KENEDIX
Office Investment Corporation

Supplemental Material on the Acquisition and Sale Announced Today

"Notice Concerning Acquisition of Property (Mitsubishijuko Yokohama Building)"
"Notice Concerning Sale of Properties (KDX Shin-Yokohama 381 Building･Residence Charmante Tsukishima)"

October 30, 2017

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

Outline of the asset reshuffle announced today

Highlight of the asset reshuffle

- Selective investment in the large-sized prime property expected to generate stable earnings over the long term
- Asset reshuffle from “Shin-Yokohama” to “Minato Mirai 21” where further depvelopments are expected
- Improvement in profitability by selling the non-core asset (residential property) contributing little to distributions

Anticipated acquisition property

- Mostly occupied by Mitsubishi Heavy Industries, Ltd. as Yokohama head office, etc.
- Joint investment by core fund and private REIT managed by Kenedix Group

Mitsubishijuko Yokohama Building
(23% of quasi co-ownership interest)



Minato Mirai 21	
Anticipated acquisition price	14.7 bn yen
Appraisal value at the time of acquisition	14.9 bn yen
NOI yield after depreciation (estimate) (Note 1)	3.5%

Quasi co-owner	Quasi co-ownership
G.K. YMM Investment	49%
Kenedix Private Investment Corporation	28%
Kenedix Office Investment Corporation	23%

Anticipated sale property

- Of three properties owned in the Shin-Yokohama area, sell KDX Shin-Yokohama 381 Building with appraisal loss exceeding 20%
- Sell the only residential property owned and achieve capital gains

KDX Shin-Yokohama 381 Building



Shin-Yokohama area	
Anticipated sale price	4.9 bn yen
Appraisal profit/loss (Note 2)	-1.0 bn yen
NOI yield after depreciation (actual) (Note 1)	2.3%

Residence Charmante Tsukishima
(57% of compartmentalized ownership)



Non-core asset (residential property)	
Anticipated sale price	4.9 bn yen
Appraisal profit/loss (Note 2)	+0.4 bn yen
NOI yield after depreciation (actual) (Note 1)	2.4%

Effect of the asset reshuffle

Profitability improvement and portfolio size expansion

	Sale property (actual)		Acquisition property (estimate)
NOI yield after depreciation (Note 1)	2.4%	→	**3.5%**

	Before asset reshuffle		After asset reshuffle
Portfolio size	398.7 bn yen	→	**402.3 bn yen (+3.5 bn yen)**

	Mid-long term estimate
DPU growth per fiscal period (Note 3)	**+307 Yen**
Improved appraisal profit/loss (Note 4)	**+0.8 bn yen**

Note 1: NOI yield after depreciation (estimate) and NOI yield after depreciation (actual) are calculated for the anticipated acquisition property and the anticipated sale properties, respectively, by using the following formulas (rounded to the first decimal place):
NOI yield after depreciation (estimate) : Calculated by dividing net operating income after excluding extraordinary factors for the year of the acquisition and estimated depreciation expense estimated by the Asset Management Company by the anticipated acquisition price
NOI yield after depreciation (actual): Calculated by dividing the sum of the actual NOI after depreciation for 23rd (2016/10) and 24th (2017/4) fiscal period by the acquisition price
Note 2: Appraisal profit/loss: Difference between appraisal value (the base date for appraisal is April 30, 2017) and assumed book value as of scheduled date of sale (truncated to the nearest 100 million yen)
Note 3: Deducting the sum of NOI after depreciation (actual) for the anticipated sale properties from the sum of estimated NOI after depreciation for the anticipated acquisition property calculated in Note 1, then semi-annualize the said full-year amount and divide by the total number of investment units issued (as of the end of 24th fiscal period (2017/4)) to calculate the increment in DPU. Increase in 246 yen per fiscal period when considering funding costs (assuming to have funded the amount deducting the sum of anticipated sale prices from the anticipated acquisition price (4.92 billion yen) by borrowings at an annual rate of 1.0%)
Note 4: Increase in appraisal profit/loss due to property transactions is calculated by adding the difference between the appraisal value (the base date for appraisal is September 1, 2017) and the anticipated acquisition price and subtracting/adding the difference (appraisal profit/loss) of the anticipated sale properties calculated in Note 2 (rounded to the nearest 0.1 billion yen)

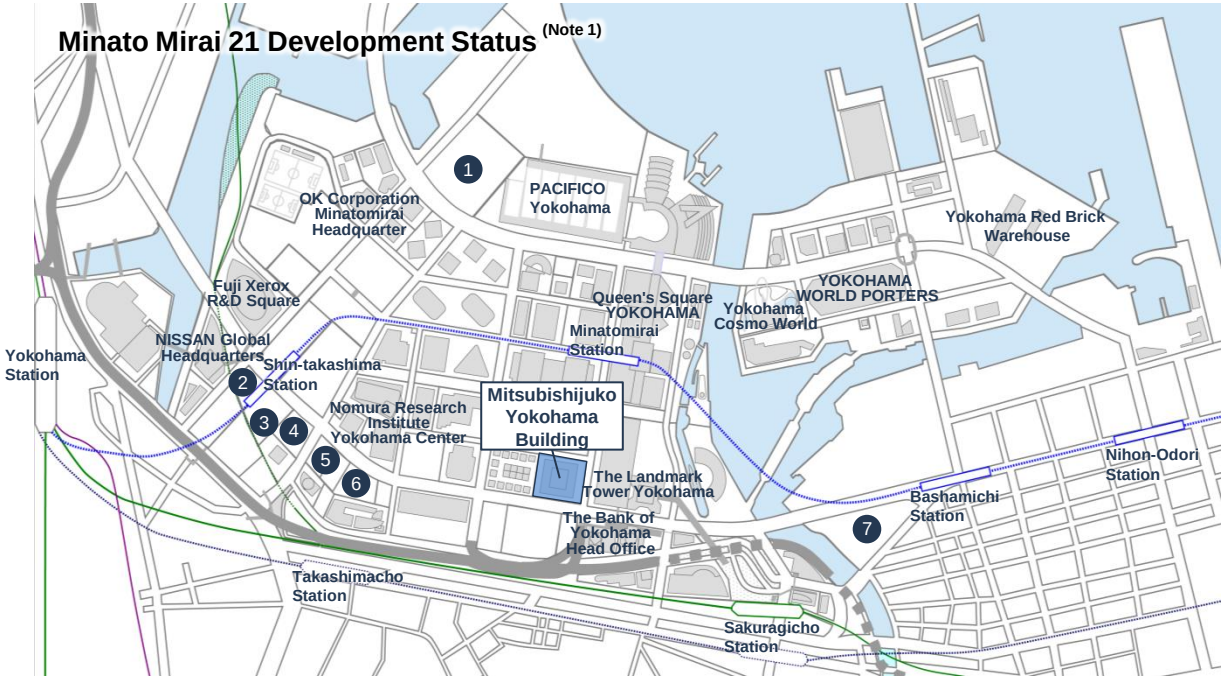
Development and office market of Minato Mirai 21

Concentration and expansion of business, retail, international exchange and other functions

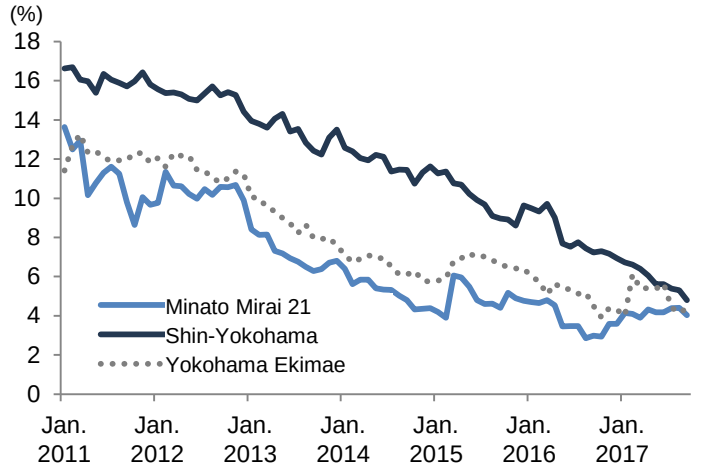
- **Increasing recognition as site for office buildings with approx. 100 thousand employees and more than 1,700 offices**
- **Approx. 75% of the district block has been completed and is in service. Approx. 12% is under construction or contemplation, thus further concentration and development are expected**

Development schedule (office, R&D facilities, etc.)

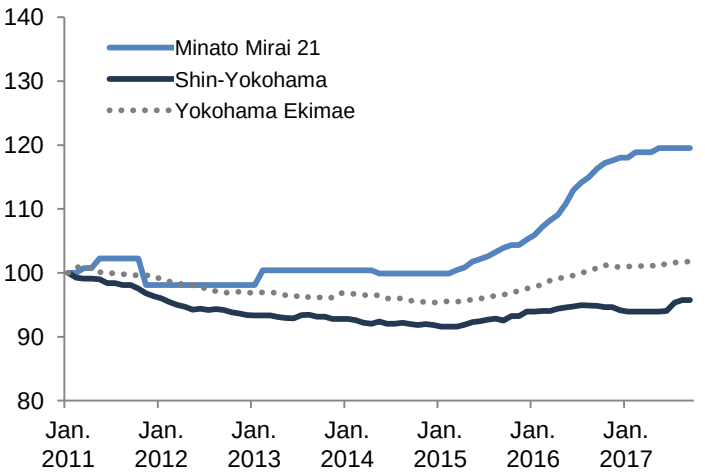
1. MICE Facility Improvement Project in Minato Mirai 21 Central District Block 20
2. (tentative name) Keikyu Group Headquarters Building
3. Shiseido Global Innovation Center
4. (tentative name) LG Global R&D Center
5. KOEI TECMO HOLDINGS Headquarter, etc.
6. Murata Manufacturing Company R&D Center
7. City of Yokohama New City Hall



Changes in vacancy rate (Note 2)



Changes in rent index (Note 2) (Note 3)



Note 1: Compiled by the Asset Management Company using “Figure of Minato Mirai 21 District Block Development Status” (as of August 1, 2017) prepared by City of Yokohama
Note 2: Compiled by the Asset Management Company using data on existing office buildings in “Office Building Markets” (from January 2011 to September 2017) prepared by Miki Shoji Co., Ltd.
Note 3: The average asking unit rent as of January 2011 adjusted to 100

Outline of anticipated acquisition/sale properties

Anticipated acquisition property (Note 1)



Property name	Mitsubishijuko Yokohama Building
Location	Yokohama, Kanagawa
Total floor area (Note 1)	109,472.69 m^2
Completion date	February 1994
Occupancy rate (as of October 30, 2017)	100%
Number of end tenants (as of October 30, 2017)	22
Anticipated acquisition price	14,720 mn yen
Appraisal value (as of September 1, 2017)	14,900 mn yen
Difference between appraisal value and anticipated acquisition price (Anticipated acquisition price – appraisal Value) / appraisal value	-1.2%
Seller	Hulic Co., Ltd.
Scheduled date of acquisition	December 7, 2017
Estimated NOI yield	4.0%
Estimated NOI yield after deprecation	3.5%
Appraisal NOI yield	4.4%

Asset reshuffle

Anticipated sale properties (Note 2)





Property name	KDX Shin-Yokohama 381 Building	Residence Charmante Tsukishima
Location	Yokohama, Kanagawa	Chuo-ku, Tokyo
Total floor area (Note 2)	10,290.30 m^2	18,115.39 m^2
Completion date	Existing tower: March 1988 Annex tower: April 2009	January 2004
Book value (Note 3)	5,398 mn yen	4,478 mn yen
Anticipated sale price	4,900 mn yen	4,900 mn yen
Appraisal value (as of April 30, 2017)	4,310 mn yen	4,900 mn yen
Appraisal profit/loss ratio (Appraisal value – book value) / book value	-20.2%	9.4%
Buyer	Domestic general business corporation	G.K. KRF68
Acquisition date	Existing tower: Feb.1, 2008 Annex tower: Nov.18 2009	May 1, 2006
Scheduled date of sale	October 31, 2017	December 1, 2017
NOI yield (actual)	4.0%	4.1%
NOI yield after depreciation (actual)	2.3%	2.4%
Sale price NOI yield (actual)	4.8%	4.5%

Note 1: Acquiring the trust beneficiary interest in 23% of quasi co-ownership interest of ownership for Mitsubishijuko Yokohama Building. Total floor area for the entire building is shown in the table
Note 2: KDX Shin-Yokohama 381 Building is comprised of the existing and annex towers. Residence Charmante Tsukishima is a compartmentalized ownership building (with exclusive floor area ratio of approx. 57%) and total floor area for the entre building is shown
Note 3: Assumed book value is as of the scheduled date of sale (truncated to the nearest million yen)
Note 4: Yields are calculated using the following formulas (rounded to the first decimal place):
Estimated NOI yield: Calculated by dividing "NOI after excluding extraordinary factors for the year of the acquisition estimated by the Asset Management Company" by the anticipated acquisition price
Estimated NOI yield after depreciation: Calculated by dividing estimated NOI after depreciation (estimated NOI – estimated depreciation expenses) by the anticipated acquisition price
Appraisal NOI yield: Calculated by dividing "NOI calculated based on the direct capitalization method described in the relevant appraisal report" by the anticipated acquisition price
NOI yield (actual): Calculated by dividing the sum of the actual NOI for 23rd (2016/10) and 24th (2017/4) fiscal period by the acquisition price
NOI yield after depreciation (actual): Calculated by dividing the sum of the rental operating income (NOI after depreciation (actual)) for 23rd (2016/10) and 24th (2017/4) fiscal period by the acquisition price
Sale price NOI yield (actual): Calculated by dividing the sum of actual NOI above by the anticipated sale price

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