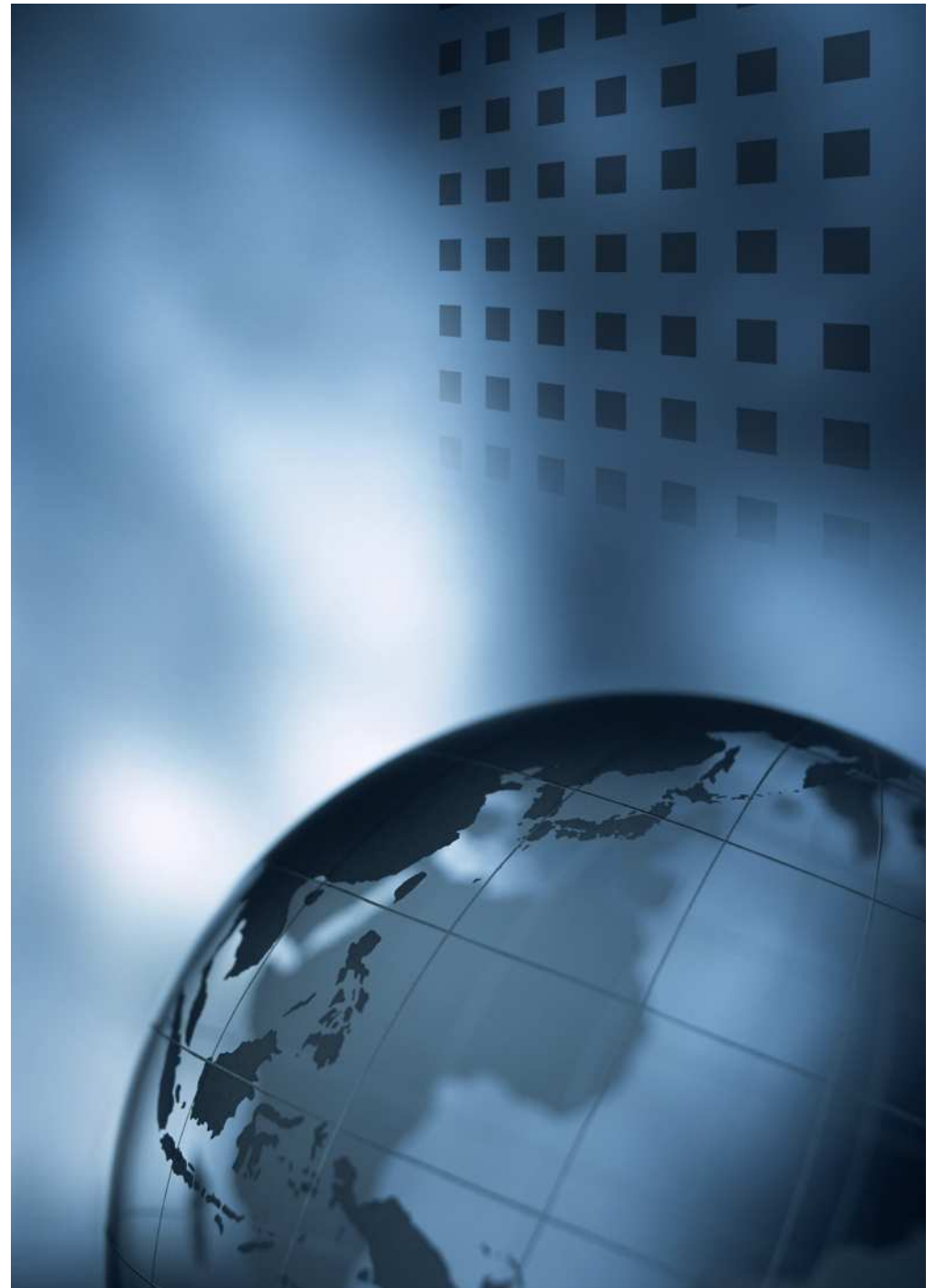




Results of Operations  
for the Third Quarter of 2014  
(Nine Months Ended September 30, 2014)

November 2014  
Kenedix, Inc.



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PARTNERS IN GROWTH  
KENEDIX

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## 1. Our Business

---



# The Kenedix Business Structure

PARTNERS IN GROWTH  
KENEDIX

## 1 Asset Management Business

Growth of REITs under management

Private funds

Establishment of newly-listing REITs

**Assets under management (AUM) growth enables stable earnings**

## 2 Equity Investments

Real estate investments

REIT investments and others

Business investments

**Investing about ¥50bn (2014 cumulative)**

## 3 Non-asset Property-related Services

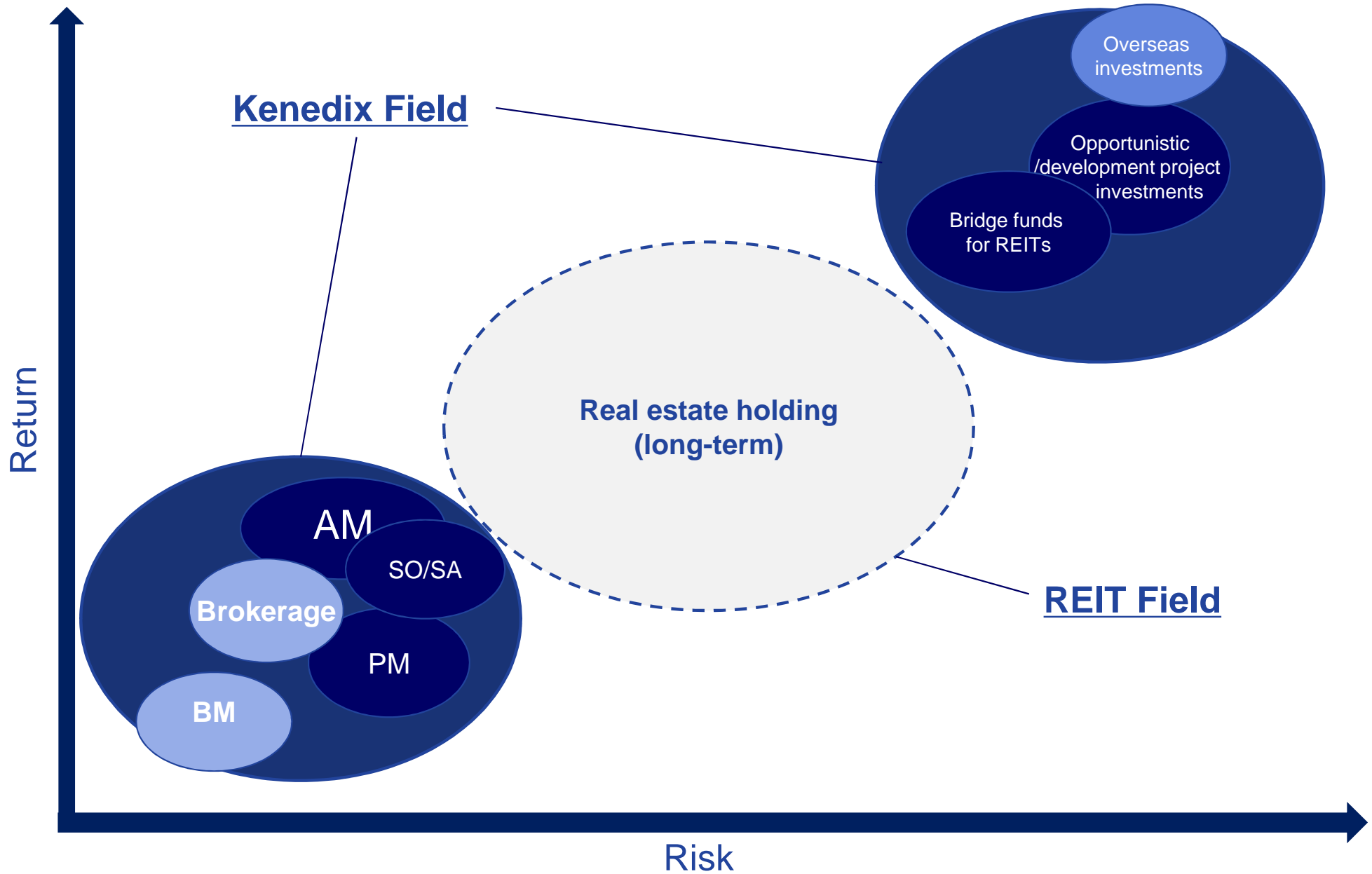
M&A

Acquisition of serviced office and apartment (SO/SA) operator

Establishment of a building management company

**Further growth in the fee income that constitutes stable earnings**

# The Kenedix Business Domain



# Business Outline

## Office J-REIT



**KENEDIX**  
Office Investment Corporation

Kenedix Office  
Investment Corporation  
(Stock code: 8972)

## Residential J-REIT



**KENEDIX**  
Residential Investment Corporation

Kenedix Residential  
Investment Corporation  
(Stock code: 3278)

## Logistic J-REIT



Japan Logistics Fund, Inc.  
Japan Logistics  
Fund, Inc.  
(Stock code: 8967)

## Private REIT



**KENEDIX**  
Private Investment Corporation  
Kenedix Private  
Investment Corporation

## Private funds

Large number of funds for  
each target asset class

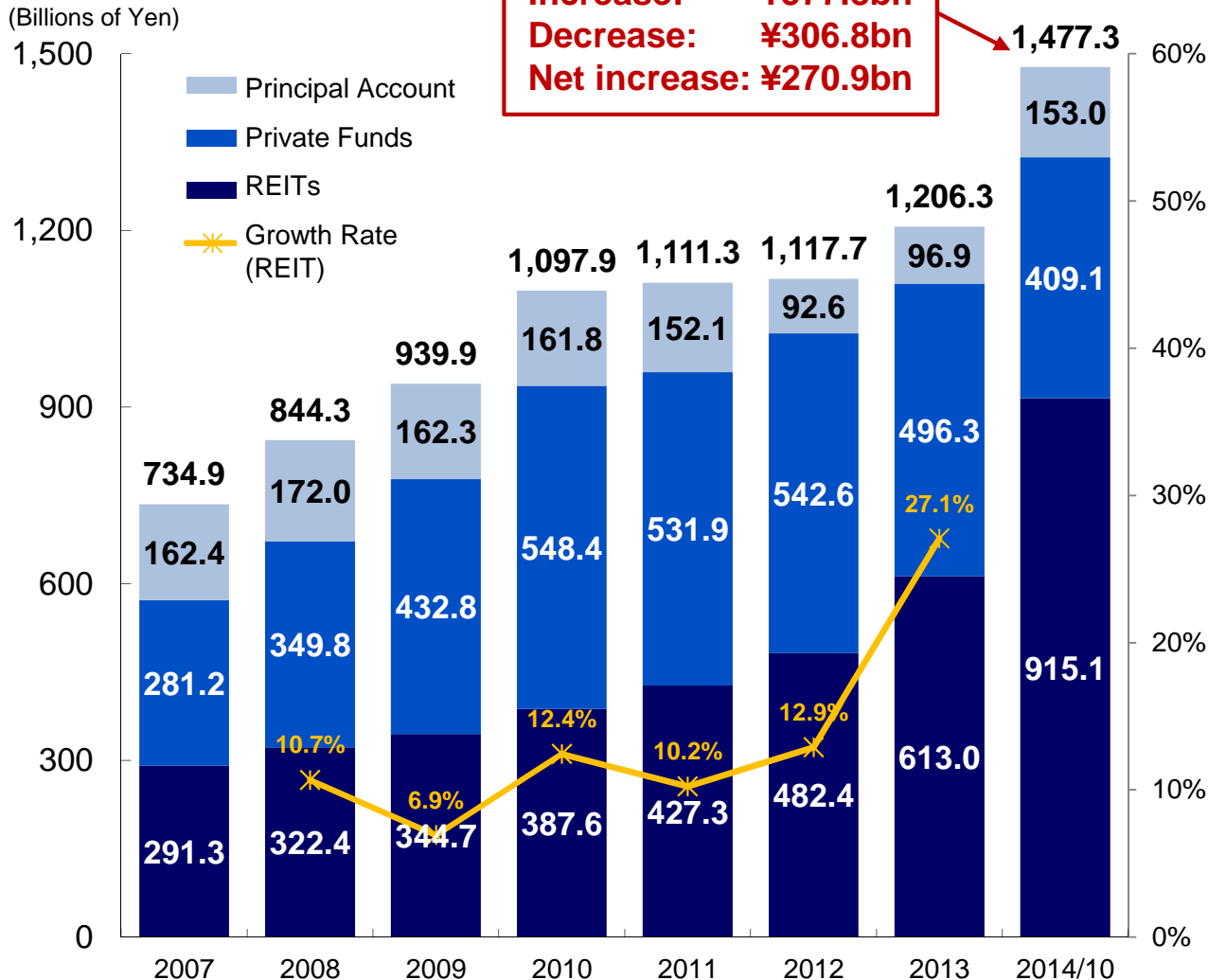
## Asset Management Business

- Assets under management of approx. ¥1.4 trillion
- Supporting the growth of REITs
- Establishment of real estate funds
- Fund procurement arrangements

Real estate investors in Japan and overseas  
Foreign institutional investors / Pension funds /  
Domestic institutional investors / Individual investors, etc.

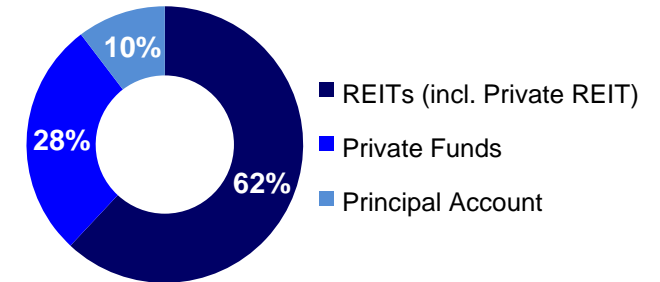
# Assets Under Management (AUM)

## Growth of AUM

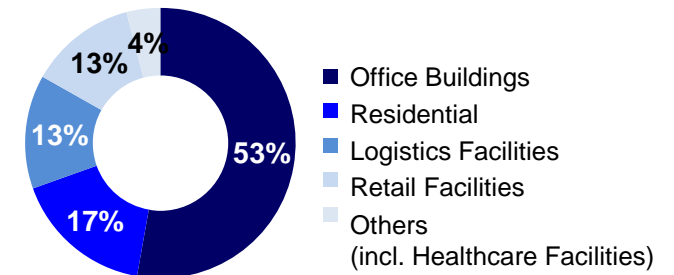


## Breakdown of AUM (as of Oct. 31, 2014)

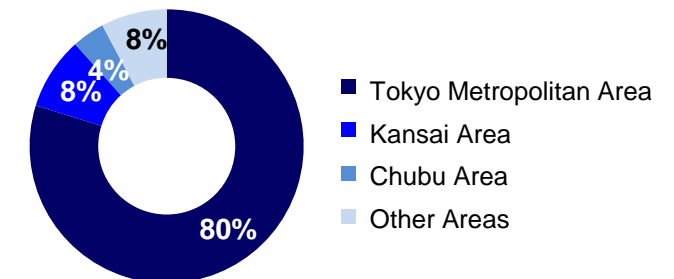
### Client Investors



### Property Category



### Geographic Coverage

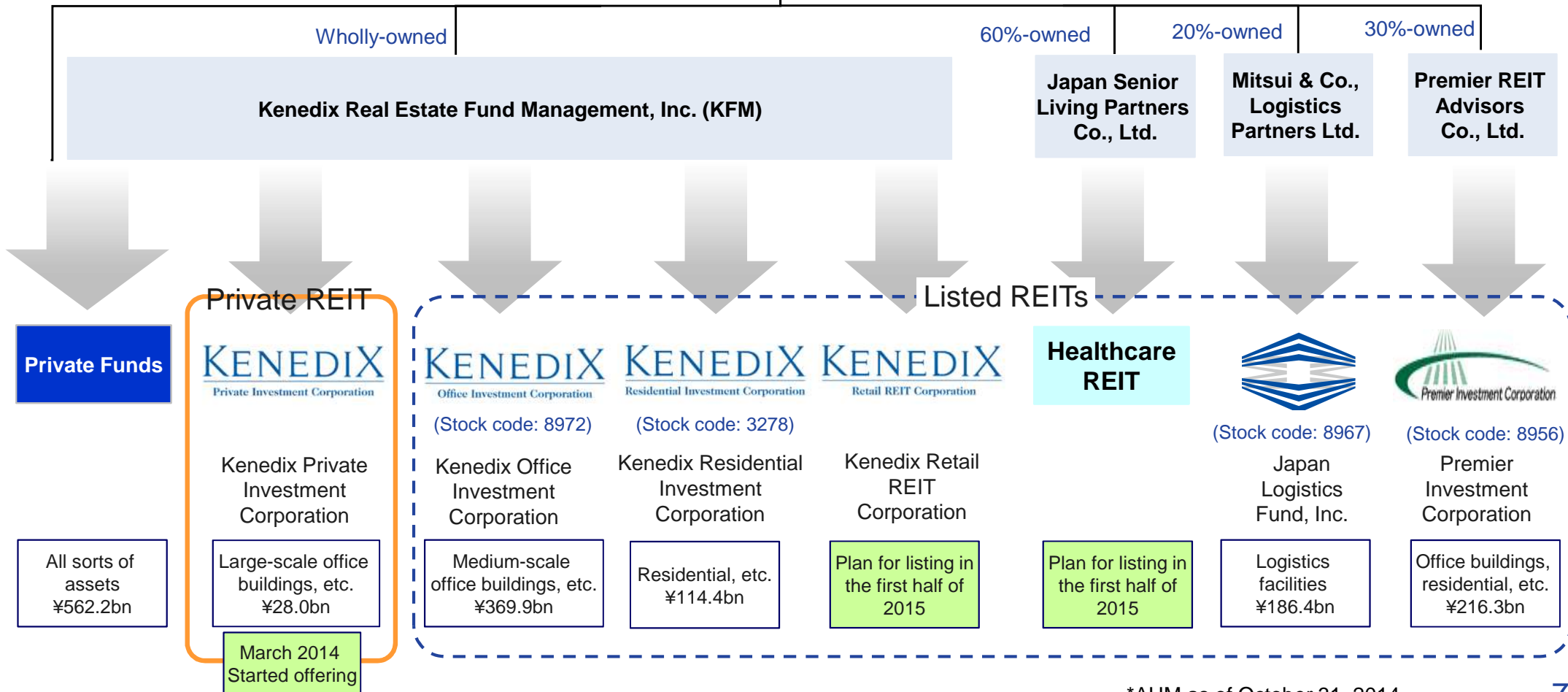


- AUM includes properties held by REITs (Kenedix Office Investment Corporation, Kenedix Residential Investment Corporation, Kenedix Private Investment Corporation, Japan Logistics Fund, Inc. and Premier Investment Corporation) who are managed by Kenedix affiliates.
- AUM at Principal Account, Japan Logistics Fund Inc. and Premier Investment Corporation totaled ¥555.7 billion as of October 31, 2014.



# Asset Management Business of the Kenedix Group

PARTNERS IN GROWTH  
**KENEDIX**



\*AUM as of October 31, 2014



# Measures to Support REIT Growth

PARTNERS IN GROWTH  
KENEDIX

## Private REIT (Kenedix Private Investment Corporation)

- Started offering asset management services in March 2014.
- The principal investment target is large office buildings and hotels.
- Target asset size is ¥100 billion short term, and ¥150 billion in 3 years.
- Client investors: Major financial institutions 25%, regional financial institutions 25%, pension funds 10%, and business corporations 40%.

## Retail facility REIT (Kenedix Retail REIT Corporation)

- Using the know-how gained in managing retail facilities, a REIT specializing in retail facilities is to be listed in the first half of 2015.
- Kenedix, Sumitomo Mitsui Finance and Leasing Company, Nippon Commercial Development and P&D Consulting signed a basic agreement concerning the REIT business.
- The medium-term goal of its asset size is about ¥200 billion.

## Healthcare REIT

- Japan Senior Living Partners Co., Ltd. was established to function as an REIT asset management company in preparation for the establishment of a listed healthcare REIT.
- Capital contribution ratios are 60% from Kenedix, 20% from Haseko, and 5% each from Mitsubishi UFJ Trust and Banking, the LIXIL Group, Sompo Japan and Shinsei Bank.
- The goal is to expand its assets of about ¥100 billion at an early stage.

# New Investments in 2014

■ New investments of up to **¥52.0 billion**\*<sup>1</sup> in 2014

<u>Main Investment Categories</u>	<u>Concept</u>	<u>Expected Return</u>	<u>1Q-3Q 2014 Investments</u>
<b>1</b> <u>Real estate investments</u>	<ul style="list-style-type: none"> <li>❑ Real estate opportunistic investments</li> <li>❑ Investment in real estate development projects</li> <li>❑ Bridge funds for REITs</li> <li>❑ Real estate non-recourse loans, bonds, CMBS, etc.</li> </ul>	<p>Average of about 10%</p>	<p>About ¥28.6 billion*<sup>2</sup></p>
<b>2</b> <u>REIT/Fund investments and others</u>	<ul style="list-style-type: none"> <li>❑ Investment in REIT investment units</li> <li>❑ Investment in debt funds, etc.</li> </ul>	<p>About 5%</p>	<p>About ¥7.8 billion</p>
<b>3</b> <u>Business investments</u>	<ul style="list-style-type: none"> <li>❑ Strategic investments to property-related service business</li> <li>❑ Investments to strengthen, expand or capture synergies for Kenedix businesses</li> </ul>		

\*1: The upper limit for annual principal investments has been increased from ¥40 billion to ¥52 billion

\*2: Excludes minority investment projects for U.S. real estate

# Major Real Estate Investments

## Real Estate Investments (July-October 2014)

Date	Property Category	Investment Category	Location	Asset Size <sup>*1</sup>	KDX Investment	KDX Share	Fund Exit	Expected IRR	Expected Multiple
(1) Jul. 2014	Residential (3 properties)	Bridge Fund	Tokyo	Medium-scale	Approx. ¥0.26bn <sup>*2</sup>	19% <sup>*2</sup>	-	8%	x1.13
(2) Jul. 2014	Office	Opportunistic	Kanagawa	Small-scale	Approx. ¥0.23bn	Approx. 22%	-	Over 30%	x1.23
(3) Jul. 2014	Retail Facility	Bridge Fund	Shiga	Small-scale	Approx. ¥0.06bn	10%	-	Over 30%	x1.25
(4) Aug. 2014	Office	Bridge Fund	Aichi	Small-scale	Approx. ¥1.40bn	100%	-	Over 30%	x1.30
(5) Aug. 2014	Retail Facility	Bridge Fund	Hyogo	Medium-scale	Approx. ¥1.47bn	100%	-	Over 30%	x1.18
(6) Sep. 2014	Hotel (50% of trust beneficial interests)	Bridge Fund	Chiba	Large-scale	Approx. ¥2.50bn	100%	-	10%	x1.04
(7) Sep. 2014	Retail Facility	Bridge Fund	Chiba	Large-scale	Approx. ¥1.94bn	50%	-	Over 30%	x1.15
(8) Sep. 2014	Healthcare	Bridge Fund	Nakano-ku, Tokyo	Small-scale	Approx. ¥0.37bn	71%	-	10%	x1.08
(9) Oct. 2014	Healthcare	Bridge Fund	Hyogo	Small-scale	Approx. ¥0.27bn	100%	-	11%	x1.08
(10) Oct. 2014	Residential	Opportunistic	Setagaya-ku, Tokyo	Small-scale	Approx. ¥0.98bn	100%	-	8%	x1.08

\*1: Asset size is based on acquisition cost; development cost for development projects. Small-scale: under ¥5bn Medium-scale: ¥5bn-¥10bn Large-scale: over ¥10bn

\*2: Kenedix investment and share are before the redemption of part (¥0.25bn) of the Kenedix interest due to the participation of another investor.

# Expand Property-related Services

## ■ Acquisition of Space Design Inc. (SD) in October 2013

Strengthening operational asset management capability and synergy effect with KDX



Space Design

### For reinforcement of SD operations

- Establishing a solid status as a leading domestic serviced apartment (SA) operator  
→ Obtaining new mandates for stable supply of SAs (centering on Tokyo's central 5 wards)
- Seek expansion of serviced office (SO) business in greater Tokyo (especially in business district centering on those along the Ginza Line)  
→ Provide effective services to startup companies and utilize synergies with KDX

## ■ Commencement of business activities involving extended-stay hotels and residential properties in the ASEAN region

- Establish a company managing extended-stay hotels and residential properties in the ASEAN region for the purpose of expanding SD's overseas operations.
- This new hotel brand plans to be an accommodation with a variety of functions and amenities for medium to long-term stays.  
(Brand name: Aisa Hotel & Residence)

■ Target areas: Indonesia, Vietnam, Malaysia, Thailand, Philippines and other ASEAN countries



# New Vectors for Growth



## ■ Cooperation with NTT Urban Development Corporation

- (1) Joint activities for fund operations (including REITs)
- (2) Joint participation in real estate development projects
- (3) Creating and enlarging business opportunities by sharing information
- (4) Other joint activities for businesses and operations that will yield benefits for the two companies or their subsidiaries and affiliates

As part of this cooperation, Kenedix purchased a 30% equity interest in Premier REIT Advisors Co., Ltd. (PRA), an asset management company of Premier Investment Corporation.



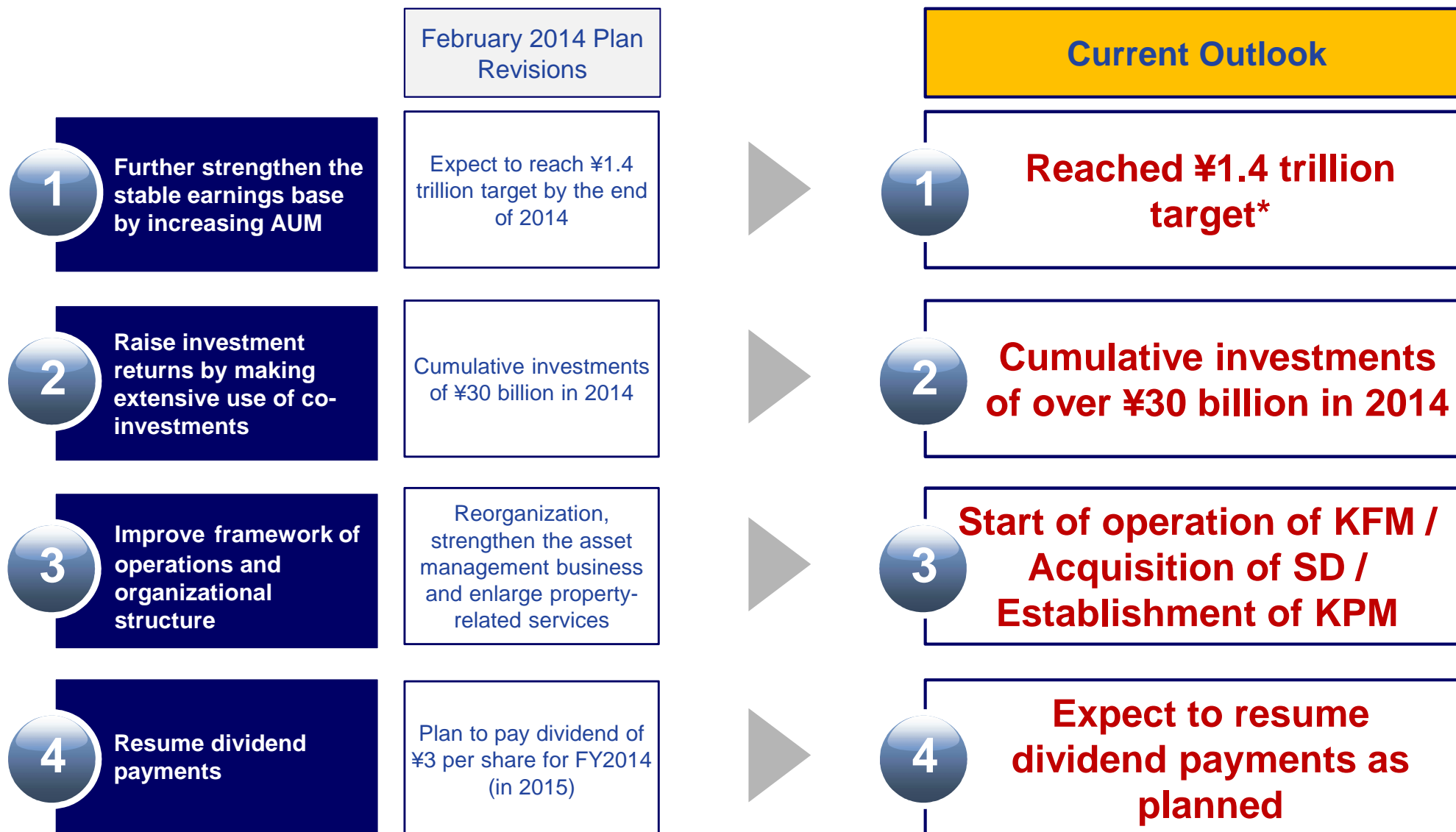
Shareholder Composition

Name	Shareholding ratio
NTT Urban Development Corporation	53.1%
Kenedix, Inc.	30.0%
Other	16.9%
<b>Total</b>	<b>100.0%</b>

## ■ Establishment of the Business Development Department (effective October 1, 2014)

- This department was established for the purpose of starting new types of investment funds.
  - Targets opportunities for funds in the infrastructure, energy and other sectors that differ from current real estate investment funds
  - One goal is to attract more inbound investments from overseas investors
- The head of this department will be a part-time director of Premier REIT Advisors Co., Ltd.

# Medium-term Management Plan



\* Kenedix Group AUM as of October 31, 2014; may change due to sales of real estate and other actions

\* Includes the properties of Premier Investment Corporation due to the investment in PRA on October 30, 2014



# Toward Formulation of a New Management Plan

2015-

REIT growth (Asset category x Size)

Aim for high investment returns

Expansion of real estate related services

International business growth

Improvement of shareholder value  
(ROE, returns to shareholders)

2013-

Return to the core AM  
business  
Accelerating medium-  
term business plan  
Sale of past assets  
Resume equity  
investment  
Dividend resumption

Asset reduction  
Freezing  
investments

- Financial crisis  
- Ongoing deflation

- "Abenomics"  
- Real estate market  
recovery

- Shifting to an inflationary environment  
- Higher real estate values  
- Further growth in REIT market  
- Further growth in Asia market

**Kenedix plans to announce the next medium-term plan when 2014 results of operations are announced in February 2015.**



## 2. 2014 3Q Results Highlights



# Summary of 2014 3Q Consolidated Income Statement **KENEDIX**

## Results for 3Q 2014 (Millions of Yen)

### Summary of Consolidated Income Statement

	2013		2014	
	3Q	Full year	3Q	Full Year (f.)
<b>Revenue</b>	<b>12,081</b>	<b>22,456</b>	<b>19,741</b>	<b>25,000</b>
<b>Gross Operating Income</b>	<b>7,706</b>	<b>11,077</b>	<b>9,739</b>	<b>12,500</b>
<b>Operating Income</b>	<b>4,975</b>	<b>6,914</b>	<b>6,281</b>	<b>7,400</b>
Non-operating Income	183	275	497	500
Non-operating Expenses	-1,732	-2,312	-1,516	-2,400
<b>Ordinary Income</b>	<b>3,426</b>	<b>4,878</b>	<b>5,262</b>	<b>5,500</b>
Extraordinary Income	136	146	3,287	4,000
Extraordinary Loss	-360	-2,291	-1,450	-4,600
<b>Income before Income Taxes</b>	<b>3,202</b>	<b>2,734</b>	<b>7,099</b>	<b>4,900</b>
Income Taxes	-744	-718	-690	-300
Minority Interests	-184	-29	-464	-600
<b>Net Income</b>	<b>2,273</b>	<b>1,985</b>	<b>5,945</b>	<b>4,000</b>

### Segment Information

	2013		2014	
	3Q	Full year	3Q	Full Year (f.)
<b>Gross Operating Income</b>	<b>7,706</b>	<b>11,077</b>	<b>9,739</b>	<b>12,500</b>
<b>Asset Management Business</b>	<b>4,297</b>	<b>5,708</b>	<b>4,889</b>	<b>6,600</b>
Acquisition Fee	1,479	1,638	871	1,400
Asset Management Fee	2,215	2,952	2,480	3,650
Incentive Fee	4	61	686	750
Disposition Fee	131	223	560	500
Other Fees	466	832	291	300
<b>Real Estate Investment Business</b>	<b>1,301</b>	<b>2,418</b>	<b>2,075</b>	<b>2,100</b>
Rental Revenue	322	490	465	500
Gain on Sales of Properties	103	946	1,212	1,100
Dividend Income from Investment in TK	-124	-41	-45	0
Others	999	1,023	442	500
<b>Real Estate Leasing Business</b>	<b>2,107</b>	<b>2,949</b>	<b>2,774</b>	<b>3,800</b>
Rental Revenue	2,104	2,841	2,505	3,350
Others	3	108	268	450

### **Plan to pay a dividend of ¥3 per share\***

Resuming dividend payments based on the results of operations for 2014 is a priority of the medium-term management plan  
Dividend will be backed by stable earnings

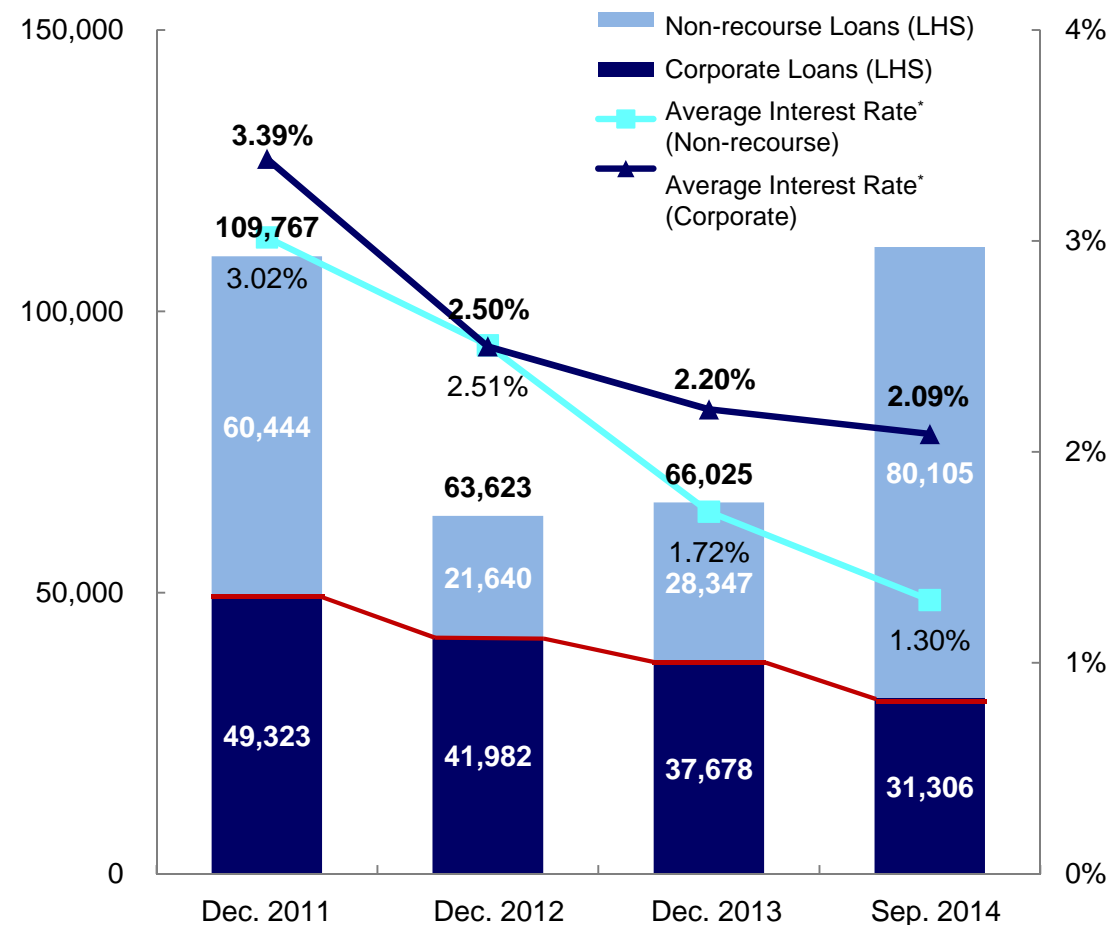
\* Kenedix does not pay an interim dividend.

# Summary of Consolidated Balance Sheet

(Millions of Yen, unless otherwise stated)	End-Dec 2012	End-Dec 2013	End-Sep 2014
<b>Total Assets</b>	<b>126,270</b>	<b>148,398</b>	<b>209,898</b>
<b>Net Assets</b> (of which Minority Interests)	<b>56,071</b> <b>(5,247)</b>	<b>74,341</b> <b>(3,028)</b>	<b>86,553</b> <b>(7,903)</b>
<b>Equity Ratio*</b>	<b>40.2%</b>	<b>48.0%</b>	<b>37.4%</b>
<b>Interest-bearing Debt</b> (of which Non-recourse Loans)	<b>63,623</b> <b>(21,640)</b>	<b>66,025</b> <b>(28,347)</b>	<b>111,412</b> <b>(80,105)</b>
<b>Cash and Deposits</b>	<b>13,813</b>	<b>25,795</b>	<b>18,879</b>
<b>Debt Equity Ratio</b>	<b>1.25x</b>	<b>0.93x</b>	<b>1.42x</b>

\* "Equity Ratio" = ("Net Assets" - "Minority Interests") / "Total Assets"

## Loan Balance and Average Interest Rate



\* Average interest rate is the principal-weighted average for loans remaining at the end of each period.

# Summary of Inventories and Fixed Assets

PARTNERS IN GROWTH  
KENEDIX

## Inventories (Millions of Yen)

Asset Balance (Total Book Value)	Office Building	Residential				Others	Total
End-Dec 2012	-	-				9,953	9,953
<b>End-Sep 2014</b> (Assets at End-Dec 2012)	<b>5,151</b> (-)	<b>6,973</b> (-)				<b>154</b> (154)	<b>12,279</b> (154)

## Fixed Assets (Millions of Yen)

Asset Balance (Total Book Value)	Office Building	Residential	Retail Facility	Senior Healthcare	Redevelopment Project	Others	Total
End-Dec 2012	37,132	10,605	19,308	3,827	9,435	451	80,760
<b>End-Sep 2014</b> (Assets at End-Dec 2012)	<b>59,601</b> (23,434)	<b>5,341</b> (3,693)	<b>32,775</b> (13,192)	<b>3,660</b> (1,925)	<b>12,787*</b> (12,787)	<b>23,176</b> (-)	<b>137,343</b> (55,032)

(Reference)

- Total Latent Losses at End-Dec 2012:  
¥-7,764 million
- Total Latent Losses at End-Dec 2013:  
¥-3,008 million

KDX Toyosu Grandsquare,  
Kamiyacho Prime Place, etc.

MONA Shinurayasu,  
Daikanyama Address,  
Roseo Mito, etc.

\* Includes land leasehold and  
constructions in progress

Tokyo Bay Maihama  
Hotel Club Resort, etc.



## Appendix

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# Fee Structure

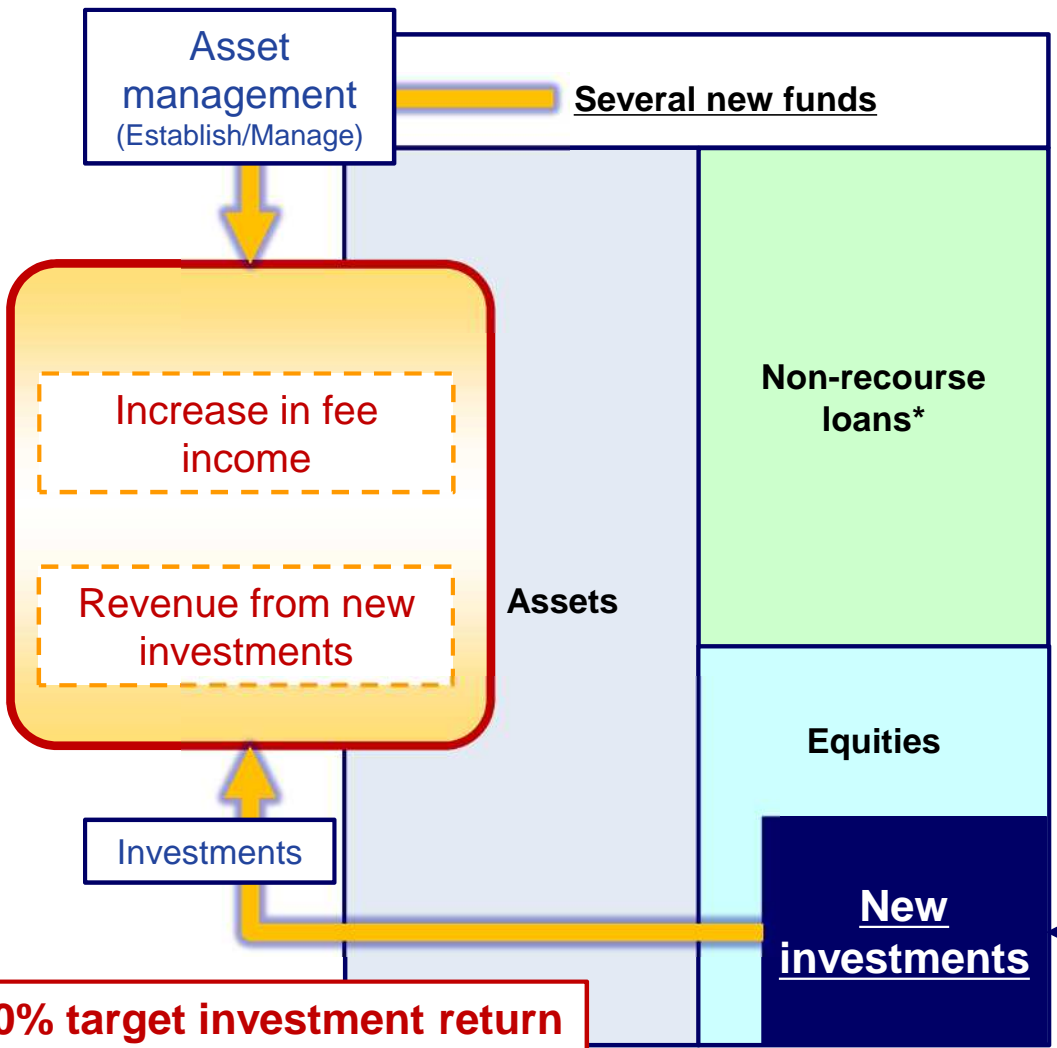
- Fee income from asset management is a medium- to long-term source of stable earnings
- A source of earnings from establishing funds and selling properties

Fee Structure	Fees
<b>Asset management</b> (Remuneration for managing assets)	Fixed percentage of <u>purchase cost of each fund's portfolio assets</u> for each period → Asset management fee
<b>Acquisition of properties</b> (Remuneration for providing investment opportunities)	Fixed percentage of <u>the purchase cost of portfolio assets</u> when a property is acquired → Acquisition fee
<b>Sales of properties</b> (Remuneration for selling properties)	Fixed percentage of <u>the proceeds</u> when a portfolio asset is sold → Disposition fee
<b>Incentive fee</b>	Fixed percentage of <u>earnings above the target</u> when a portfolio asset is sold → Incentive fee
<b>Other fees</b>	Brokerage fee, consulting fee, etc.





# Real Estate Investment Schemes



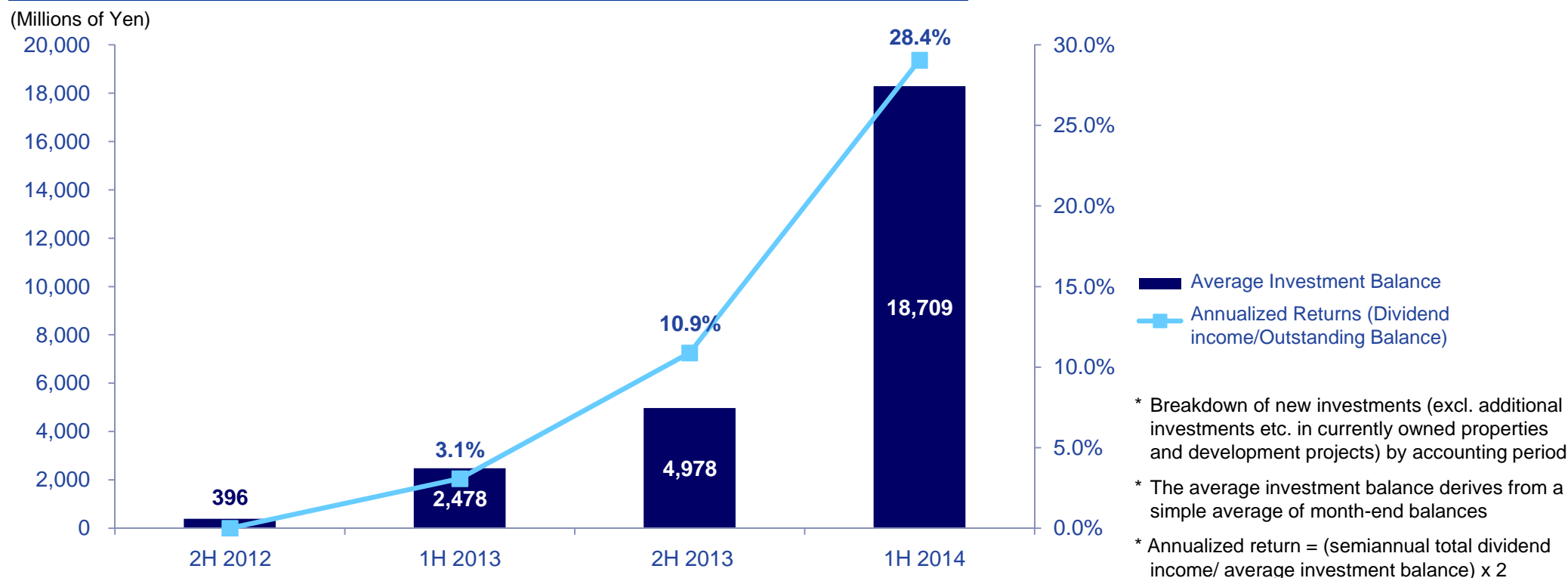
- Co-investments, etc. with other real estate investors
- Maximize investment returns and build up a track record



\*Note: Non-recourse loan This loan is a financing method that restricts sources of funds available for repayments. Usually, cash flows from the asset being financed are used for repayments and there is no obligation to make repayments that exceed these cash flows.

# Returns on Real Estate Investments

## Actual Results of Real Estate Investments (July 2012 to June 2014)



## Main Disposals

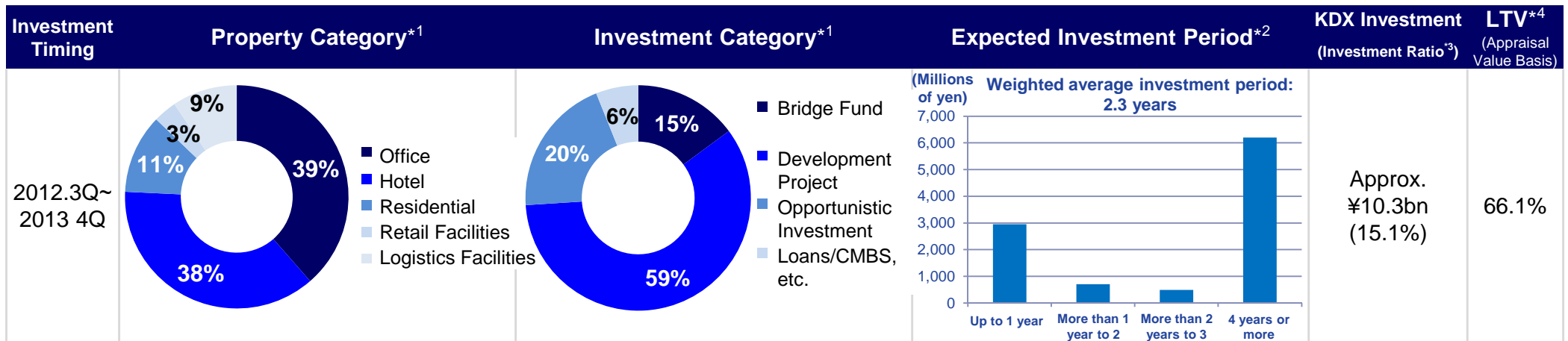
	Exit Timing	Property Category	Investment Category	Location	KDX Investment (Investment Ratio)	Actual IRR	Actual Multiple
(1)	2H 2013	Logistics Facility	Bridge Fund	Yokohama, Kanagawa	Approx. ¥0.2bn (4%)	<b>29%</b>	<b>x1.14</b>
(2)	2H 2013	Office Building	Bridge Fund	Minato-ku, Tokyo	Approx. ¥0.21bn (52%)	<b>15%</b>	<b>x1.10</b>
(3)	1H 2014	Logistics Facility	Development Project	Saitama	Approx. ¥0.16bn (5%)	<b>22%</b>	<b>x1.18</b>
(4)	1H 2014	CMBS	CMBS	-	Approx. ¥0.18bn (-)	<b>66%</b>	<b>x1.46</b>
(5)	1H 2014	Office Building	Opportunistic	Kawasaki, Kanagawa	Approx. ¥1.19bn (100%)	<b>750%</b>	<b>x2.96</b>

\* Actual figures as of the end of June 2014

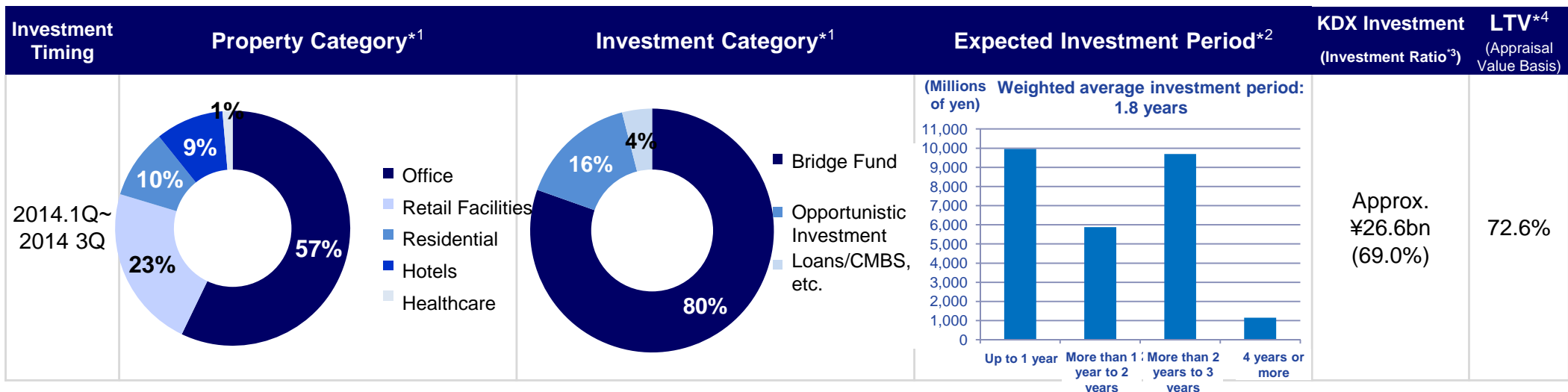
# Overview of Real Estate Investment by Investment Timing



## Investments in 2012 and 2013 (including disposed properties)



## Investments in 2014 (including disposed properties)



\*1: Weighted average proportion based on Kenedix investments for each project \*2: Investment period expected at the time of investment (actual results are adopted for exited projects)  
 \*3: proportion of Kenedix initial investments to total investments for each project (excluding loans/CMBS) \*4: Denotes loans vs. appraised valuation of underlying assets (excluding loans /CMBS)

# Major Real Estate Investments 1/2

## Real Estate Investments (July 2012 – December 2013)

Date	Property Category	Investment Category	Location	Asset Size <sup>*1</sup>	KDX Investment	KDX Share	Fund Exit	Expected IRR	Expected Multiple
(1) Jul. 2012-	Logistics Facility	Development Project	Saitama	Small-scale	Approx. ¥0.16bn		5% Done	<b>22%</b> <sup>*3</sup>	<b>x1.18</b> <sup>*3</sup>
(2) Dec. 2012	Office Building (Shinsei Bank's Former Headquarters Building)	Development Project	Minato-ku, Tokyo	Large-scale	(Not disclosed)	(Not disclosed)	-	6%	x1.75
(3) Dec. 2012-	Hotel, etc.	Development Project	Minato-ku, Tokyo	Medium-scale	Approx. ¥3.96bn	100%	-	(Redevelop)	(Redevelop)
(4) Mar. 2013	Logistics Facility	Bridge Fund	Yokohama, Kanagawa	Medium-scale	Approx. ¥0.2bn	Approx. 4%	Done	<b>29%</b> <sup>*3</sup>	<b>x1.14</b> <sup>*3</sup>
(5) Mar. 2013	Office Building	Opportunistic	Sendai, Miyagi	Medium-scale	Approx. ¥0.2bn	Approx. 7%	-	25%	x1.75
(6) Mar. 2013	Office Building	CMBS	Tokyo	Large-scale	Approx. ¥0.04bn	-	Done	<b>2,130%</b>	<b>x1.81</b> <sup>*3</sup>
(7) Apr. 2013-	Logistics Facility	Development Project	Sagamihara, Kanagawa	Medium-scale	Approx. ¥0.32bn	5%	-	14%	x1.19
(8) Apr. 2013	Office Building	Opportunistic	Minato-ku, Tokyo	Large-scale	Approx. ¥0.56bn	Approx. 6%	-	15%	x1.98
(9) May 2013	Office Building	Bridge Fund	Minato-ku, Tokyo	Small-scale	Approx. ¥0.21bn	Approx. 52%	Done	<b>15%</b> <sup>*3</sup>	<b>x1.10</b> <sup>*3</sup>
(10) May 2013	Office Building	CMBS	Tokyo	Large-scale	Approx. ¥0.18bn	-	Done	<b>66%</b> <sup>*3</sup>	<b>x1.46</b> <sup>*3</sup>
(11) Jul. 2013	Residential	Bridge Fund	Tokyo (four properties)	Large-scale	Approx. ¥1.12bn <sup>*2</sup>	Approx. 74% <sup>*2</sup>	-	10%	x1.11
(12) Jul. 2013	Office Building	Opportunistic	Kawasaki, Kanagawa	Medium-scale	Approx. ¥1.19bn <sup>*2</sup>	100% <sup>*2</sup>	Done	<b>750%</b> <sup>*3</sup>	<b>x2.96</b> <sup>*3</sup>
(13) Sep. 2013	Residential	Opportunistic	Chiba, Osaka (three properties)	Small-scale	Approx. ¥0.06bn	5%	-	17%	x1.32
(14) Sep. 2013-	Logistics Facility	Development Project	Koto-ku, Tokyo	Large-scale	Approx. ¥0.21bn	3%	-	7%	x1.20
(15) Nov. 2013	Retail Facility	Mezzanine Loan	Tokyo	Small-scale	Approx. ¥0.3bn	-	-	8%	x1.40

\*1: Asset size is based on acquisition cost; development cost for development projects. Small-scale: under ¥5bn Medium-scale: ¥5bn-¥10bn Large-scale: over ¥10bn

\*2: Kenedix investment and share before the partial sale of interests. For (11) and (12), sold ¥0.5bn each.

\*3: Actual figures as of the end of June 2014

# Major Real Estate Investments 2/2

## Real Estate Investments (January-June 2014)

Date	Property Category	Investment Category	Location	Asset Size* <sup>1</sup>	KDX Investment	KDX Share	Fund Expected Exit	Expected IRR	Expected Multiple
(1) Feb. 2014	Office, Land, etc.	Opportunistic	Tokyo, etc.	Small-scale	Approx. ¥1.66bn	80%	-	30%	x1.14
(2) Feb. and Mar. 2014	Residential, Office	Bonds/Loans	Nationwide	-	Approx. ¥0.3bn	Approx. 99%	-	27%	x1.67
(3) Feb. and Mar. 2014	Residential	Bridge Fund	Tokyo, Kanagawa Fukuoka, Shiga	Medium-scale	Approx. ¥1.5bn* <sup>2</sup>	Approx. 72%	-	13%	x1.07
(4) Mar. 2014	Office	Opportunistic	Shibuya-ku, Tokyo	Small-scale	Approx. ¥0.64bn	35%	-	14%	x1.31
(5) Mar. 2014	Office (65% of trust beneficial interests) <sup>*3</sup>	Bridge Fund	Koto-ku, Tokyo	Large-scale	Approx. ¥6.62bn* <sup>4</sup>	100%	-	8%	x1.21
(6) Mar. 2014	Office (50% of trust beneficial interests)	Bridge Fund	Minato-ku, Tokyo	Large-scale	Approx. ¥2.77bn* <sup>5</sup>	100%	-	9%	x1.29
(7) Mar. 2014	Retail Facility	Bridge Fund	Shibuya-ku, Tokyo	Medium-scale	Approx. ¥1.2bn	100%	-	9%	x1.24
(8) Mar. 2014	Retail Facility	Bridge Fund	Chiba	Medium-scale	Approx. ¥1.35bn	100%	-	16%	x1.43
(9) Mar. 2014	Office	Loans	Tokyo, Kanagawa	Large-scale	Approx. ¥0.75bn	-	-	10%	x1.08
(10) Mar. 2014	Office (59% of trust beneficial interests)	Opportunistic	Shinjuku-ku, Tokyo	Large-scale	Approx. ¥1.14bn	28%	-	13%	x1.7
(11) Mar. 2014	Residential	Opportunistic	Tokyo, Saitama	Small-scale	Approx. ¥0.48bn	100%	-	11%	x1.12

\*1: Asset size is based on acquisition cost; development cost for development projects. Small-scale: under ¥5bn Medium-scale: ¥5bn-¥10bn Large-scale: over ¥10bn

\*2: Kenedix investment and share are before the redemption or sale of part (¥0.9bn) of the Kenedix interest due to the participation of another investor.

\*3: Sold 25% of the 65% interest held by Kenedix to Kenedix Office Investment Corporation (KDO) in May 2014. After the sale, the share of investment was as follows: Kenedix subsidiary 40%, KDO 25%, KPI 35%.

\*4: After the sales of 25% interest in investment, the balance of Kenedix investment was about ¥5.8bn.

\*5: Acquired loans in January 2014; Thereafter the loans were recovered in full along with the transfer of the property to a fund, transfer to a fund investment account already completed.

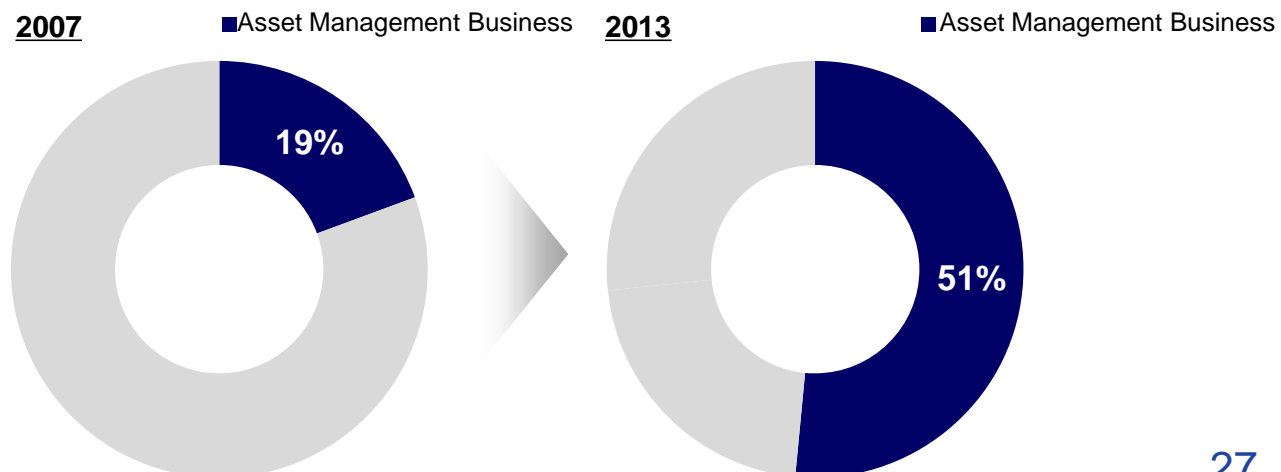
Note: In addition to the above, additional investments etc. have been made in currently owned properties and development projects.

# Differences between Past and Present Business Activities

<u>Item</u>	<u>2007</u>	<u>2013 / 2014</u>
Real estate investment environment	<ul style="list-style-type: none"> <li>Increasingly heated competition with many companies to acquire properties</li> </ul>	<ul style="list-style-type: none"> <li>A reasonable competitive environment for purchasing properties due to the elimination of many competitors after the Lehman shock</li> </ul>
Kenedix investment schemes	<ul style="list-style-type: none"> <li>100% ownership by Kenedix</li> <li>Properties developed by Kenedix alone</li> </ul>	<ul style="list-style-type: none"> <li>Mainly co-investments with other investors</li> </ul>
Kenedix's composition of loans	<ul style="list-style-type: none"> <li>Funds procured mainly by using corporate loans</li> </ul>	<ul style="list-style-type: none"> <li>Funds procured mainly by using non-recourse loans</li> </ul>

## Change in Gross Operating Income

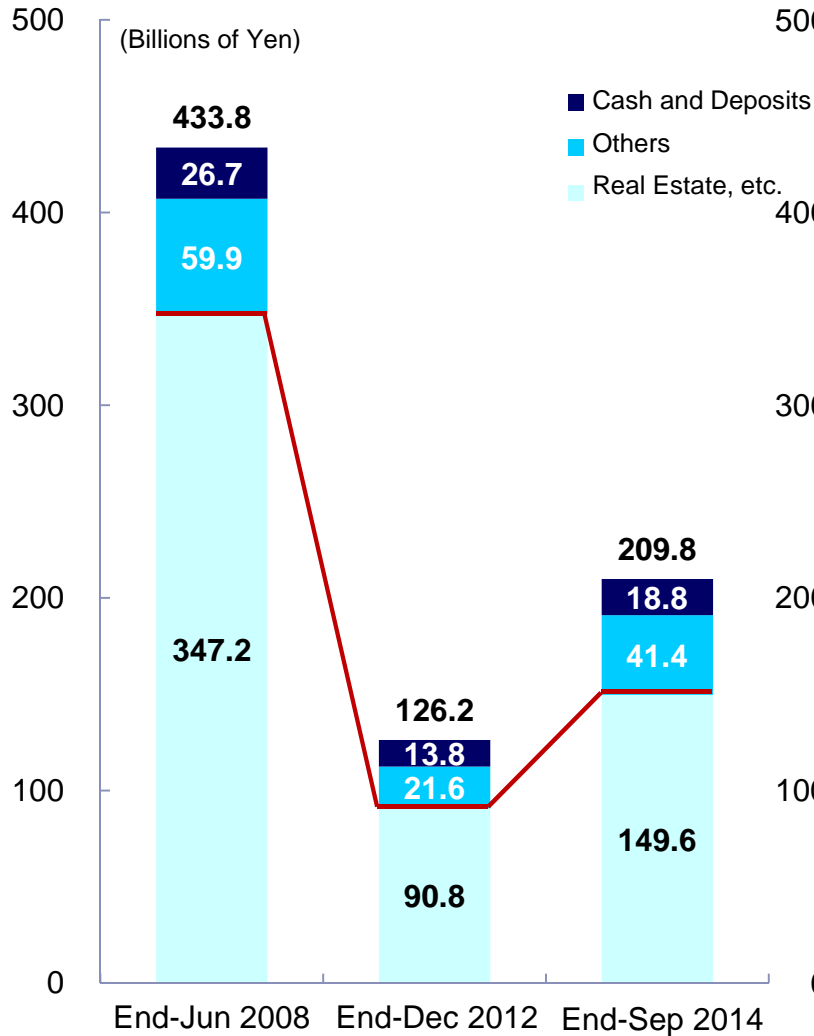
- In 2007, capital gains from sales of properties were the primary source of earnings
- In 2013, half of earnings came from the asset management business, which is a consistent source of earnings



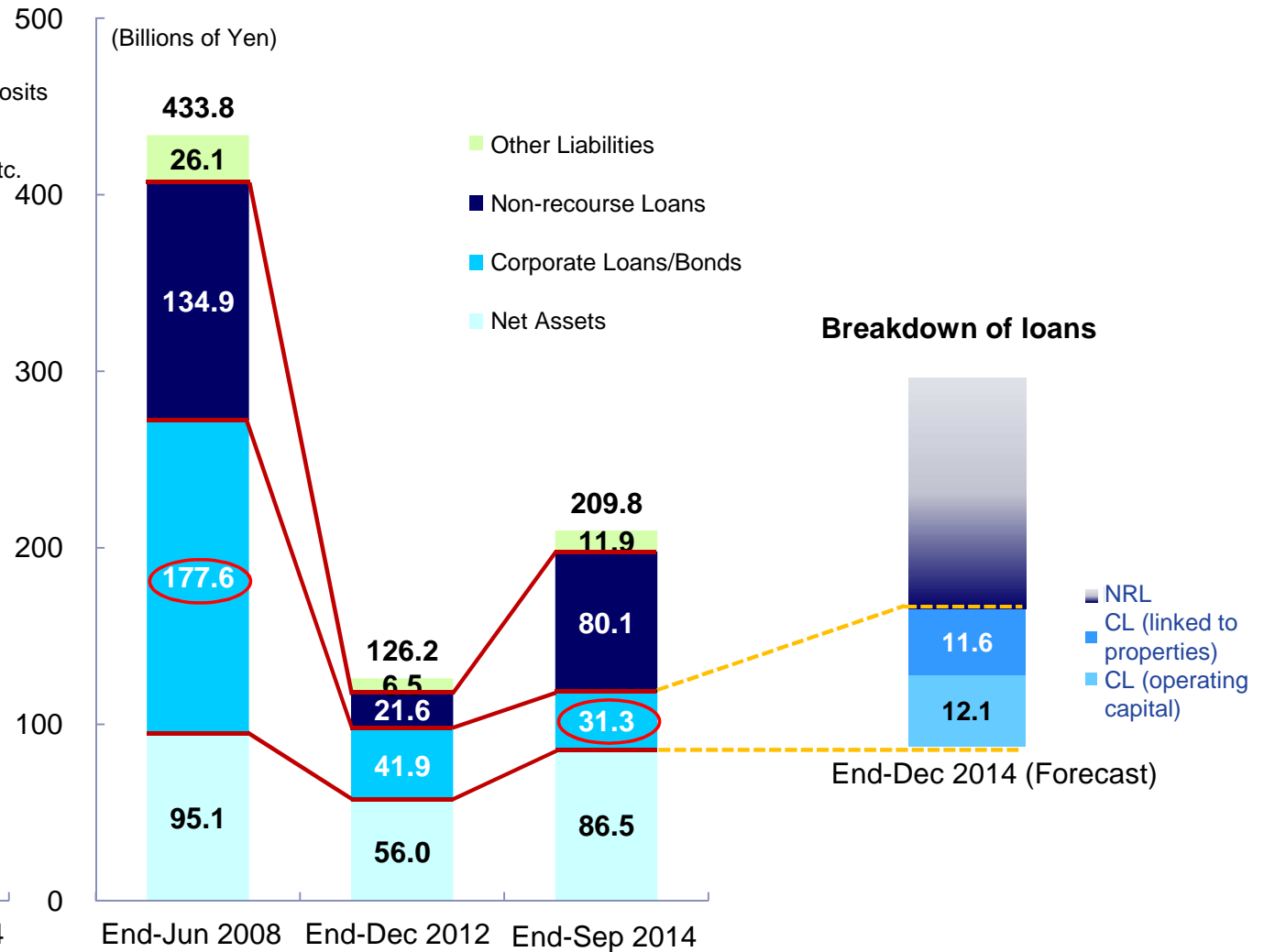


# Differences between Past and Present Assets

## KDX Assets



## KDX Liabilities and Net Assets





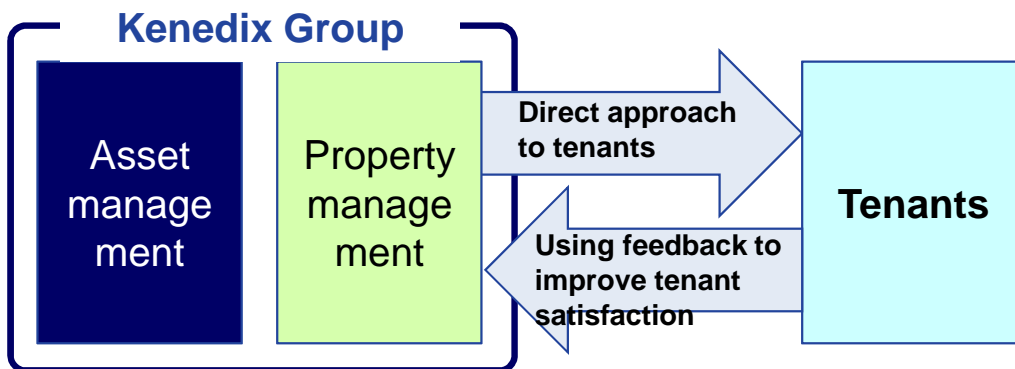
# Expand Property-related Services



## Establishment of Kenedix Property Management (KPM)



- Operations have started at KPM, a company specializing in the management of medium-size office buildings
- Addition of KPM's property management and building management businesses to our asset management business enables provision of high quality services to tenants
  - Enhances tenant satisfaction and improves occupancy rates, thereby boosting profitability
  - Increases value of assets held and managed



## Kenedix Group Business Portfolio

	Asset management	Office building management	Brokerage	Leasing brokerage	Operator
Private Fund (advisory)	KDX	KPM			SD
Private Fund (discretionary)	KFM				
KDO					
KPI					
KDR					
Retail Facility REIT					
JLF	MLP				
Senior Healthcare REIT	JSLP				

**Expanding businesses involving property-related services**

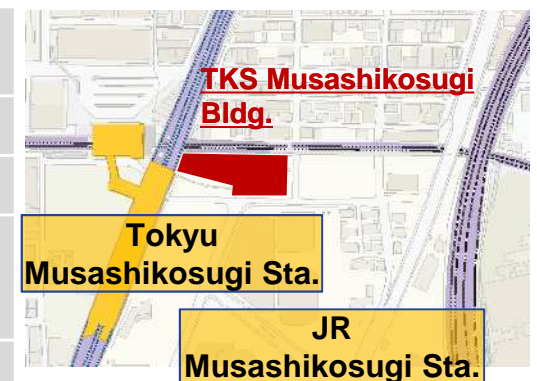
# Case 1: TKS Musashikosugi Building

- Purchased this low-occupancy building in July 2013 (¥8.8 billion)
- By focusing on leasing activities, **occupancy rate rose from 17% to 86%**
- Sold to J-REIT in March 2014 (¥12 billion)

- Contributed to the growth of a J-REIT (Kenedix Office Investment Corporation)
- Providing asset management services for this building gives Kenedix a medium- to long-term source of stable asset management fees from this J-REIT



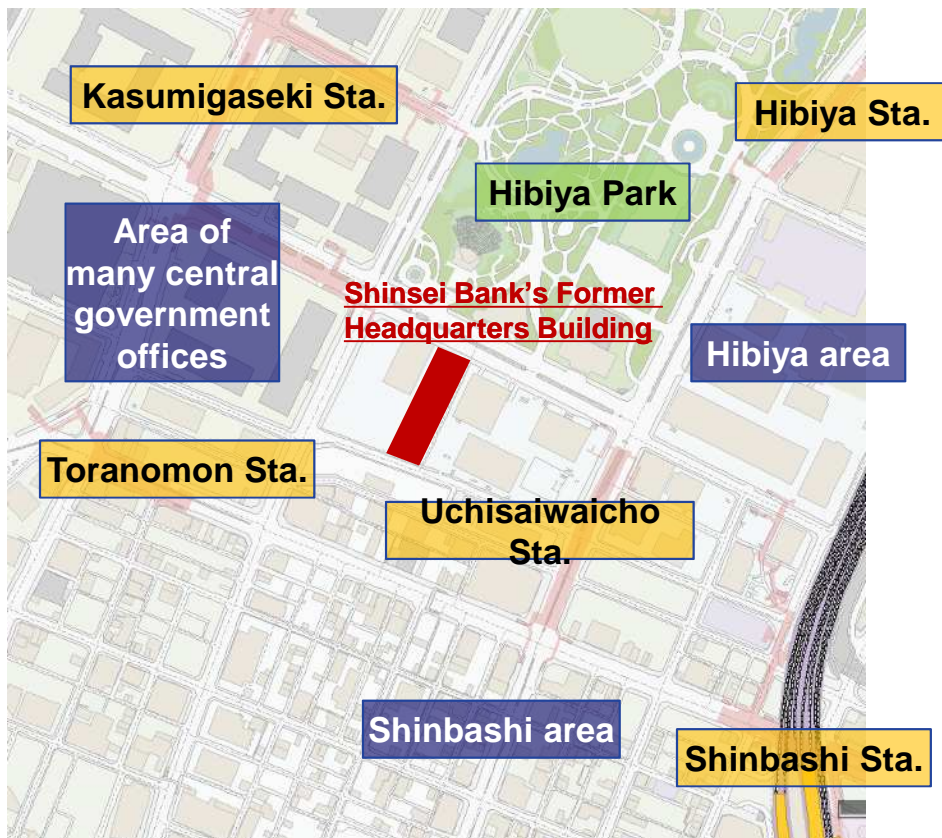
Address	Nakahara-ku, Kawasaki-shi, Kanagawa
Completion	May 2013
Usage	Offices (partially retail spaces)
Structure and scale	Steel frame structure; one underground floor and eleven above-ground floors
Site area	3,210.09m <sup>2</sup>
Floor area	16,094.14m <sup>2</sup>



# Case 2: Redevelopment Project of Shinsei Bank's Former Headquarters Building in Uchisaiwaicho



- This property was purchased through a SPC in December 2012 as a joint project of Kenedix, Tokyu Land Corporation and Development Bank of Japan Inc.
- The property occupies one of the few sites adjacent to Hibiya Park and is also near the Kasumigaseki area
- Aim to help revitalize this district of central Tokyo as well as increase the value of the property through rebuilding



## Profile of Redevelopment (including plans)

Address	Uchisaiwaicho, Chiyoda-ku, Tokyo
Usage (planned)	Offices (partially retail spaces)
Structure and scale (planned)	S/SRC structure with two underground floors and twenty above-ground floors
Site area	5,998.50m <sup>2</sup>
Floor area (planned)	Approx. 57,500m <sup>2</sup>
Completion (planned)	2017



(Photos as of July 2014)



# Case 3: Retail Facilities Measures

## ■ Examples of Kenedix's retail facilities holdings



Property name	MONA Shinurayasu
Property type	Retail facilities facing railway stations
Location	Urayasu, Chiba
Land area	15,876m <sup>2</sup>
Floor area	76,767m <sup>2</sup>
Completion	October 1990
No. of tenants (End-Jun 2014)	72

Property name	Daikanyama Address
Property type	Retail facilities facing railway stations
Location	Shibuya-ku, Tokyo
Land area	17,262m <sup>2</sup>
Floor area	92,064m <sup>2</sup>
Completion	August 2000
No. of tenants (End-Jun 2014)	24

Property name	Roseo Mito
Property type	Neighborhood retail facilities
Location	Mito, Ibaraki
Land area	55,270m <sup>2</sup>
Floor area	36,931m <sup>2</sup>
Completion	December 2008
No. of tenants (End-Jun 2014)	21

# The Office Building Market

## Average Leasing Rate (Tokyo)

(Thousands of yen/month, Tsubo)



Source: Prepared by Kenedix based on data of Sanko Estate Co., Ltd.

## Prime Offices –Rental Clock (2014 Q3)



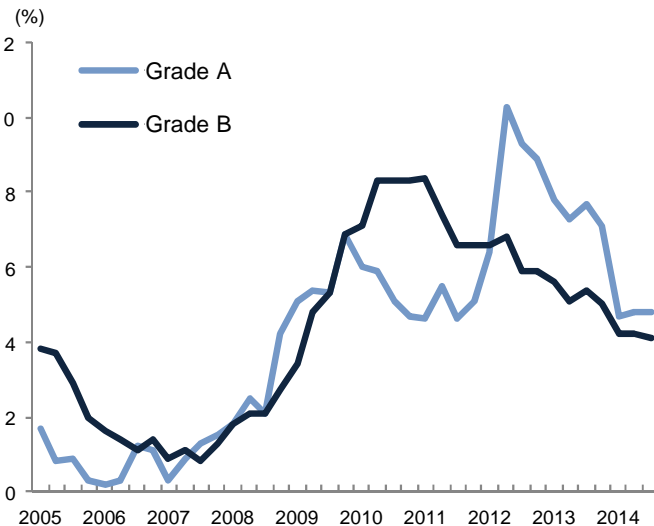
Note: Based on rents and notional capital values for Grade A office buildings

## Prime Offices –Capital Value Clock (2014 Q3)



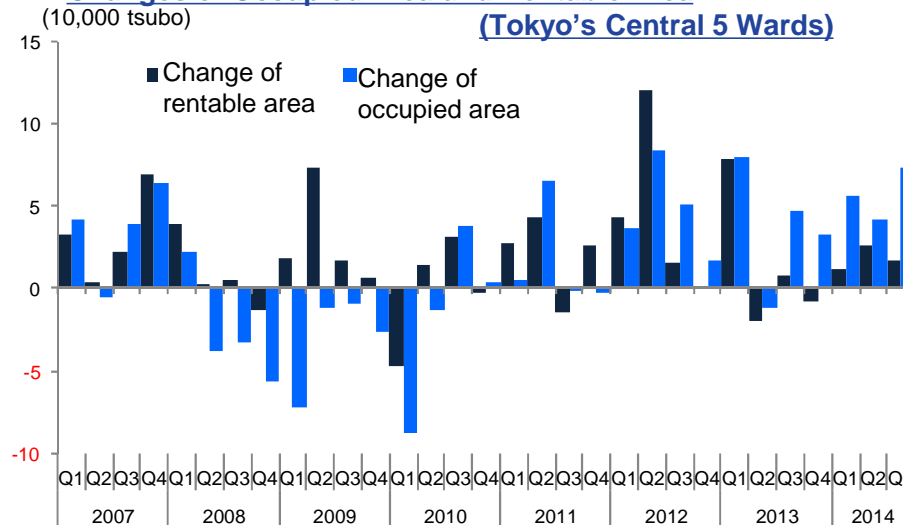
Source: JLL

## Average Vacancy Rate (Tokyo 23 Wards)



Source: CBRE

## Changes of Occupied Area and Rentable Area (Tokyo's Central 5 Wards)



Source: Prepared by Kenedix based on data of Miki Shoji co., Ltd.

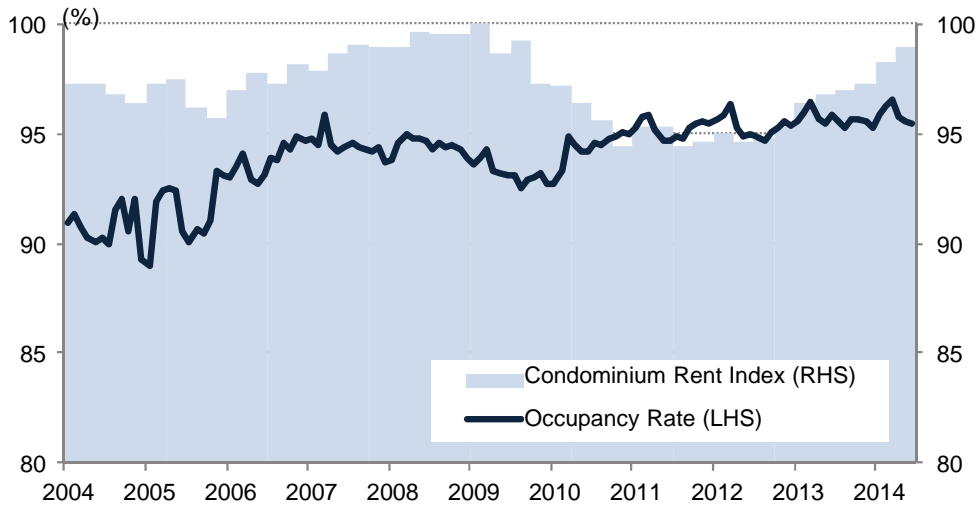
## The Office Building Stock as of January 2014

	Total office bldg. space (10,000 m <sup>2</sup> )	Pct. of space completed before 1981
Tokyo 23-ward	6,394	26%
Osaka	1,591	34%
Nagoya	587	33%
Fukuoka	357	42%

Note: Based on the floor area  
Source: Japan Real Estate Institute

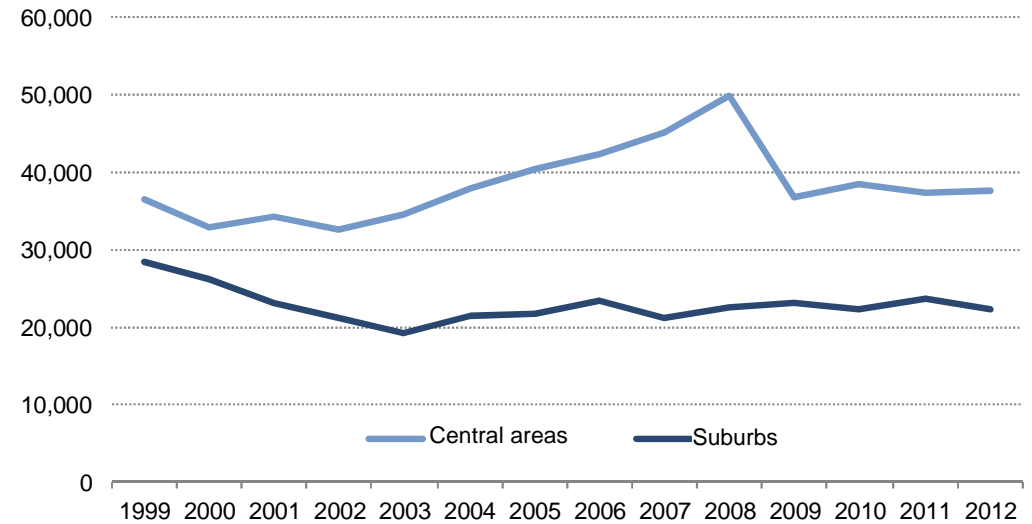
# The Residential, Logistics, Retail and Healthcare Markets

## Residential Property Occupancy Rates and Rents

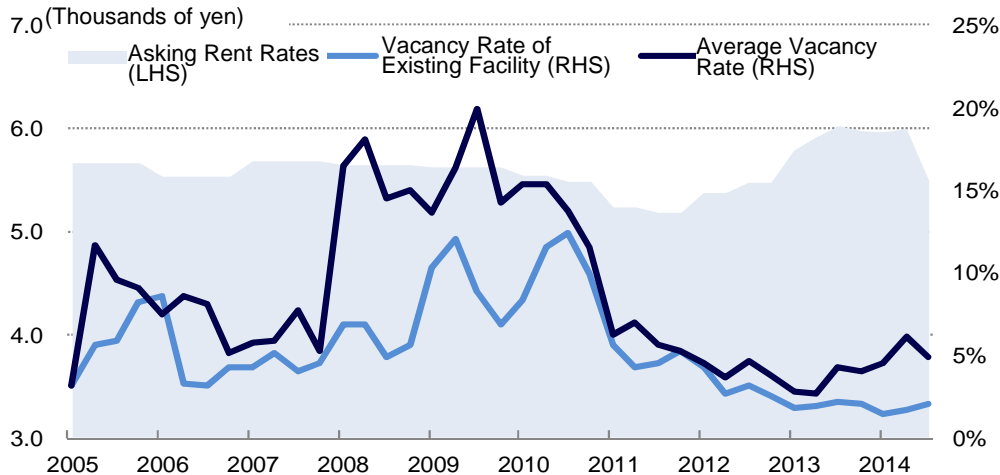


Note: The condominium rent index is for single types in Tokyo 23 wards and occupancy rates are for greater Tokyo  
Source: Prepared by Kenedix based on public announcements by J-REITs and Condominium Rent Index (At Home Co., Ltd. and Sumitomo Mitsui Trust Research Institute Co., Ltd.)

## Shopping Center Goods Sales Rents (14 Major Cities)

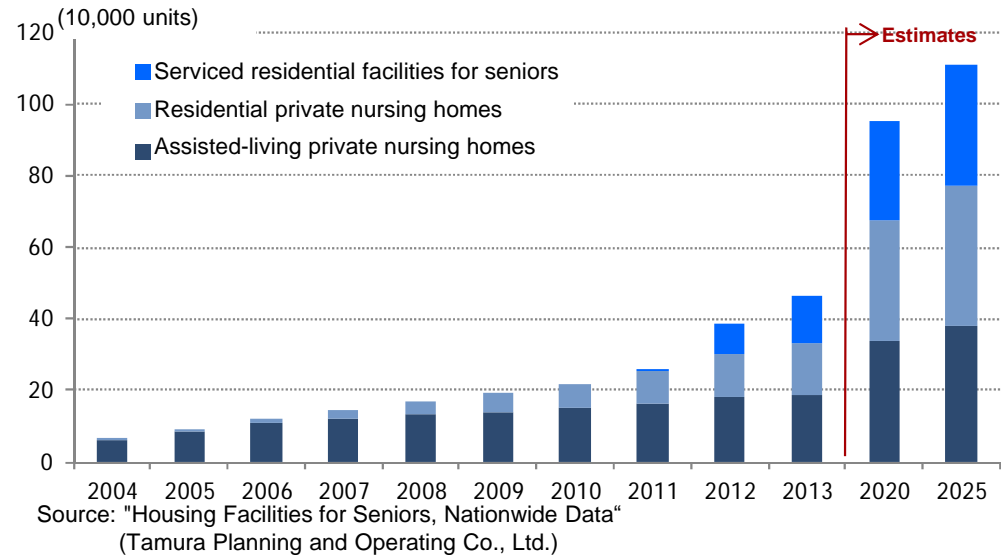


## Vacancy Rate of Logistics Facilities and Average Asking Rent



Note: Vacancy rate is for large-scale multi-tenant logistics facilities in greater Tokyo and average asking rent is for medium- and large scale logistics facilities in Tokyo  
Source: CBRE

## Number of Rooms in Senior Healthcare Facilities, and Future Estimates



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