30, 2016

Outline of the exchange transaction in Toranomon area

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- Transaction through negotiation with multiple developers is realized since the Investment Corporation's sponsor is not a developer

Story of the exchange transaction

KDX Toranomon Building and Toranomon Toyo Building (subject two properties) are located in "the district plan of Toranomon station area southern portion". Hereafter, in the said district, an extra floor-area ratio, among others, can be expected.

We confirmed the intentions of multiple developers to acquire the subject two properties

We decided the policy of transferring the subject two properties in light of the profitability outlook based on their age and a temporary fall in revenue on the assumption that Toranomon Toyo Building will be rebuilt

As normalized DPU level will decline by a simple sale, we asked multiple developers to select candidate properties for sale assuming a exchange transaction

From several proposals, we selected NIPPON TOCHI-TATEMONO Co., Ltd. with Nittochi Toranomon Building, a relatively new and high-spec property located in the Toranomon area, as the transaction target

Outline and effect of the exchange transaction

Achieve improvements of the portfolio quality through exchanging old properties for a relatively new property in good location

Anticipated acquisition property

Nittochi Toranomon Building



Anticipated Acquisition Price	¥15,550 mn
Appraisal Value (Note1)	¥16,300 mn
Anticipated Acquisition Price/ Appraisal Value	95.4%

Exchange Transaction

Settled on March 30, 2016 (planned)

Anticipated sale property

KDX Toranomon Building



Toranomon Toyo Building



Total of Anticipated Sale Price	¥15,420 mn
Total of Appraisal Value (Note1)	¥14,840 mn
Total of Anticipated Sale Price / Total of Appraisal Value	103.9%

Portfolio size expansion (Note2)

Total of Acquisition Price +¥1.3bn

Rejuvenation of building age (Note3)

Average building age of portfolio -1.7 years

KDX Toranomon Bldg.: 27 yrs
Toranomon Toyo Bldg.: 53 yrs → Nittochi Toranomon Bldg.: 2 yrs

Increase of appraisal profit (Note4)

Appraisal profit +¥0.7bn

Increase of retained earnings (Note5)

Gain on sale of property ¥0.74bn
Increase in reserve for reduction entry +¥0.37bn

Achieve improvements of the portfolio quality and reinforcement of financial basis through asset reshuffle

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	Portfolio as of the end of the 21st fiscal period (2015/10)	The exchange transaction in Toranomon area		Acquisition of Nichigin-mae KD Building	Portfolio after the acquisition and sale
		Acquisition of Nittochi Toranomon Building	Sale of KDX Toranomon Building・Toranomon Toyo Building		
Number of properties	97	1	▲2	1	97
Total of acquisition price (bn yen)	388.3	15.5	▲14.2	3.5	393.1
Average NOI yield (Note1)	4.5%	3.8%	4.1%	4.9%	4.5%
Occupancy rate (Note2)	96.0%	100.0%	95.9%	89.5%	96.0%
Average building age (Note3)	22.9 yrs	2.4 yrs	45.7 yrs	9.5 yrs	21.1 yrs
Appraisal profit (bn yen) (Note4)	11	0.7	0	0.2	11.9

	The end of the 21st fiscal period (2015/10)	Balance after provision of reserve for reduction entry with sale
Reserve for reduction entry (bn yen) (Note5)	1.54	1.91

Notes

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For the details of term meanings and calculation methods, etc. in this document, please refer to the following.

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Note1: Occupancy rate and number of properties are listed as of January 31, 2016. Also, figures for occupancy rate are rounded to the first decimal place.
Note2: Base date for appraisal is February 1, 2016.
Note3: Estimated NOI is an estimate for one year calculated by the Asset Management Company and is exclusive of extraordinary factors expected in the year of acquisition. Revenues are based on an expected occupancy rate which is based on the occupancy rate at the time of acquisition and any expected changes in occupancy. Expenses include property management fees, taxes and dues, repairs and maintenance expenses and insurance costs. Estimated NOI yield is rounded to the first decimal place.
Note4: Appraisal NOI is the net operating income (annualized) calculated based on the direct capitalization method described in the relevant appraisal report. Appraisal NOI yield is rounded to the first decimal place.
Note5: Assumed book value is as of the planned sale date and is rounded down to the nearest millions of yen.

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Note1: Base date for appraisal is February 1, 2016.
Note2: It is a difference between the anticipated acquisition price of the anticipated acquisition property and total of acquisition price of anticipated sale property
Note3: As a reference date of March 30, 2016, rejuvenation of building age indicates the difference of the weighted average building age of property based on (anticipated) acquisition price before the sale and that after the acquisition and sale, rounded down to the first decimal place.
Note4: Increased amount in appraisal profit is calculated by adding the difference between the appraisal value and the anticipated acquisition price of anticipated acquisition property and subtracting the difference between the appraisal value as of the end of the 21st fiscal period (2015/10) and the book value of the anticipated sale properties. The amount is rounded down to the nearest 0.1 billions of yen.
Note5: Gain on sale of property is estimated amount (rounded down to the nearest 10 millions of yen) that is totaling a difference between anticipated sale price and assumed book value added sale costs, for each anticipated sale property. It may be different from accounting gain on sale as of the end of the 22nd (2016/4).

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Note1: Average NOI yield for the portfolio as of the end of the 21st (2015/10) and the anticipated sale properties is calculated by dividing actual NOI of the 21st (2015/10) by the acquisition price, while that for anticipated acquisition property is calculated by dividing the Asset Management Company's estimate NOI for one year, exclusive of extraordinary factors expected in the year of acquisition by the anticipated acquisition price. Average NOI yield is rounded to the first decimal place.
Note2: Occupancy rate is listed as of January 31, 2016 and rounded to the first decimal place.
Note3: Building age of each property is calculated as a reference date of March 30, 2016 and average building age is calculated as the weighted average building age based on (anticipated) acquisition price, rounded down to the nearest first decimal place.
Note4: Total appraisal profit is calculated by totaling the difference between the appraisal value and the book value as of the end of the 21st fiscal period (2015/10) for each property owned as of the end of the fiscal period, adding the difference between the appraisal value and the anticipated acquisition price of anticipated acquisition property and subtracting the difference between the appraisal value as of the end of the 21st fiscal period (2015/10) and the book value of the anticipated sale properties. Furthermore, figures are rounded down to the nearest 0.1 billions of yen.
Note5: Balance of reserve for reduction entry is calculated by adding estimated provision of reserve for reduction entry accompanying occurrence of gain on sale to the balance as of the end of the 21st fiscal period (2015/10), which is calculated by adding the provision of current period to the balance in the balance sheet as of the end of the 21st fiscal period (2015/10). Furthermore, figures are rounded down to the nearest 10 millions of yen.

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