KENEDIX
Office Investment Corporation

Supplementary Material on the Acquisition and Sale, etc. Announced Today

"Notice Concerning Acquisition of Property (Shinbashi M-SQUARE Bright) and Sale of Properties(KDX Nihonbashi Honcho Building, KDX Nihonbashi Edo-dori Building and KDX Shin-Nihonbashi Building)"

"Notice Concerning Revision of the Operating Forecasts and Distribution Forecasts for the Fiscal Period Ending October 31, 2020 (the 31st Fiscal Period) and for the Fiscal Period Ending April 30, 2021 (the 32nd Fiscal Period)"

June 26, 2020

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

Outline of the asset reshuffle announced today

Highlight of the asset reshuffle

- Acquired a relatively new property in urban central area with scarcity value supported by the sponsor
- Reduced the risk of future increases in repair/maintenance expense, etc. by selling three relatively old properties
- Recorded gain on sale of properties over two fiscal periods with an increase in DPU expected during COVID-19 crisis

Acquired in 31st fiscal period

Shinbashi M-SQUARE Bright



Asset reshuffle

Sold in 31st fiscal period

KDX Nihonbashi Honcho Bldg.



KDX Nihonbashi Edo-dori Bldg.



Sold in 32nd fiscal period

KDX Shin-Nihonbashi Bldg.



Seller	Zao Properties TMK	Buyer	Mitsui Fudosan Co., Ltd.	
Anticipated acquisition price	16,300 mn yen	Anticipated sale price	5,000 mn yen	1,550 mn yen	3,200 mn yen
Appraisal value (As of May 1, 2020)	20,500 mn yen	Appraisal value (As of Apr. 30, 2020)	4,950 mn yen	1,510 mn yen	3,140 mn yen
NOI yield after depreciation (estimate) (Note 1)	3.3%	NOI yield after depreciation (actual) (Note 1)	3.8%	3.3%	3.2%
Scheduled date of acquisition	June 30, 2020	Scheduled date of sale	June 30, 2020		November 2, 2020
Completion date	September 2018	Completion date	January 1984	March 1985	November 2002

Effects after the transaction

Growth in DPU (Note 2)
Mid-long term estimate
+140 yen/period

Decrease in average age (Note 3)
-28.8 years

Gains on sales of properties secured (Note 4)

31st fiscal period (2020/10)	32nd fiscal period (2021/4)
+1.0 bn yen	+1.1 bn yen

Increase in retained earnings

31st fiscal period (2020/10)	32nd fiscal period (2021/4)
+700 mn yen	+600 mn yen

Note 1: The yield for property to be acquired is calculated by dividing the annualized NOI after depreciation (estimate) calculated by the Asset Management Company excluding extraordinary factors for the acquisition year by the anticipated acquisition price. The yield for the properties to be sold is calculated by dividing the sum of the rental operating income (NOI after depreciation (actual)) for the 29th (2019/10) and 30th (2020/4) fiscal periods by the anticipated sale price

Note 2: Calculated by deducting the estimated costs for borrowing (9.7 billion yen) to allocate funds for acquisition and the sum of the rental operating income of the properties to be sold in 30th fiscal period (2020/4) from the NOI after depreciation (estimate) of the property to be acquired and then dividing the value by the total number of investment units issued and outstanding as of the end of the 30th fiscal period (2020/4) (truncated to the nearest ten yen)

Note 3: Calculated by deducting the weighted average age of the properties to be sold at acquisition price from the age of the property to be acquired as of June 30, 2020

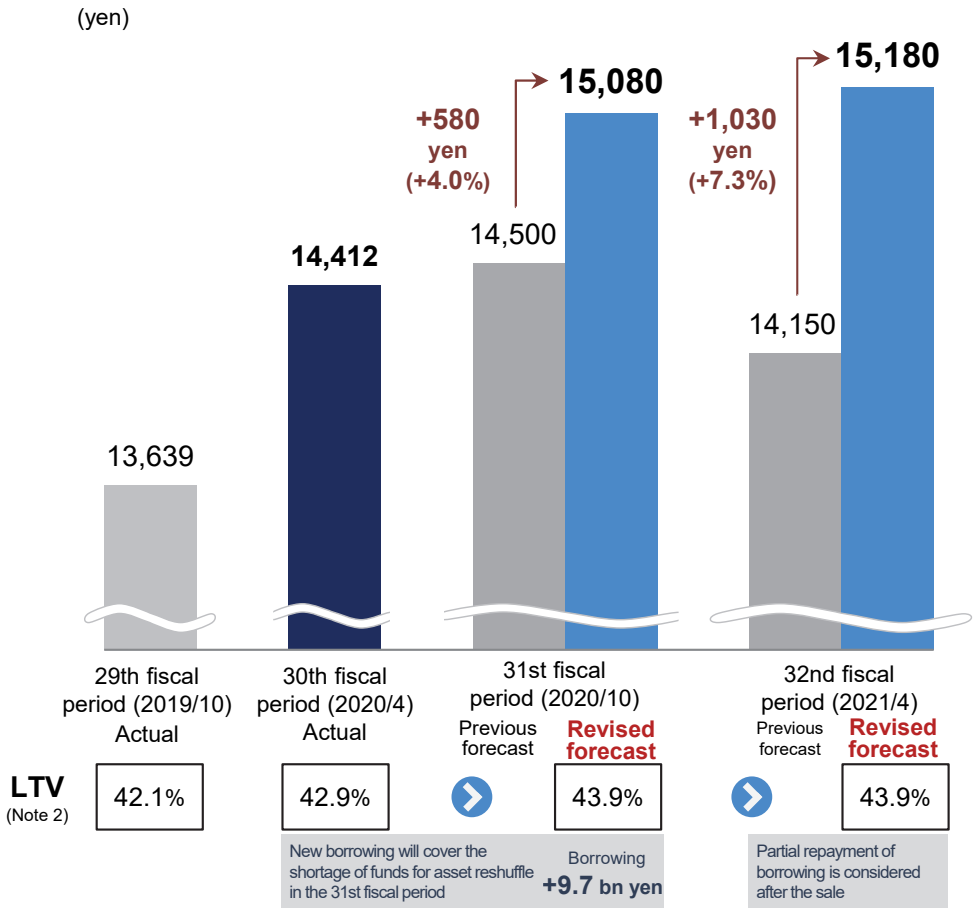
Note 4: Gains on sales of properties are estimated based on the estimated book value and selling expenses, etc.

Dividend and reserve for reduction entry

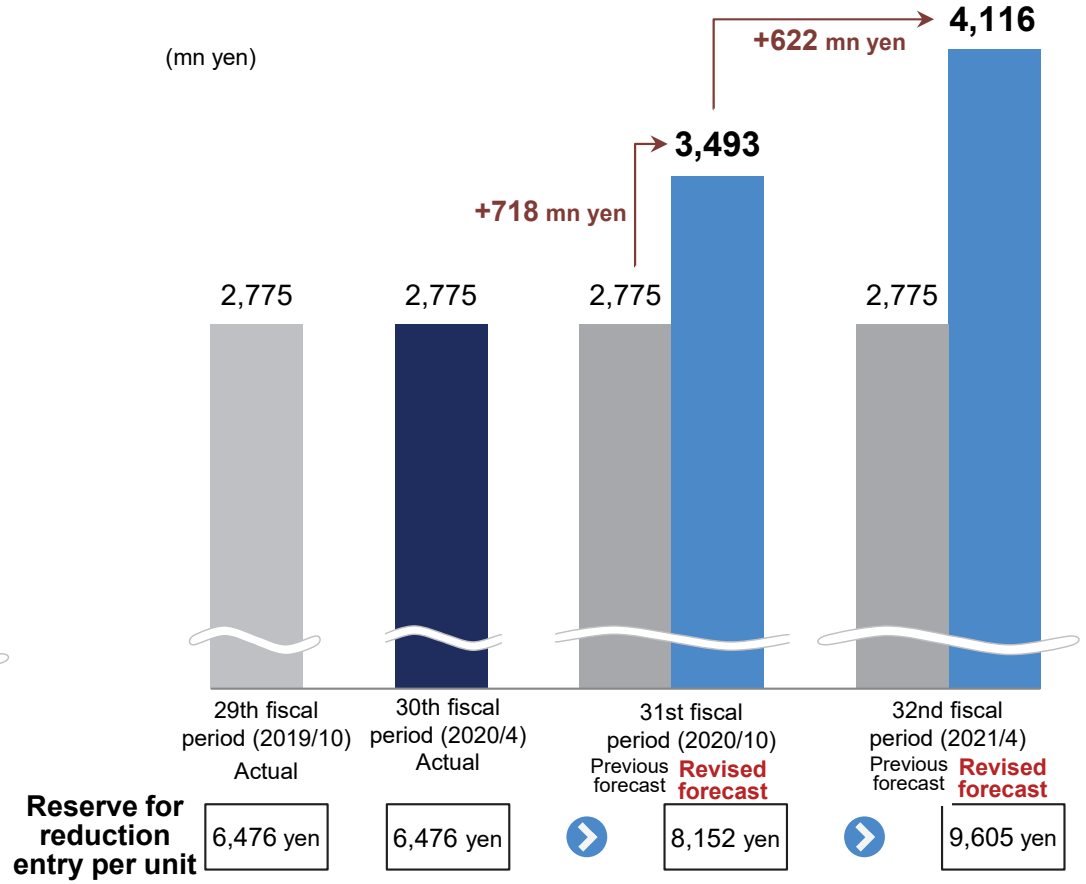
Highlight of revised forecasts

- Dividend is expected to significantly exceed the previous forecast amount, with part of the gain on sale being distributed
- Seek to maximizing retained earnings utilizing the special taxation measure applicable up to the 32nd fiscal period
- Increase both DPU and retained earnings to be fully prepared for uncertainties in the business environment

Changes in DPU (Note 1)



Changes in balance of reserve for reduction entry (Note 3)



Note 1: Figures per unit are calculated based on the number of investment units issued and outstanding as of the end of each fiscal period (the same applies hereinafter)
Note 2: LTV for the 31st (2020/10) and 32nd (2021/4) fiscal periods are calculated by dividing the outstanding interesting-bearing debt (estimate) as of the end of the relevant fiscal period by the total asset (estimate) based on the implementation of asset reshuffle announced today (rounded to the first decimal place)
Note 3: The forecast balance of the reserve for reduction entry is calculated by adding the estimated provision of reserve for reduction entry for each fiscal period to the estimated balance of reserve for reduction entry on the balance sheet as of the end of the 30th fiscal period (2020/4)

Properties to be acquired and sold in and after the 31st fiscal period (2020/10)

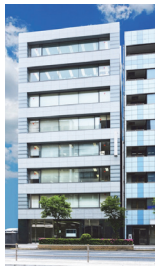
Property to be acquired



Property name	Shinbashi M-SQUARE Bright
Location	Minato-ku, Tokyo
Total floor area	7,327.63m^2
Completion date	September 2018
Occupancy rate (As of May 31, 2020)	100%
Number of tenants (As of May 31, 2020)	6
Anticipated acquisition price	16,300 mn yen
Appraisal value (As of May 1, 2020)	20,500 mn yen
Seller	Zao Properties TMK
Acquisition route	Acquired from third parties
Scheduled date of acquisition	June 30, 2020
NOI yield (estimate) (Note 1)	3.6%
NOI yield after depreciation (estimate) (Note 2)	3.3%
Appraisal NOI yield (Note 3)	3.7%

Properties to be sold







Property name	KDX Nihonbashi Honcho Bldg.	KDX Nihonbashi Edo-dori Bldg.	KDX Shin-Nihonbashi Bldg.
Location	Chuo-ku, Tokyo	Chuo-ku, Tokyo	Chuo-ku, Tokyo
Floor area	5,110.45m^2	1,722.17m^2	3,712.25m^2
Completion date	January 1984	March 1985	November 2002
Book value (Note 4)	3,905 mn yen	1,381 mn yen	1,970 mn yen
Anticipated sale price	5,000 mn yen	1,550 mn yen	3,200 mn yen
Difference between anticipated sale price and book value:(Anticipated sale price – book value) / book value	28.0%	12.2%	62.4%
Appraisal value (As of April. 30, 2020)	4,950 mn yen	1,510 mn yen	3,140 mn yen
Buyer	Mitsui Fudosan Co., Ltd.	Mitsui Fudosan Co., Ltd.	Mitsui Fudosan Co., Ltd.
Acquisition date	November 12, 2010	August 2, 2016	July 22, 2011
Scheduled date of sale	June 30, 2020	June 30, 2020	November 2, 2020
NOI yield (actual) (Note 5)	5.4%	4.4%	5.8%
NOI yield after depreciation (actual) (Note 6)	4.8%	3.8%	4.4%
Sale price NOI yield (Note 7)	4.3%	3.9%	4.2%

Note 1: Calculated by dividing the annualized NOI (estimate) calculated by the Asset Management Company excluding extraordinary factors for the acquisition year by the anticipated acquisition price (rounded to the nearest first decimal place; the same applies to the yields hereinafter)
Note 2: Calculated by dividing the annualized NOI after depreciation (estimate) calculated by deducting the depreciation expenses (estimate) from NOI (estimate) by the anticipated acquisition price
Note 3: Calculated by dividing the NOI based on the direct capitalization method described in the appraisal report as of May 1, 2020 by the anticipated acquisition price
Note 4: The figures indicate the estimated book values as of the scheduled date of sale (rounded down to the million)
Note 5: Calculated by dividing the sum of the NOI (actual) for the 29th (2019/10) and 30th (2020/4) fiscal periods by the acquisition price
Note 6: Calculated by dividing the sum of rental operating income (actual) for the 29th (2019/10) and 30th (2020/4) fiscal periods by the acquisition price
Note 7: Calculated by dividing the sum of the NOI (actual) for the 29th (2019/10) and 30th (2020/4) fiscal periods by the anticipated sale price

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