KENEDIX
Office Investment Corporation

Translation of Japanese Original

May 14, 2018

To All Concerned Parties

REIT Issuer:
Kenedix Office Investment Corporation
Jiro Takeda, Executive Director
(Securities Code: 8972)

Asset Management Company:
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Notice Concerning Acquisition of Property (CROSS PLACE Hamamatsucho) and Sale of Properties (KDX Hamamatsucho Dai-2 Building・Frame Jinnan-zaka)

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, decided to acquire and sell the following properties (respectively "the Acquisition" and "the Sale", and collectively "the Transactions").

1. Outline of the Transactions

(1) Outline of the Acquisition

① Property Name	:	CROSS PLACE Hamamatsucho
② Type of Property to be Acquired	:	Trust beneficiary interest in real estate
③ Anticipated Acquisition Price	:	20,700 million yen (Acquisition costs, adjustment of property tax and city-planning tax, and consumption tax, etc. are excluded.)
④ Seller	:	Domestic general business corporation (hereinafter referred to as "Buyer ①") (Note 1)
⑤ Date of Contract	:	May 14, 2018
⑥ Scheduled Date of Acquisition	:	July 2, 2018
⑦ Acquisition Funds	:	Proceeds from the issuance of new investment units that was resolved at a meeting of the Investment Corporation's board of directors held today (Note 2), and proceeds from the Sale and cash on hand
⑧ Condition of Purchase	:	An obligation to pay the acquisition price is established only when the Investment Corporation completes to raise funds for acquisition of the Acquired Property through the issuance of new investment units as described in ⑦ above, etc.
⑨ Settlement Method	:	Payment in full on settlement

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

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Note 1: Please refer to "5. Seller's and Buyer's Profile" for the reason for non-disclosure of the seller's name.
Note 2: Please refer to the press release titled, "Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units" dated today for the details.

(2) Outline of the Sale

① Property Name	KDX Hamamatsucho Dai-2 Building	Frame Jinnan-zaka (49.0% of quasi co-ownership interest) (Note 1)	Frame Jinnan-zaka (51.0% of quasi co-ownership interest) (Note 1)
② Type of Property to be sold	Real Estate	Trust beneficiary interest in real estate	Trust beneficiary interest in real estate
③ Total of Anticipated Sale Price (Note 2) (Note 3)	12,550 million yen		
④ Assumed Book Value (Note 4)	2,230 million yen	4,483 million yen	4,651 million yen
⑤ Difference between Total of Anticipated Sale Price and Total of Assumed Book Value: ③-④ (Note 5)	1,183 million yen		
⑥ Buyer	Buyer ① (Note 6)	SPC composed by Buyer ① (hereinafter referred to as "Buyer ②") (Note 6)	
⑦ Date of Contract (Note 1)	May 14, 2018	May 14, 2018	May 14, 2018
⑧ Scheduled Date of Sale (Note 1)	July 2, 2018	July 2, 2018	November 1, 2018
⑨ Use of Proceeds	Acquisition funds, etc. for the Acquired Property	Acquisition funds, etc. for the Acquired Property	Supplement for cash on hand due to loss from the acquisition of the Acquired Property
⑩ Settlement Method	Payment in full on settlement	Payment in full on settlement	Payment in full on settlement
⑪ Buyer Selection	Buyer ① and Buyer ② (hereinafter collectively referred to as "Buyer Group") offered the purchase and then the Investment Corporation determined to sell the properties upon verification of the offered price, and conditions of the sale, etc.		

Note 1: The ratio of quasi co-ownership interest, date of contract and scheduled date of sale that are stated on the transaction agreement are indicated.
Note 2: Transfer costs, adjustment of property tax and city-planning tax, and consumption tax, etc. are excluded from the figure, which is rounded down to millions of yen.
Note 3: Each anticipated sale price is not disclosed because the Buyer Group required it as a condition for the Transactions, hence only the total anticipated sale price of all the properties to be sold is disclosed.
Note 4: Each assumed book value is as of the scheduled date of sale, rounded down to millions of yen.
Note 5: The figure is a referential amount, calculated as a difference between anticipated sale price and assumed book value, and different from gain or loss on sale. From the reason stated above in Note 3, each anticipated sale price is not disclosed and, therefore, the total amount of the difference between anticipated sale price and assumed book value is only indicated, rounded down to millions of yen. The anticipated sale price is not under the assumed book value for all the properties to be sold.
Note 6: Please refer to "5. Seller's and Buyer's Profile" for the reason for non-disclosure of the buyer's name.

The aforementioned properties shall hereinafter be referred to as "the Sold Properties" collectively.

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2. Reason for the Transactions

The Investment Corporation has enhanced the quality of the portfolio by reshuffling the portfolio to further diversify tenant composition and sell properties before potential deterioration in profitability with comprehensive consideration of the policy of how to construct the portfolio, trends of real estate markets, and characteristics of each property in the portfolio (profitability, building age and location, etc.), while engaging in acquisition of properties according to the management strategies.

The Acquired Property which is relatively new and located in the center of Tokyo will be purchased through mutual transactions based on a negotiation with the Buyer Group, which is implemented by use of unique information sources held by the Asset Management Company.

The Investment Corporation raises the ratio of investment in office buildings by selling the central urban retail facility Frame Jinnan-zaka, one of the non-core assets in the portfolio, and replaces the older and smaller asset KDX Hamamatsucho Dai-2 Building with the Acquired Property, which is a prime property located in the center of Tokyo.

The Investment Corporation's particular expertise in the track record of mutual transactions is fully demonstrated in the Transactions. The Investment Corporation will continue to involve strategic reshuffle of properties in the portfolio.

In mutual transactions, purchase and sale are usually implemented at the same time, but as for the Transactions, while acquisition of the whole Acquired Property and the sale of a portion of the Sold Properties are executed on the same day, sale of a portion of Frame Jinnan-zaka (51.0% of quasi co-ownership interest) is to be executed approximately four months after the scheduled date of acquisition of the Acquired Property. The Investment Corporation can earn rental revenue earlier by acquiring the Acquired Property in advance and extend earning rental revenue period from the Sold Properties by delaying the date of the sale. Therefore, the Transactions are considered to be a favorable condition for the Investment Corporation compared to other common mutual transactions.

The Acquired Property is categorized as a mid-sized office building that the Investment Corporation has focused on as the main investment target, and the following characteristics were evaluated in determining to acquire it.

(1) Location

In Hamamatsucho/Shibakoen area, where the Acquired Property is located, there are a number of offices of companies that develop business throughout Japan and Tokyo branch offices of those headquartered in regional areas, since the area has easy access to Tokyo Station and Shinagawa Station on the Tokaido Shinkansen, and Haneda Airport, etc.

The Acquired Property is an office building with greater traffic convenience in the area, as it is located approximately 7 minutes, 3 minutes and 4 minutes on foot from Hamamatsucho Station on the JR Yamanote Line and Keihin-Tohoku Line, Daimon Station on the Toei Subway Asakusa Line and Toei Subway Oedo Line, and Onarimon Station on the Toei Subway Mita Line, respectively.

(2) Building

The Acquired Property is a mid-sized office building with 10 above-ground floors constructed in 2015, with the standard leasable floor areas of approximately 1,005 m^2 (about 304 tsubos) and ceiling height of 2.8 m. The building is equipped with the same level of facilities as recently-built large-sized buildings, as represented by OA floors (100 mm), individual air conditioning systems, security measures supported by contact-free IC cards, a 72-hour emergency power generator and a quake-absorbing structure that reduces shocks of an earthquake.

As many of the buildings located in the area are mid- and small-sized, and with few office buildings supplied in the 2000s and after, the younger-aged Acquired Property built in 2015 with a standard floor area of 1,005 m^2 (about 304

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tsubos) is seen as a rare property and possesses high competitiveness in the area.

The portfolio of the Investment Corporation after the Transactions will include 96 properties (total of (anticipated) acquisition price: 415.8 billion yen). The ratios of investment in mid-sized office buildings, in the Tokyo Metropolitan Area (Note 1) and in the Five Central Wards of Tokyo (Note 2) are estimated to be 85.0%, 81.4% and 52.8%, respectively, on a basis of (anticipated) acquisition prices. The Investment Corporation considers the Transactions to contribute to the enhancement of the quality and expansion of the asset size of the portfolio.

Note 1: The Tokyo Metropolitan Area means major cities in Tokyo Metropolitan, Kanagawa, Saitama and Chiba Prefectures.
Note 2: The Five Central Wards of Tokyo means Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku and Shinjuku-ku in Tokyo 23 Wards.

3. Details of the Acquired Property

CROSS PLACE Hamamatsucho

Property Name		CROSS PLACE Hamamatsucho
Type of Specified Asset		Trust beneficiary interest in real estate
Trustee		Sumitomo Mitsui Trust Bank, Limited
Trust Term		April 3, 2015 to March 31, 2025 (Note 1)
Current Owner (Current Beneficiary)		Buyer ①
Location (Address)		1-7-6 Shibakoen, Minato-ku, Tokyo
Usage		Office
Type of Structure		Flat-roofed Steel-framed structure; 10 above-ground floors
Site Area	Land	1,917.71 m^2
	Building (Total Floor Area)	12,280.77 m^2
Type of Ownership	Land	Proprietary ownership
	Building	Proprietary ownership
Completion Date		February 28, 2015
Architect Company		Kajima Corporation
Construction Company		Kajima Corporation
Construction Confirmation Authority		Public Interest Incorporated Foundation Tokyo Metropolitan Center for Community Development and Disaster Resistant Architecture
Probable Maximum Loss		0.68% (Sompo Risk Management & Health Care Inc.)
Anticipated Acquisition Price		20,700 million yen
Appraisal	Appraisal Value	22,400 million yen
	Base Date for Appraisal	March 31, 2018
	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 February 28, 2018
	Number of End Tenants	15
	Total Leasable Area	9,325.18 m^2

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	Total Leased Area	9,325.18 m^2
	Occupancy Rate	100.0%
	Monthly Rent and Common Area Charge (Excluding Consumption Tax, etc.)	81 million yen (Note 2)
	Security and Guarantee Deposit	987 million yen (Note 2)
Forecast Income and Expenditure (Annual Amount)		Please refer to "Reference Material 1 for the details".
	Forecast Net Operating Income	772 million yen
	Forecast Net Operating Income after Depreciation	623 million yen
Special Considerations		Not applicable
Other		Note 1: The Investment Corporation plans to change the end of trust term to August 1, 2025 at the time of acquisition. Note 2: 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 has started as of February 28, 2018.

4. Details of the Sold Properties

KDX Hamamatsucho Dai-2 Building

Property Name		KDX Hamamatsucho Dai-2 Building
Type of Specified Asset		Real estate
Location (Address)		2-4-7 Shibadaimon, Minato-ku, Tokyo
Usage		Office
Type of Structure		Flat-roofed, Steel-framed, Steel-framed reinforced concrete structure; 8 above-ground floors with 1 underground floor
Site Area	Land	368.28 m^2
	Building (Total Floor Area)	2,478.90 m^2
Type of Ownership	Land	Proprietary ownership
	Building	Proprietary ownership
Completion Date		April 2, 1992
Acquisition Date		September 1, 2008
Acquisition Price		2,200 million yen
Appraisal	Appraisal Value	2,200 million yen
	Base Date for Appraisal	April 30, 2018
	Appraiser	Daiwa Real Estate Appraisal Co.,Ltd.
	Details	Please refer to "11. Summary of Appraisal Report".
Details of Tenant		As of February 28, 2018
	Security and Guarantee Deposit	100 million yen (Figure is rounded down to millions of yen.)
	Number of End Tenants	8
	Total Leasable Area	1,954.23 m^2
	Total Leased Area	1,954.23 m^2
	Occupancy Rate	100.0%
Operating Results		The total of the actual amounts for fiscal periods ended April 30, 2017 and October 31, 2017
	Rent Revenue	126 million yen

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	Net Operating Income	90 million yen
	Rental Operating Income (Net Operating Income after Depreciation)	79 million yen

Frame Jinnan-zaka

Property Name		Frame Jinnan-zaka (49.0% of quasi co-ownership interest and 51.0% of quasi co-ownership interest) (Note)
Type of Specified Asset		Trust beneficiary interest in real estate
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Location (Address)		1-18-2, Jinnan, Shibuya-ku, Tokyo
Usage		Retail shop, Office
Type of Structure		Flat-roofed, Steel-framed, Reinforced concrete, Steel-framed reinforced concrete structure; 7 above-ground floors with 2 underground floors
Site Area	Land	1,240.51 m^2
	Building (Total Floor Area)	6,302.58 m^2
Type of Ownership	Land	Proprietary ownership
	Building	Proprietary ownership
Completion Date		March 31, 2005
Acquisition Date		August 1, 2005
Acquisition Price		9,900 million yen
Appraisal	Appraisal Value	11,100 million yen
	Base Date for Appraisal	April 30, 2018
	Appraiser	Japan Real Estate Institute
	Details	Please refer to “11. Summary of Appraisal Report”.
Details of Tenant		As of February 28, 2018
	Security and Guarantee Deposit	365 million yen (Figure is rounded down to millions of yen.)
	Number of End Tenants	12
	Total Leasable Area	4,639.03 m^2
	Total Leased Area	4,639.03 m^2
	Occupancy Rate	100.0%
Operating Results		The total of the actual amounts for fiscal periods ended April 30, 2017 and October 31, 2017
	Rent Revenue	555 million yen
	Net Operating Income	433 million yen
	Rental Operating Income (Net Operating Income after Depreciation)	317 million yen

Note: The Investment Corporation has entered into the trust beneficiary interest transaction agreement regarding 49.0% of quasi co-ownership interest in the trust beneficiary interest of Frame Jinnan-zaka with Buyer ②, the date of the execution of the sale of which is set on July 2, 2018. The Investment Corporation has also entered into the trust beneficiary interest transaction agreement regarding 51.0% of quasi co-ownership interest in the trust beneficiary interest of Frame Jinnan-zaka with Buyer ②, the date of execution of the sale of which is set on November 1, 2018. In the event that 49.0% of quasi co-ownership interest in the trust beneficiary interest of Frame Jinnan-zaka is sold based on the above trust beneficiary interest transaction agreement, the Investment Corporation will jointly own the trust beneficiary interest in this property with Buyer ② until the remaining 51.0% of quasi co-ownership interest in the trust beneficiary interest is sold. Therefore, the Investment Corporation has entered into the agreement among beneficiaries with Buyer ② and the trustee, as at the execution of the trust beneficiary interest transaction

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agreements.
The aforementioned dates of the execution of the sale may change upon agreement between the Investment Corporation and Buyer ②.

5. Seller's and Buyer's Profile

(1) Seller's and Buyer's Profile of KDX Hamamatsucho Dai-2 Building

Although the seller and Buyer ①, the buyer of KDX Hamamatsucho Dai-2 Building, are the same domestic general business corporation, since Buyer ① has required non-disclosure of their name, etc. as the indispensable condition for the Transactions. Buyer ① is not a special related party of the Investment Corporation or the Asset Management Company.

(2) Buyer's Profile of Frame Jinnan-zaka (49.0% of quasi co-ownership interest and 51.0% of quasi co-ownership interest)

Since Buyer Group has required non-disclosure of their name, etc. as the indispensable condition for the Transactions, Buyer ②, the buyer of Frame Jinnan-zaka (49.0% of quasi co-ownership interest and 51.0% of quasi co-ownership interest), are not disclosed. Buyer ② is not a special related party of the Investment Corporation or the Asset management Company.

6. Acquirer's (Previous Owners of Current Owner) Profile

It is omitted because the seller (current owner) of the Acquired Property is not a special related party of the Investment Corporation or the Asset Management Company.

7. Details of Brokerage

Not applicable for the Transactions

8. Related-party Transactions

Concerning the following transactions with related parties in relation to the Acquisition, the Asset Management Company fully complies with standards provided for in laws and regulations and other rules, based on the Office REIT Department Related-party Transaction Rules. The Asset Management Company's Office REIT Department Asset Management Committee passed a resolution on the related-party transactions upon deliberation and resolution at its Compliance Committee. The Asset Management Company will deliver a document on the related-party transactions related to the Acquisition to the Investment Corporation, according to the Act on Investment Trusts and Investment Corporations ("the Investment Trust Act").
No related-party transactions will occur related to the Sale.

[Appointment of Property Management Company]

The Investment Corporation will, regarding the Acquired Property, enter into a property management agreement with Kenedix Property Management, Inc. on the scheduled acquisition date.
The property management fee will be the same as those for other properties in the portfolio.

[Outline of Kenedix Property Management, Inc.]

Company Name	Kenedix Property Management, Inc.
Location	5-1-9 Shinbashi, Minato-ku, Tokyo
Title and Name of Representative	Akimitsu Uezu, President & CEO

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Description of Business	1. Real estate trading, building management and operation related consulting business 2. Maintenance for building and various attached facilities, cleaning, security service contract 3. Real estate transaction, leasing brokerage, management and appraisement 4. Class II Financial Instrument Business Operator
Amount of Capital	100 million yen
Date of Incorporation	January 31, 2014
Relationship with the Investment Corporation or the Asset Management Company	The property management company is a subsidiary 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 Act and a related party as defined in the Office REIT Department Related-party Transaction Rules of the Asset Management Company.

9. Date of the Transactions

Determination Date of the Acquisition and the Sale Transaction Agreement Execution Date of the Transactions	May 14, 2018
Settlement and Acquisition Date of the Acquisition Settlement and Sale Date of KDX Hamamatsucho Dai-2 Building and Frame Jinnan-zaka (49.0% of quasi co-ownership interest)	July 2, 2018 (Scheduled) (Note)
Settlement and Sale Date of Frame Jinnan-zaka (51.0% of quasi co-ownership interest)	November 1, 2018 (Scheduled) (Note)

Note: The trust beneficiary interest transaction agreement concluded with the seller, and the trust beneficiary interest transaction agreement and the real estate transaction agreement concluded with the buyer in the Transactions (collectively, the "Transaction Agreements") fall under the category of forward commitment, etc. by an investment corporation, as stipulated in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. provided by Financial Services Agency. If the Investment Corporation violates any of the provisions of the Transaction Agreements and then the Transaction Agreements are cancelled for the reason that purposes of the Transaction Agreements cannot be fulfilled due to such violation, the Investment Corporation shall pay a certain ratio of the transaction price from which consumption taxes, etc. are excluded as penalty fees. Such penalty fee for the Acquired Property is set at 4% of the anticipated acquisition price (828 million yen). However, under the Transaction Agreements, an obligation to pay the acquisition price is established only when the Investment Corporation completes to raise funds for acquisition of the property to be acquired through the issuance of new investment units via the offering. Each of the anticipated sale prices of the Sold Properties is not disclosed because the buyer has not given consent, and thus each of the penalty fees regarding the Sold Properties is not also disclosed. The Investment Corporation shall pay penalty fees of a certain ratio of the respective sale prices as stipulated in any of the Transaction Agreements ranging from 5% to 20%.

10. Outlook

The Transactions will be executed in the fiscal period ending October 31, 2018 (from May 1, 2018 to October 31, 2018) and the fiscal period ending April 30, 2019 (form November 1, 2018 to April 30, 2019). Therefore, there will be no impact of the Transactions on the financial results for the fiscal period ended April 30, 2018 (from November 1, 2017 to April 30, 2018).

From the Transactions, gains on sales are expected in the fiscal period ending October 31, 2018 and the fiscal period ending April 30, 2019. For impact of the Transactions on the financial results, please refer to the press release titled "Notice Concerning Operating Forecasts for the Fiscal Period Ending October 31, 2018 (the 27th Fiscal Period) and for the Fiscal Period Ending April 30, 2019 (the 28th Fiscal Period)" dated today.

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11. Summary of Appraisal Report

Property Name	CROSS PLACE Hamamatsucho

Appraisal Value	22,400,000,000 yen
Appraiser	Daiwa Real Estate Appraisal Co.,Ltd.
Appraisal Date	March 31, 2018

Unit: Yen

Item	Content	Basis
Income Capitalization Approach Value	22,400,000,000	Assess an amount 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	23,000,000,000	
(1) Gross Operating Revenue	981,054,733	
Maximum Gross Operating Revenue	1,024,239,240	Assess an amount based on the rent revenue, common area charge revenue, parking revenue and other revenue, etc. that are believed to remain stable over the medium and long term
Shortfall Attributed to Vacancies	43,184,507	Assess an amount based on the premise of an occupancy ratio that is believed to remain stable over the medium and long term
(2) Operating Expenses	173,940,171	
Maintenance Expenses	35,543,000	Assess an amount based on the actual maintenance expenses and by verifying such amount by reference to the standards of maintenance expenses at similar properties
Utility Expenses	45,698,000	Assess an amount based on the actual utility expenses in the past, and by verifying such amount by reference to the levels of utility expenses at similar properties
Repair Expenses	6,377,917	Assess an amount based on the engineering report, and by verifying such amount by reference to the levels of repair expenses at similar properties
Property Management Fees	18,646,195	Assess a standardized PM fee ratio based on PM fee ratios of similar properties
Tenant Recruit Expenses, etc.	7,707,216	Assess an amount in consideration of an estimated tenant turnover and a vacancy rate, based on the levels of tenant recruitment expenses, etc. at similar properties
Taxes and Dues	57,790,400	Assess an amount based on the fiscal 2017 tax statement, etc.
Damage Insurance Fees	823,443	Assess an amount based on an estimated insurance premium, and by verifying such amount by reference to insurance premiums, etc. at similar properties
Other Expenses	1,354,000	Assess an amount based on actual other expenses in the past
(3) Net Operating Income (NOI= (1)-(2))	807,114,562	
(4) Gain on Guarantee Deposit Investment	9,117,728	Assess income from investments by using an investment return of 1.0%
(5) Capital Expenditure	10,385,159	Assess an amount based on building replacement value and by verifying such amount by reference to renewal expenses at similar properties, added by CM fees
(6) Net Cash Flow (NCF=(3)+(4)-(5))	805,847,131	
(7) Capitalization Rate	3.5%	Assess an amount by comprehensively considering transaction cases, etc. at similar properties, and the property's location, the characteristics of the building, the rights, the terms of the contract and other factors
Value Calculated Using the Discounted Cash Flow Method	22,200,000,000	
Discount Rate	3.3%	Assess an amount by considering a comparison with transaction cases at similar properties and the property's unique characteristics
Terminal Capitalization Rate	3.7%	Assess an amount by considering nature of net cash flow for calculation of the capitalization rate, future uncertainty, liquidity, marketability and other factors
Value Calculated Using the Cost Method	19,900,000,000	
Land	79.4%	
Building	20.6%	

The Appraiser's Points to Consider upon Appraisal Other Than the Above	Nothing in particular

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*Reference

Appraisal NOI Yield (Note)	3.9%

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 acquisition price of the Acquired Property (20,700 million yen), rounded to the first decimal place.

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Property Name	KDX Hamamatsucho Dai-2 Building

Appraisal Value	2,200,000,000 yen
Appraiser	Daiwa Real Estate Appraisal Co.,Ltd.
Appraisal Date	April 30, 2018

Unit: Yen

Item	Content	Basis
Income Capitalization Approach Value	2,200,000,000	Assess an amount 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	2,260,000,000	Assess an amount by using the cap rate based on medium to long-term stable net cash flow
(1) Gross Operating Revenue	125,734,342	
Maximum Gross Operating Revenue	132,080,360	Assess an amount based on the rent revenue, common area charge revenue, parking revenue and other revenue, etc. that are believed to remain stable over the medium and long term
Shortfall Attributed to Vacancies	6,346,018	Assess an amount based on the premise of an occupancy ratio that is believed to remain stable over the medium and long term
(2) Operating Expenses	35,746,611	
Maintenance Expenses	4,965,744	Assess an amount based on the actual maintenance expenses and by verifying such amount by reference to the standards of maintenance expenses at similar properties
Utility Expenses	8,133,000	Assess an amount based on the actual utility expenses in the past, and by verifying such amount by reference to the levels of utility expenses at similar properties
Repair Expenses	1,880,500	Assess an amount based on the medium and long term budget for repair expenses stated in the engineering report, and by verifying such amount by reference to the levels of repair expenses at similar properties
Property Management Fees	2,323,129	Assess a standardized PM fee ratio based on PM fee ratios at similar properties
Tenant Recruit Expenses, etc.	735,174	Assess an amount in consideration of an estimated tenant turnover and a vacancy rate, based on the levels of tenant recruitment expenses, etc. at similar properties
Taxes and Dues	17,081,400	Assess an amount based on the fiscal 2017 tax statement, etc.
Damage Insurance Fees	119,660	Assess an amount based on an actual insurance premium, and by verifying such amount by reference to insurance premiums, etc. at similar properties
Other Expenses	508,004	Assess an amount based on actual other expenses in the past
(3) Net Operating Income (NOI= (1)-(2))	89,987,731	
(4) Gain on Guarantee Deposit Investment	760,939	Assess income from investments by using an investment return of 1.0% and by comprehensively taking into account from the perspective of both of investment and finance
(5) Capital Expenditure	4,688,500	Assess an amount based on the medium and long term budget for repair expenses stated in the engineering report, and by verifying such amount by reference to renewal expenses at similar properties, added by CM fees
(6) Net Cash Flow (NCF=(3)+(4)-(5))	86,060,170	
(7) Capitalization Rate	3.8%	Assess an amount by comprehensively taking into account the property's location, the characteristics of the building and other factors
Value Calculated Using the Discounted Cash Flow Method	2,170,000,000	
Discount Rate	3.6%	Assess an amount by comprehensively taking into account the property's unique characteristics, by reference to investment yields, etc. of similar property transactions
Terminal Capitalization Rate	4.0%	While referring to yield, etc. associated with transactions of similar properties, assess an amount 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, by reference to transaction yields, etc. at similar properties
Value Calculated Using the Cost Method	2,140,000,000	
Land	92.4%	
Building	7.6%	

The Appraiser's Points to Consider upon Appraisal Other Than the Above	Nothing in particular

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Property Name	Frame Jinnan-zaka

Appraisal Value	11,100,000,000 yen
Appraiser	Japan Real Estate Institute
Appraisal Date	April 30, 2018

Unit: Yen

Item	Content	Basis
Income Capitalization Approach Value	11,100,000,000	Estimate an amount 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	11,200,000,000	Assess an amount by using the cap rate based on medium to long-term stable net cash flow
(1) Gross Operating Revenue	523,528,000	
Maximum Gross Operating Revenue	545,840,000	Assess an amount based on a level of fair rent that is believed to remain stable over the medium and long term
Shortfall Attributed to Vacancies	22,312,000	Assess an amount based on the premise of an occupancy ratio that remains stable over the medium and long term
(2) Operating Expenses	102,682,000	
Maintenance Expenses	18,300,000	Recognize an amount in consideration of the actual amounts in the prior years, maintenance expenses of similar properties and unique characteristics of the property
Utility Expenses	34,800,000	Recognize an amount based on the actual amounts in the prior years and in consideration of an occupancy rate of leased area and other factors
Repair Expenses	3,539,000	Recognize an amount by considering future administrative operation plan, expenses at similar properties, annual average repair, maintenance and renewal expenses in the engineering report, and other factors
Property Management Fees	2,760,000	Recognize an amount in consideration of compensation rates at similar properties and unique characteristics of the property
Tenant Recruitt Expenses, etc.	8,352,000	Recognize an annual average amount assessed based on the estimated tenant turnover period
Taxes and Dues	33,477,000	Recognize an amount based on the fiscal 2017 tax statement, etc.
Damage Insurance Fees	237,000	Recognize an amount by considering the insurance premium based on the insurance policy and the insurance premium rate, etc. of the property
Other Expenses	1,217,000	Recognize an amount in consideration of the actual amounts in the prior years
(3) Net Operating Income (NOI= (1)-(2))	420,846,000	
(4) Gain on Guarantee Deposit Investment	3,067,000	Assess income from investments by using an investment return of 1.0%
(5) Capital Expenditure	8,460,000	Assess an amount by taking into account the level of capital expenditures at similar properties, the age of the property, and the average annual repair, maintenance and renewal expenses in the engineering report, assuming that an equal amount is added to a reserve in each fiscal period
(6) Net Cash Flow (NCF=(3)+(4)-(5))	415,453,000	
(7) Capitalization Rate	3.7%	Assess an amount by comprehensively taking into account the property's location, the characteristics of the building and other factors
Value Calculated Using the Discounted Cash Flow Method	11,000,000,000	
Discount Rate	3.4%	Assess an amount by comprehensively taking into account the property's unique characteristics, by reference to investment yields, etc. at similar property transactions
Terminal Capitalization Rate	3.8%	While referring to yield, etc. associated with transactions of similar properties, assess an amount 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, and other factors, by reference to transaction yields, etc. at similar properties
Value Calculated Using the Cost Method	8,760,000,000	
Land	87.2%	
Building	12.8%	

The Appraiser's Points to Consider upon Appraisal Other Than the Above	Use the Income Capitalization Approach Value as the decision is made that the Income Capitalization Approach Value is more persuasive because the price determination process has been accurately reproduced from the aspect of income, while referring to the Value Calculated Using the Cost Method

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Attached Materials

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

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

This notice is the English translation of the Japanese announcement on our website released on May 14, 2018. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

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Reference Material 1

Summary of Projected Revenue and Expense for the Acquired Property

	Unit: Millions of Yen
A. Projected Operating Revenue	961
B. Projected Operating Expense (Excluding Depreciation Expense)	189
C. Projected NOI (A-B)	772
D. Projected Depreciation Expense	148
E. Projected NOI after Depreciation (C-D)	623
F. Projected Occupancy Rate	96%

Underlying assumptions:

1. The above projected operating revenue and expenses are estimates for one year and are exclusive of extraordinary factors from the year of acquisition.
2. The above projected operating revenue includes ancillary revenue except monthly rent and common area charge.
3. The above projected operating expenses include property management fees, taxes and dues, repairs and maintenance expenses, and insurance premiums, etc.
4. It is assumed that an occupancy rate fluctuates according to “F. Projected Occupancy Rate” in the above chart.

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Reference Material 2

Summary of Building Condition Investigation Report on the Acquired Property

Unit: Yen	
Investigation Company	Tokyo Marine & Nichido Risk Consulting Co., Ltd
Date of Investigation	February 2018
Repairs, maintenance and renovation expenses required over the next year	0
Repairs, maintenance and renovation expenses expected to be required within 2-12 years	83,362,000
Replacement Value	4,032,300,000

* The abovementioned investigation company undertakes building condition evaluations 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, etc.
  - ・Analyses of the existence of hazardous substances
  - ・Analyses of the soil environment

  and submits a building condition investigation report to the Investment Corporation.

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Reference Material 3

Photographs and the Location of the Acquired Property

【Photographs of the Acquired Property】

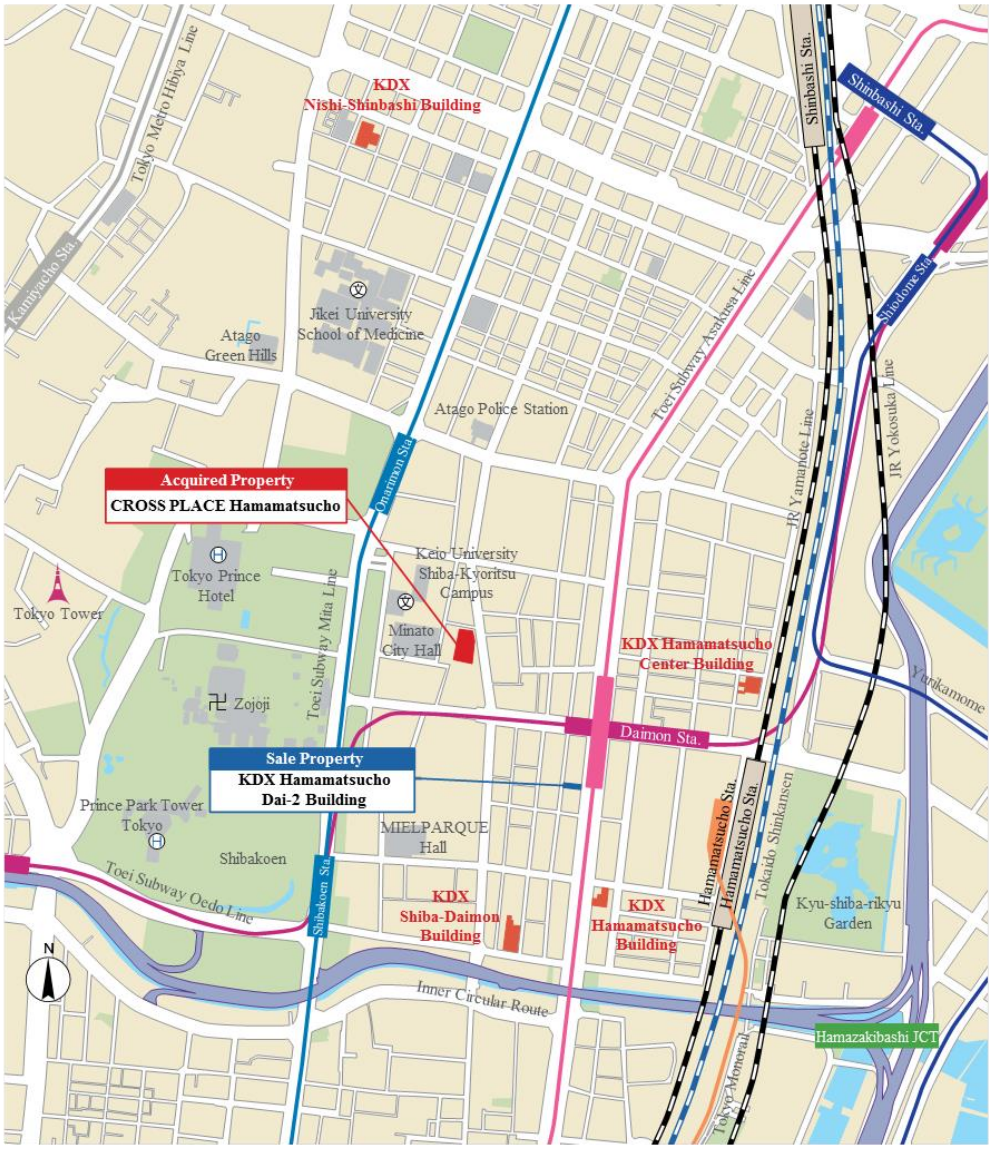






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【Location of the Acquired Property】



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Reference Material 4

Property Portfolio after the Transactions

As of November 1, 2018

Type of Use	Area	Property Name	Location	(Anticipated) Acquisition Price (million yen) (Note 1)	Ratio (Note 1)	(Scheduled) Date of Acquisition (Note 2)
Office Buildings (Mid-size)	5 Central Wards of Tokyo	CROSS PLACE Hamamatsucho	Minato-ku, Tokyo	20,700	4.9%	July 2, 2018 (Scheduled)
		KDX Toranomon 1chome Building	Minato-ku, Tokyo	15,550	3.7%	March 30, 2016
		KDX Harumi Building	Chuo-ku, Tokyo	10,250	2.4%	June 30, 2008
		KDX Nishi-Shinbashi Building	Minato-ku, Tokyo	8,400	2.0%	February 1, 2017
		Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	1.8%	February 1, 2008
		KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	1.6%	February 18, 2010
		KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	1.5%	April 2, 2007
		KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	1.4%	March 1, 2007
		KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	1.4%	November 1, 2005
		KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	1.4%	August 1, 2005
		KDX Takanawadai Building	Minato-ku, Tokyo	5,250	1.2%	November 19, 2013
		KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	1.1%	July 22, 2011
		KDX Ebisu Building	Shibuya-ku, Tokyo	4,640	1.1%	May 1, 2006
		Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	1.0%	August 1, 2005
		KDX Iidabashi Square	Shinjuku-ku, Tokyo	4,350	1.0%	January 10, 2014
		KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	1.0%	November 12, 2010
		KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	0.9%	November 12, 2010
		KDX Hamamatsucho Center Building	Minato-ku, Tokyo	3,950	0.9%	September 1, 2015
		KDX Shin-Nihonbashi Ekimae Building	Chuo-ku, Tokyo	3,829	0.9%	August 2, 2016
		KDX Shinbashi Building (Note 2)	Minato-ku, Tokyo	3,728	0.8%	May 1, 2006
		KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	0.8%	August 1, 2005
		KDX Ginza East Building	Chuo-ku, Tokyo	3,600	0.8%	March 13, 2015
		KDX Shibuya Nanpeidai Building	Shibuya-ku, Tokyo	3,500	0.8%	August 10, 2017
		KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	0.8%	May 1, 2006
		KDX Mita Building	Minato-ku, Tokyo	3,180	0.7%	November 18, 2013
		KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	0.7%	September 1, 2006
		KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	0.6%	May 1, 2006
		KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	0.6%	March 31, 2008
		KDX Hakozaki Building	Chuo-ku, Tokyo	2,710	0.6%	July 22, 2011
		KDX Akihabara Building	Chiyoda-ku, Tokyo	2,600	0.6%	November 19, 2013
		KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	0.5%	September 30, 2005
		Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	0.5%	August 1, 2005
		KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	0.5%	July 3, 2006
		KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	0.5%	February 1, 2008
		KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	0.5%	June 1, 2007
		KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	0.5%	July 22, 2011
		KDX Minami Aoyama Building	Minato-ku, Tokyo	2,270	0.5%	August 1, 2005
		KDX Hamamatsucho Dai-2 Building	Minato-ku, Tokyo	-	-	September 1, 2008
		Itopia Nihonbashi SA Building	Chuo-ku, Tokyo	2,200	0.5%	August 19, 2013
		Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	0.5%	February 29, 2008
		KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	0.4%	December 1, 2009
		Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	0.4%	August 1, 2005
		KDX Shinjuku 6-chome Building	Shinjuku-ku, Tokyo	1,900	0.4%	September 13, 2013
		KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	0.4%	May 1, 2008
		KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	0.3%	April 2, 2007
		KDX Nihonbashi Edo-dori Building	Chuo-ku, Tokyo	1,350	0.3%	August 2, 2016

Type of Use	Area	Property Name	Location	(Anticipated) Acquisition Price (million yen) (Note 1)	Ratio (Note 1)	(Scheduled) Date of Acquisition (Note 2)
Office Buildings (Mid-size)	Tokyo Metropolitan Area (excluding 5 Central Wards)	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	2.8%	March 20, 2014
		JN Building	Yokohama, Kanagawa	9,500	2.2%	January 31, 2018
		KDX Yokohama Building	Yokohama, Kanagawa	7,210	1.7%	October 29, 2014
		KDX Fuchu Building	Fuchu, Tokyo	6,120	1.4%	September 21, 2012
		Toshin 24 Building	Yokohama, Kanagawa	5,300	1.2%	May 1, 2006
		KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	1.1%	July 22, 2011
		KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	1.0%	December 1, 2006
		KDX Ikebukuro Building	Toshima-ku, Tokyo	3,900	0.9%	November 18, 2013
		KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	0.9%	February 1, 2008
		KDX Takadanobaba Building	Toshima-ku, Tokyo	3,650	0.8%	May 30, 2014
		Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	0.7%	November 18, 2009
		KDX Kasuga Building	Bunkyo-ku, Tokyo	2,800	0.6%	September 21, 2012
		KDX Yokohama Nishiguchi Building	Yokohama, Kanagawa	2,750	0.6%	December 2, 2014
		KDX Gotanda Building	Shinagawa-ku, Tokyo	2,620	0.6%	November 18, 2009
		KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	0.6%	August 1, 2005
		KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	0.6%	May 1, 2006
		KDX Funabashi Building	Funabashi, Chiba	2,252	0.5%	March 1, 2006
		BR Gotanda	Shinagawa-ku, Tokyo	2,200	0.5%	April 5, 2017
		KDX Omiya Building	Saitama, Saitama	2,020	0.4%	March 26, 2013
		KDX Okachimachi Building	Taito-ku, Tokyo	2,000	0.4%	March 1, 2007
		KDX Ikebukuro West Building	Toshima-ku, Tokyo	1,934	0.4%	September 3, 2014
		KDX Nakameguro Building	Meguro-ku, Tokyo	1,880	0.4%	September 21, 2012
		KDX Kiba Building	Koto-ku, Tokyo	1,580	0.3%	June 20, 2006
		KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	0.3%	January 19, 2007
		KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	0.3%	March 1, 2007
		KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	0.3%	December 26, 2011
		KDX Hachioji Building	Hachioji, Tokyo	1,155	0.2%	March 1, 2007
	Other Regional Areas	KDX Nagoya Sakae Building (Note 2)	Nagoya, Aichi	7,550	1.8%	April 25, 2008
		KDX Nagoya Ekimae Building	Nagoya, Aichi	7,327	1.7%	December 26, 2011
		KDX Sakura-dori Building	Nagoya, Aichi	5,900	1.4%	January 9, 2015
		KDX Karasuma Building	Kyoto, Kyoto	5,400	1.2%	June 1, 2007
		KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	1.1%	February 1, 2008
		KDX Shin-Osaka Building	Osaka, Osaka	4,550	1.0%	September 1, 2015
		KDX Nagoya Nichigin-mae Building	Nagoya, Aichi	3,500	0.8%	March 15, 2016
		KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	0.6%	December 1, 2010
		KDX Higashi Umeda Building	Osaka, Osaka	2,770	0.6%	March 28, 2012
		KDX Utsunomiya Building	Utsunomiya, Tochigi	2,350	0.5%	May 30, 2014
		KDX Kitahama Building	Osaka, Osaka	2,220	0.5%	February 1, 2008
		KDX Minami-Honmachi Building	Osaka, Osaka	2,200	0.5%	December 2, 2014
		KDX Sendai Building	Sendai, Miyagi	2,100	0.5%	June 1, 2007
		KDX Sapporo Building	Sapporo, Hokkaido	2,005	0.4%	March 25, 2011
		KDX Sapporo Kitaguchi Building	Sapporo, Hokkaido	1,800	0.4%	July 20, 2017
		KDX Hiroshima Building	Hiroshima, Hiroshima	1,300	0.3%	September 1, 2014
Total of 88 Office Buildings (Mid-size)				**353,679**	**85.0%**	

Type of Use	Area	Property Name	Location	(Anticipated) Acquisition Price (million yen) (Note 1)	Ratio (Note 1)	(Scheduled) Date of Acquisition (Note 2)
Office Buildings (Other)	5 Central Wards of Tokyo	Ginza 4chome Tower	Chuo-ku, Tokyo	9,800	2.3%	August 19, 2013
		ARK Mori Building	Minato-ku, Tokyo	4,169	1.0%	December 1, 2016
		Pentel Building (Note 3)	Chuo-ku, Tokyo	3,350	0.8%	March 26, 2015
	Tokyo Metropolitan Area (excluding 5 Central Wards)	Mitsubishijuko Yokohama Building	Yokohama, Kanagawa	14,720	3.5%	December 7, 2017
		KDX Toyosu Grand Square	Koto-ku, Tokyo	8,666	2.0%	May 30, 2014
	Other Regional Areas	Senri Life Science Center Building	Toyonaka, Osaka	13,000	3.1%	October 15, 2014
		Portus Center Building	Sakai, Osaka	5,570	1.3%	September 21, 2005
	Total of 7 Office Buildings (Other)			**59,275**	**14.2%**	
Total of 95 Office Buildings				**412,955**	**99.3%**	
Central Urban Retail Property	5 Central Wards of Tokyo	Frame Jinnan-zaka	Shibuya-ku, Tokyo	-	-	August 1, 2005
	Total of 1 Central Urban Retail Property			**-**	**-**	**-**
Others	5 Central Wards of Tokyo	Shinjuku 6chome Building (Land)	Shinjuku-ku, Tokyo	2,880	0.6%	April 18, 2014
	Total of 1 Others Property			**2,880**	**0.6%**	**-**
Total of 96 Properties				**415,835**	**100.0%**	**Portfolio PML 2.22%**

Investment Security	5 Central Wards of Tokyo	G. K. KRF43 Silent Partnership Equity Interest	Shinjuku-ku, Tokyo	1,107	-	March 28, 2014
	Total of 1 Investment Security			**1,107**	-	**-**

Note 1: The (anticipated) acquisition prices and ratios are rounded down to the nearest million and first decimal place respectively.
Note 2: For the property with multiple acquisition dates due to additional acquisition, etc., the first acquisition date is shown.
Note 3: Building, site and the land for Pental Building are counted as one property