

FINANCIAL SECTION

Contents

Independent Auditor's Report	17
Balance Sheets	18
Statements of Income and Retained Earnings	19
Statements of Changes in Net Assets	19
Statements of Cash Flows	20
Notes to Financial Statements	21

Financial Summary (Unaudited)

Historical Operating Trends
For the 17th–21st Fiscal Periods

Period	Unit	17th Period (as of Oct. 31, 2013)	18th Period (as of Apr. 30, 2014)	19th Period (as of Oct. 31, 2014)	20th Period (as of Apr. 30, 2015)	21st Period (as of Oct. 31, 2015)
Operating revenues	mn yen	9,819	10,895	12,928	14,130	13,740
(Rental revenues)	mn yen	9,501	10,330	11,295	12,836	13,226
Operating expenses	mn yen	5,578	6,611	7,899	7,593	7,800
(Property-related expenses)	mn yen	4,845	5,047	5,557	6,377	6,668
Operating income	mn yen	4,240	4,283	5,028	6,537	5,940
Ordinary income	mn yen	2,832	2,887	3,570	5,111	4,565
Net income (a)	mn yen	2,831	2,885	3,569	5,110	4,564
Total assets (b)	mn yen	316,753	355,167	388,169	407,799	407,217
(Period-on-period change)	%	(+2.8)	(+12.1)	(+9.3)	(+5.1)	(-0.1)
Interest-bearing debt (c)	mn yen	150,558	167,746	187,685	174,600	174,100
(Period-on-period change)	%	(+5.8)	(+11.4)	(+11.9)	(-7.0)	(-0.3)
Unitholders' equity (d)	mn yen	150,781	170,109	180,844	211,951	211,914
(Period-on-period change)	%	(+0.1)	(+12.8)	(+6.3)	(+17.2)	(-0.0)
Unitholders' capital	mn yen	147,153	166,261	176,632	206,199	206,199
(Period-on-period change)	%	(0.0)	(+13.0)	(+6.2)	(+16.7)	(0.0)
Number of investment units issued and outstanding (e)	unit	286,550	332,540	355,010	404,885	404,885
Unitholders' equity per unit (d)/(e)	yen	526,195	511,546	509,407	523,484	523,394
Total distribution (f)	mn yen	2,665	3,205	3,571	4,600	4,170
Distribution per unit (f)/(e)	yen	9,302	9,638	10,060	11,363	10,300
(Earnings distributed per unit)	yen	9,302	9,638	10,060	11,363	10,300
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	0.9 (1.8)	0.9 (1.7)	1.0 (1.9)	1.3 (2.6)	1.1 (2.2)
Return on net assets (annualized) (Notes 2 and 3)	%	1.9 (3.7)	1.8 (3.6)	2.0 (4.0)	2.6 (5.2)	2.2 (4.3)
Net assets ratio at end of period (d)/(b)	%	47.6	47.9	46.6	52.0	52.0
(Period-on-period change)	%	(-1.3)	(+0.3)	(-1.3)	(+5.4)	(+0.1)
Interest-bearing debt ratio at end of period (c)/(b)	%	47.5	47.2	48.4	42.8	42.8
(Period-on-period change)	%	(+1.3)	(-0.3)	(+1.1)	(-5.5)	(-0.1)
Payout ratio (Note 4) (f)/(a)	%	94.1	111.0	100.0	90.0	91.3
Other references						
Number of properties	properties	85	89	94	97	97
Total leasable floor area	m ²	358,517.31	386,659.01	437,233.24	453,999.44	453,681.06
Occupancy ratio at end of period	%	95.8	96.0	95.6	96.5	94.9
Depreciation expenses for the period	mn yen	1,696	1,826	2,022	2,221	2,218
Capital expenditures for the period	mn yen	894	711	550	329	469
Leasing NOI (Net Operating Income) (Note 5)	mn yen	6,352	7,109	7,760	8,680	8,775
FFO (Funds From Operation) (Note 6)	mn yen	4,293	5,031	7,116	6,909	6,487
FFO per unit (Note 7)	yen	14,984	15,130	20,045	17,065	16,023

- notes: 1. Return on assets = Ordinary income / ((Total assets at beginning of period + Total assets at end of period) / 2) × 100
2. Annualized values for the 17th Fiscal Period are calculated based on a period of 184 days, 181 days for the 18th Fiscal Period, 184 days for the 19th Fiscal Period, 181 days for the 20th Fiscal Period and 184 days for the 21st Fiscal Period.
3. Return on net assets = Net income / ((Total net assets at beginning of period + Total net assets at end of period) / 2) × 100
4. Payout ratio is rounded down to the first decimal place.
5. Leasing NOI = Rental revenues – Rental expenses + Depreciation expenses for the period
6. FFO = Net income + Depreciation expenses for the period – Gain on sale of real estate property + Loss on sale of real estate property
7. FFO per unit = FFO / Number of investment units issued and outstanding (figures below ¥1 rounded down)
8. Where applicable, figures are rounded down to the nearest million.



Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
Kenedix Office Investment Corporation

We have audited the accompanying financial statements of Kenedix Office Investment Corporation, which comprise the balance sheet as at October 31, 2015, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Office Investment Corporation as at October 31, 2015, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

January 29, 2016
Tokyo, Japan

Balance Sheets

Kenedix Office Investment Corporation
As of October 31, 2015 and April 30, 2015

	In thousands of yen	
	As of October 31, 2015	As of April 30, 2015
ASSETS		
Current assets:		
Cash and bank deposits (Notes 3 and 13)	¥ 22,587,773	¥ 24,601,157
Rental receivables	338,287	321,915
Other current assets (Note 8)	97,212	176,000
Total current assets	23,023,272	25,099,072
Property and equipment, at cost: (Notes 4 and 15)		
Land	271,537,963	269,158,456
Buildings and structures (Note 6)	132,688,163	131,523,414
Machinery and equipment	1,905,006	1,890,733
Tools, furniture and fixtures	503,925	484,345
Construction in progress	—	1,785
Less-accumulated depreciation	(25,521,651)	(23,506,928)
Net property and equipment	381,113,406	379,551,805
Other assets:		
Ground leasehold (Note 15)	353,234	354,009
Investment securities (Note 13)	1,100,235	1,076,656
Corporate bond issuance costs	34,102	39,414
Unit issuance costs	167,122	223,603
Other assets (Note 15)	1,426,091	1,454,528
Total assets	¥407,217,462	¥407,799,087
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Trade and other payables	¥ 1,372,165	¥ 1,390,897
Short-term debt and current portion of long-term debt (Notes 5 and 13)	33,300,000	35,800,000
Deposits received	46,840	57,472
Rents received in advance	1,958,661	2,108,001
Other current liabilities	497,937	355,338
Total current liabilities	37,175,603	39,711,708
Corporate bonds (Notes 5 and 13)	8,300,000	8,300,000
Long-term debt (Notes 5 and 13)	132,500,000	130,500,000
Leasehold and security deposits received	17,327,076	17,336,230
Total liabilities	195,302,679	195,847,938
Net Assets		
Unitholders' equity		
Unitholders' capital	206,199,946	206,199,946
Units authorized: 2,000,000 units		
Units issued and outstanding: 404,885 units		
As of October 31, 2015 and April 30, 2015, respectively		
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	1,150,495	640,811
Retained earnings	4,564,342	5,110,392
Total surplus	5,714,837	5,751,203
Total unitholders' equity	211,914,783	211,951,149
Total net assets (Note 9)	211,914,783	211,951,149
Total liabilities and net assets	¥407,217,462	¥407,799,087

See accompanying notes to the financial statements.

Statements of Income and Retained Earnings

Kenedix Office Investment Corporation
For the period from May 1, 2015 to October 31, 2015 and the period from November 1, 2014 to April 30, 2015

	In thousands of yen	
	From May 1, 2015 to October 31, 2015	From November 1, 2014 to April 30, 2015
Operating revenues:		
Rental revenues (Note 11)	¥13,226,032	¥12,836,807
Gain on sale of real estate property (Note 11)	461,366	709,633
Dividends income	53,278	583,910
Total operating revenues	13,740,676	14,130,350
Operating expenses:		
Property-related expenses (Note 11)	6,668,992	6,377,605
Loss on sale of real estate property (Note 11)	165,691	287,720
Asset management fees	753,003	740,454
Administrative service and custodian fees	78,538	76,528
Other operating expenses	134,223	110,841
Total operating expenses	7,800,447	7,593,148
Operating income	5,940,229	6,537,202
Non-operating expenses:		
Interest expense	1,058,112	1,086,470
Financing-related expenses	220,018	244,331
Amortization of unit issuance costs	56,481	56,481
Amortization of corporate bond issuance costs	5,312	5,225
Others, net	34,701	32,980
Total non-operating expenses	1,374,624	1,425,487
Ordinary income	4,565,605	5,111,715
Income before income taxes	4,565,605	5,111,715
Income taxes (Note 8)	1,263	1,323
Net income	4,564,342	5,110,392
Retained earnings at the end of period	¥ 4,564,342	¥ 5,110,392

See accompanying notes to the financial statements.

Statements of Changes in Net Assets

Kenedix Office Investment Corporation
For the period from May 1, 2015 to October 31, 2015 and the period from November 1, 2014 to April 30, 2015

	In thousands of yen					
	Unitholders' capital	Unitholders' equity			Total unitholders' equity	Total
		Voluntary retained earnings	Retained earnings	Total surplus		
Balance as of October 31, 2014	¥176,632,550	¥ 642,566	¥ 3,569,645	¥ 4,212,211	¥180,844,761	¥180,844,761
Changes during the fiscal period						
New unit issuance	29,567,396	—	—	—	29,567,396	29,567,396
Reversal of reserve for reduction entry	—	(1,755)	1,755	—	—	—
Payments of dividends	—	—	(3,571,400)	(3,571,400)	(3,571,400)	(3,571,400)
Net income	—	—	5,110,392	5,110,392	5,110,392	5,110,392
Total changes during the fiscal period	29,567,396	(1,755)	1,540,747	1,538,992	31,106,388	31,106,388
Balance as of April 30, 2015	¥206,199,946	¥ 640,811	¥ 5,110,392	¥ 5,751,203	¥211,951,149	¥211,951,149
Changes during the fiscal period						
Provision of reserve for reduction entry	—	509,684	(509,684)	—	—	—
Payments of dividends	—	—	(4,600,708)	(4,600,708)	(4,600,708)	(4,600,708)
Net income	—	—	4,564,342	4,564,342	4,564,342	4,564,342
Total changes during the fiscal period	—	509,684	(546,050)	(36,366)	(36,366)	(36,366)
Balance as of October 31, 2015	¥206,199,946	¥1,150,495	¥ 4,564,342	¥ 5,714,837	¥211,914,783	¥211,914,783

See accompanying notes to the financial statements.

Statements of Cash Flows

Kenedix Office Investment Corporation
For the period from May 1, 2015 to October 31, 2015 and the period from November 1, 2014 to April 30, 2015

	In thousands of yen	
	From May 1, 2015 to October 31, 2015	From November 1, 2014 to April 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income taxes	¥ 4,565,605	¥ 5,111,715
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,494,805	2,520,961
Interest income	(738)	(772)
Interest expense	1,058,112	1,086,470
Changes in assets and liabilities:		
Rental receivables	(16,372)	(28,754)
Consumption tax refundable	—	752,671
Accrued consumption tax	159,196	248,360
Trade and other payables	41,052	223,597
Rents received in advance	(149,339)	239,132
Property and equipment due to sale	5,309,142	6,200,424
Others, net	(145,670)	97,348
Subtotal	13,315,793	16,451,152
Interest income received	738	772
Cash payments of interest expense	(1,070,731)	(1,109,425)
Cash payments of income taxes	(925)	(904)
Net cash provided by (used in) operating activities	12,244,875	15,341,595
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(9,078,473)	(22,545,378)
Proceeds from investment securities	—	1,602,482
Proceeds from leasehold and security deposits received	1,100,651	1,599,129
Payments of leasehold and security deposits received	(1,180,848)	(663,116)
Payments of restricted bank deposits	(59,130)	(88,482)
Proceeds from restricted bank deposits	108,411	1,475,886
Others, net	—	937
Net cash provided by (used in) investing activities	(9,109,389)	(18,618,542)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term debt	1,000,000	1,500,000
Payments of short-term debt	(1,500,000)	(14,400,000)
Proceeds from long-term debt	14,500,000	15,450,000
Payments of long-term debt	(14,500,000)	(15,635,000)
Proceeds from issuance of investment units	—	29,451,732
Payment of dividends	(4,599,589)	(3,571,135)
Net cash provided by (used in) financing activities	(5,099,589)	12,795,597
Net change in cash and cash equivalents	(1,964,103)	9,518,650
Cash and cash equivalents at the beginning of period	23,724,684	14,206,034
Cash and cash equivalents at the end of period (Note 3)	¥ 21,760,581	¥ 23,724,684

See accompanying notes to the financial statements.

Notes to Financial Statements

Kenedix Office Investment Corporation
For the period from May 1, 2015 to October 31, 2015 and the period from November 1, 2014 to April 30, 2015

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Kenedix Office Investment Corporation ("the Investment Corporation") is a real estate investment corporation whose units are listed on the Tokyo Stock Exchange. The Investment Corporation is engaged in ownership and operation of selected office buildings, residential and retail properties in Japan, with a focus on mid-sized office buildings in the Tokyo Metropolitan Area. The Investment Corporation was incorporated on May 6, 2005 as an investment corporation under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. On July 21, 2005, the Investment Corporation was listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange with a total of 75,400 investment units issued and outstanding (Securities Code: 8972). Subsequently, the Investment Corporation raised funds through seven public offerings and other means including global offerings. Pursuant to the Investment Trust Law, the Investment Corporation is externally managed by a registered asset management company, Kenedix Real Estate Fund Management, Inc. ("the Asset Management Company"), a subsidiary of Kenedix, Inc. ("Kenedix"). In concert with the Asset Management Company, the Investment Corporation strives to maximize cash distribution to investors by securing stable earnings and sustainable investment growth. To this end, the Investment Corporation adopts a dynamic and flexible investment stance that accurately reflects its environment and market trends, and endeavors to ensure a timely response to each and every opportunity.

During the period ended April 30, 2015, the Investment Corporation acquired seven office buildings (KDX Yokohama Nishiguchi Building: acquisition price of ¥2,750 million, KDX Shin-Yokohama 214 Building: acquisition price of ¥2,200 million, KDX Minami-Honmachi Building: acquisition price of ¥2,200 million, BUREX Toranomon: acquisition price of ¥1,750 million, KDX Sakura-dori Building: acquisition price of ¥5,900 million, KDX Ginza East Building (Note): acquisition price of ¥3,600 million and Pentel Building: acquisition price of ¥3,350 million) and sold KDX Minami Semba Dai-2 Building (initial acquisition price of ¥1,560 million), KDX Hamacho Building (initial acquisition price of ¥2,300 million), Venus Hibarigaoka (initial acquisition price of ¥1,800 million) and Sendai Nikko Building (initial acquisition price of ¥950 million) (with a total combined disposition price of ¥6,792 million). Furthermore, the preferred equity securities (Toyonaka Property TMK) have been refunded in full.

During the period ended October 31, 2015, the Investment Corporation acquired one office building (Hamamatsucho Center Building: acquisition price of ¥3,950 million) located in the Tokyo Metropolitan Area, one office building (Shin Osaka Center Building: acquisition price of ¥4,550 million) located in Other Regional Areas, and sold Nagoya Nikko Shoken Building (initial acquisition price of ¥4,158 million) and KDX Nogizaka Building (initial acquisition price of ¥1,065 million) (with a total combined disposition price of ¥5,760 million).

At the end of the twentieth and twenty-first fiscal periods, the Investment Corporation had total unitholders' capital of ¥206,200 million with 404,885 investment units outstanding, respectively. The Investment Corporation owned a portfolio of 97 properties (consisting of 92 office buildings, one residential property, three central urban retail properties and one other property) with total acquisition prices of ¥385,094 million and ¥388,371 million at the end of the twentieth and twenty-first fiscal periods, respectively. The occupancy ratios were approximately 96.5% and 94.9% at the end of the twentieth and twenty-first fiscal periods, respectively.

Note: The property name of 35 Sankyo Building will be changed to KDX Ginza East Building on February 1, 2016.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Act of Japan, the Japanese Corporation Law, the Financial Instruments and Exchange Law of Japan and related regulations, and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of the International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements are basically a translation of the audited financial statements that were prepared for Japanese domestic purposes from the accounts and records maintained by the Investment Corporation and filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. In preparing the accompanying financial statements, relevant notes have been added and certain reclassifications have been made to the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. The Investment Corporation's fiscal period is a six-month period that ends at the end of April and the end of October each year. The Investment Corporation does not prepare consolidated financial statements because it has no subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) SECURITIES

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. Concerning silent partnership (tokumei kumiai, "TK") interests, the method of incorporating the amount of equity equivalent to the portion that corresponds to the net gain or loss of the TK is adopted.

(B) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

	From May 1, 2015 to October 31, 2015	From November 1, 2014 to April 30, 2015
Buildings and structures	2–49 years	2–49 years
Machinery and equipment	3–17 years	3–17 years
Tools, furniture and fixtures	3–20 years	3–20 years

(C) UNIT ISSUANCE COSTS

Unit issuance costs are amortized over a period of three years under the straight-line method.

(D) CORPORATE BOND ISSUANCE COSTS

Corporate bond issuance costs are amortized over a maturity period under the straight-line method.

(E) ACCOUNTING TREATMENT OF TRUST BENEFICIARY INTERESTS IN REAL ESTATE

For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan, all assets and liabilities in trust are recorded in the relevant balance sheets and statements of income and retained earnings.

(F) GROUND LEASEHOLD

Fixed term leaseholds on the building and special agreements on buildings sales are amortized over a contractual period of 48 years and 9 months under the straight-line method.

(G) REVENUE RECOGNITION

Operating revenues consist of rental revenues including base rents, common area charges, and other operating revenues, which include utility charge reimbursements, parking space rental revenues and other miscellaneous revenues. Rental revenues are generally recognized on an accrual basis over the life of each lease. Utility charge reimbursements are recognized when earned and their amounts can be reasonably estimated. Reimbursements from tenants including utility charge reimbursements are recorded on a gross basis and such amounts are recorded both as revenues and expenses during the fiscal period.

(H) TAXES ON PROPERTY AND EQUIPMENT

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to the said period. Under Japanese tax rules, the seller of property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued property-related tax liabilities.

When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥13,308 thousand and ¥116,101 thousand as of October 31, 2015 and April 30, 2015, respectively. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period to which the installments of such taxes correspond.

(I) INCOME TAXES

Deferred tax assets and liabilities are computed based on the difference between the financial statements and income tax bases of assets and liabilities using the statutory tax rates.

(J) CONSUMPTION TAXES

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Non-deductible consumption taxes applicable to the acquisition of assets are included in the cost of acquisition for each asset.

(K) DERIVATIVE FINANCIAL INSTRUMENTS

The Investment Corporation utilizes interest-rate swap and interest-rate cap contracts as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. The Investment Corporation deferred recognition of gains or losses resulting from changes in fair value of interest-rate swap and interest-rate cap contracts because these contracts met the criteria for deferral hedging accounting. However, the Investment Corporation adopted special treatment for interest-swap and interest-rate cap contracts if they met the criteria for hedging accounting under this treatment, whereby the net amount to be paid or received under the interest-rate swap and interest-rate cap contract is added to or deducted from the interest on the assets or liabilities for which the swap and cap contract was executed. The hedge effectiveness for the interest-rate swap and interest-rate cap contract is assessed each fiscal period except for those that meet the criteria of special treatment.

(L) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, deposits placed with banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of purchase.

(M) ROUNDING OF AMOUNTS PRESENTED

Amounts have been truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan, whereas amounts have been rounded to the nearest million in the accompanying financial statements. Totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of October 31, 2015 and April 30, 2015:

	In thousands of yen	
	As of October 31, 2015	As of April 30, 2015
Cash and bank deposits	¥22,587,773	¥24,601,157
Restricted bank deposits (Note)	(827,192)	(876,473)
Cash and cash equivalents	¥21,760,581	¥23,724,684

Note: Restricted bank deposits are retained for repayment of tenant leasehold and security deposits.

4. SCHEDULE OF PROPERTY AND EQUIPMENT

	In millions of yen					
	As of October 31, 2015			As of April 30, 2015		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥271,538	¥ —	¥271,538	¥269,158	¥ —	¥269,158
Buildings and structures	132,688	24,428	108,260	131,523	22,486	109,037
Machinery and equipment	1,905	835	1,070	1,891	777	1,114
Tools, furniture and fixtures	504	259	245	484	243	241
Construction in progress	—	—	—	2	—	2
Total	¥406,635	¥25,522	¥381,113	¥403,058	¥23,507	¥379,552

5. SHORT-TERM DEBT, LONG-TERM DEBT AND CORPORATE BONDS

The following summarizes short-term debt, long-term debt and corporate bonds outstanding as of October 31, 2015:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	April 2, 2015	March 31, 2016	0.53%	¥ 1,500
	July 31, 2015	July 31, 2016	0.53%	1,000
Current portion of long-term debt	November 12, 2010	November 12, 2015	1.79%	1,200
	November 12, 2010	November 12, 2015	1.79%	800
	December 1, 2010	November 12, 2015	1.32%	800
	December 1, 2010	November 12, 2015	1.32%	200
	January 31, 2011	January 29, 2016	1.94%	800
	February 28, 2011	January 29, 2016	1.95%	500
	March 31, 2011	January 29, 2016	1.91%	2,000
	April 28, 2011	January 29, 2016	1.89%	1,000
	January 10, 2012	January 29, 2016	1.27%	2,500
	February 18, 2013	February 18, 2016	0.84%	1,500
	March 31, 2011	March 31, 2016	1.22%	1,000
	May 1, 2006	April 30, 2016	2.73%	5,000
	April 30, 2013	April 30, 2016	0.67%	1,000
	July 31, 2013	July 29, 2016	0.57%	1,500
	December 26, 2011	October 31, 2016	1.44%	2,500
December 26, 2011	October 31, 2016	1.42%	2,500	
December 26, 2011	October 31, 2016	1.44%	2,000	
October 31, 2012	October 31, 2016	1.06%	2,500	
October 31, 2012	October 31, 2016	1.05%	1,500	
Subtotal				¥ 33,300

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	November 12, 2010	November 12, 2017	2.02%	¥ 2,300
	December 1, 2010	November 12, 2017	2.21%	700
	March 28, 2012	March 28, 2017	1.36%	500
	March 28, 2012	March 28, 2019	1.77%	1,400
	March 28, 2012	March 28, 2019	1.77%	1,000
	June 29, 2012	June 30, 2017	1.29%	1,500
	September 21, 2012	September 21, 2017	1.16%	5,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	October 31, 2012	October 31, 2017	1.10%	2,500
	October 31, 2012	October 31, 2018	1.25%	2,500
	December 10, 2012	December 12, 2016	0.98%	500
	December 28, 2012	December 28, 2016	1.01%	2,000
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500
	January 15, 2013	January 15, 2017	0.97%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	July 31, 2013	July 31, 2018	0.67%	500
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	500
	August 19, 2013	August 19, 2018	0.97%	500
	August 19, 2013	August 19, 2018	0.95%	500
	August 30, 2013	August 31, 2018	1.08%	700
	August 30, 2013	August 31, 2018	1.08%	500
	August 30, 2013	August 31, 2018	1.08%	300
	August 30, 2013	August 31, 2020	1.42%	1,500
	September 30, 2013	September 30, 2019	1.06%	1,800
	September 30, 2013	September 30, 2019	1.06%	900
	October 31, 2013	October 31, 2018	0.89%	500
	November 12, 2013	November 12, 2018	0.82%	1,000
	November 12, 2013	November 12, 2020	1.07%	2,000
	November 12, 2013	November 12, 2020	1.07%	500
	November 29, 2013	November 30, 2018	0.84%	200
	November 29, 2013	November 30, 2020	1.12%	1,000
	November 29, 2013	November 30, 2020	1.12%	900
	January 10, 2014	January 31, 2021	1.21%	1,300
	January 31, 2014	January 31, 2017	0.67%	1,200
	January 31, 2014	January 31, 2020	0.93%	3,700
	January 31, 2014	January 31, 2021	1.13%	2,300
	March 12, 2014	March 12, 2018	0.75%	2,250
	March 12, 2014	March 31, 2019	0.78%	450
	March 12, 2014	March 12, 2020	0.92%	1,800
	March 12, 2014	March 12, 2023	1.36%	1,800
	March 20, 2014	March 12, 2020	0.91%	3,000
	March 20, 2014	September 20, 2021	1.01%	4,000
	March 20, 2014	March 20, 2022	1.20%	3,000
	March 20, 2014	March 12, 2023	1.35%	2,000
	March 31, 2014	March 31, 2019	0.76%	2,500
	April 22, 2014	October 31, 2020	0.95%	2,900
July 10, 2014	July 10, 2019	0.64%	500	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	July 10, 2014	July 10, 2021	0.90%	¥ 2,000
	July 10, 2014	July 10, 2021	0.90%	500
	July 14, 2014	July 31, 2019	0.68%	1,000
	July 31, 2014	July 31, 2019	0.62%	1,000
	July 31, 2014	July 31, 2020	0.74%	2,700
	July 31, 2014	October 31, 2020	0.76%	300
	July 31, 2014	July 31, 2022	1.01%	2,200
	August 29, 2014	July 31, 2019	0.65%	1,000
	September 1, 2014	August 31, 2021	0.89%	800
	September 1, 2014	August 31, 2021	0.89%	500
	September 3, 2014	August 31, 2022	0.98%	1,000
	September 3, 2014	August 31, 2022	0.98%	950
	September 22, 2014	September 30, 2020	0.80%	2,700
	September 30, 2014	September 30, 2021	0.89%	1,000
	October 31, 2014	October 31, 2021	0.80%	3,000
	October 31, 2014	October 31, 2023	1.07%	2,000
	October 31, 2014	October 31, 2023	1.13%	1,500
	October 31, 2014	October 31, 2023	1.07%	1,000
	October 31, 2014	October 31, 2024	1.26%	2,000
	October 31, 2014	October 31, 2024	1.26%	1,000
	January 30, 2015	January 31, 2021	0.71%	1,500
	January 30, 2015	January 31, 2025	1.16%	1,500
	February 18, 2015	February 28, 2022	0.91%	1,250
	February 18, 2015	February 28, 2022	0.91%	350
	February 18, 2015	February 29, 2024	1.16%	1,700
	February 18, 2015	February 28, 2025	1.31%	1,250
	February 27, 2015	February 28, 2025	1.15%	2,100
	March 12, 2015	February 28, 2025	1.22%	1,000
	March 31, 2015	March 31, 2025	1.27%	2,500
	April 30, 2015	April 30, 2022	0.83%	2,300
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	September 30, 2015	September 30, 2024	1.06%	2,000
	October 30, 2015	October 31, 2024	0.99%	1,000
	October 30, 2015	October 30, 2025	1.11%	1,500
	October 30, 2015	October 30, 2025	1.11%	2,000
October 30, 2015	October 30, 2025	1.11%	2,500	
October 30, 2015	October 30, 2025	1.12%	2,500	
Subtotal				¥132,500
Corporate bonds	March 15, 2007	March 15, 2017	2.37%	¥ 3,000
	March 8, 2012	September 8, 2017	2.00%	1,500
	September 12, 2013	September 12, 2018	1.00%	1,800
	July 25, 2014	July 25, 2024	1.18%	2,000
Subtotal				¥ 8,300
Total				¥174,100

The following summarizes short-term debt, long-term debt and corporate bonds outstanding as of April 30, 2015:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	May 30, 2014	May 29, 2015	0.53%	¥ 500
	July 31, 2014	July 31, 2015	0.48%	1,000
	April 2, 2015	March 31, 2016	0.53%	1,500
Current portion of long-term debt	February 28, 2011	August 31, 2015	1.91%	3,000
	March 30, 2012	September 30, 2015	1.21%	2,000
	April 27, 2012	October 30, 2015	1.27%	1,000
	April 28, 2011	October 31, 2015	1.86%	1,500
	December 26, 2011	October 31, 2015	1.34%	2,500
	December 26, 2011	October 31, 2015	1.32%	2,500
	December 26, 2011	October 31, 2015	1.34%	2,000
	November 12, 2010	November 12, 2015	1.79%	1,200
	November 12, 2010	November 12, 2015	1.79%	800
	December 1, 2010	November 12, 2015	1.38%	800
	December 1, 2010	November 12, 2015	1.38%	200
	January 31, 2011	January 29, 2016	1.94%	800
	February 28, 2011	January 29, 2016	1.95%	500
	March 31, 2011	January 29, 2016	1.91%	2,000
	April 28, 2011	January 29, 2016	1.89%	1,000
	January 10, 2012	January 29, 2016	1.27%	2,500
	February 18, 2013	February 18, 2016	0.84%	1,500
	March 31, 2011	March 31, 2016	1.24%	1,000
	May 1, 2006	April 30, 2016	2.73%	5,000
	April 30, 2013	April 30, 2016	0.68%	1,000
Subtotal				¥ 35,800
Long-term debt	November 12, 2010	November 12, 2017	2.02%	¥ 2,300
	December 1, 2010	November 12, 2017	2.21%	700
	December 26, 2011	October 31, 2016	1.44%	2,500
	December 26, 2011	October 31, 2016	1.42%	2,500
	December 26, 2011	October 31, 2016	1.44%	2,000
	March 28, 2012	March 28, 2017	1.36%	500
	March 28, 2012	March 28, 2019	1.77%	1,400
	March 28, 2012	March 28, 2019	1.77%	1,000
	June 29, 2012	June 30, 2017	1.29%	1,500
	September 21, 2012	September 21, 2017	1.16%	5,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	October 31, 2012	October 31, 2016	1.06%	2,500
	October 31, 2012	October 31, 2016	1.05%	1,500
	October 31, 2012	October 31, 2017	1.10%	2,500
	October 31, 2012	October 31, 2018	1.25%	2,500
	December 10, 2012	December 12, 2016	0.98%	500
	December 28, 2012	December 28, 2016	1.01%	2,000
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500
	January 15, 2013	January 15, 2017	0.97%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	July 31, 2013	July 29, 2016	0.58%	1,500
	July 31, 2013	July 31, 2018	0.68%	500
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	500
	August 19, 2013	August 19, 2018	0.97%	500

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	August 19, 2013	August 19, 2018	0.95%	¥ 500
	August 30, 2013	August 31, 2018	1.08%	700
	August 30, 2013	August 31, 2018	1.08%	500
	August 30, 2013	August 31, 2018	1.08%	300
	August 30, 2013	August 31, 2020	1.42%	1,500
	September 30, 2013	September 30, 2019	1.06%	1,800
	September 30, 2013	September 30, 2019	1.06%	900
	October 31, 2013	October 31, 2018	0.89%	500
	November 12, 2013	November 12, 2018	0.82%	1,000
	November 12, 2013	November 12, 2020	1.07%	2,000
	November 12, 2013	November 12, 2020	1.07%	500
	November 29, 2013	November 30, 2018	0.84%	200
	November 29, 2013	November 30, 2020	1.12%	1,000
	November 29, 2013	November 30, 2020	1.12%	900
	January 10, 2014	January 31, 2021	1.21%	1,300
	January 31, 2014	January 31, 2017	0.67%	1,200
	January 31, 2014	January 31, 2020	0.93%	3,700
	January 31, 2014	January 31, 2021	1.13%	2,300
	March 12, 2014	March 12, 2018	0.75%	2,250
	March 12, 2014	March 31, 2019	0.78%	450
	March 12, 2014	March 12, 2020	0.92%	1,800
	March 12, 2014	March 12, 2023	1.36%	1,800
	March 20, 2014	March 12, 2020	0.91%	3,000
	March 20, 2014	September 20, 2021	1.01%	4,000
	March 20, 2014	March 20, 2022	1.20%	3,000
	March 20, 2014	March 12, 2023	1.35%	2,000
	March 31, 2014	March 31, 2019	0.76%	2,500
	April 22, 2014	October 31, 2020	0.95%	2,900
	July 10, 2014	July 10, 2019	0.64%	500
	July 10, 2014	July 10, 2021	0.90%	2,000
	July 10, 2014	July 10, 2021	0.90%	500
	July 14, 2014	July 31, 2019	0.68%	1,000
	July 31, 2014	July 31, 2019	0.62%	1,000
	July 31, 2014	July 31, 2020	0.74%	2,700
	July 31, 2014	October 31, 2020	0.76%	300
	July 31, 2014	July 31, 2022	1.01%	2,200
	August 29, 2014	July 31, 2019	0.65%	1,000
	September 1, 2014	August 31, 2021	0.89%	800
	September 1, 2014	August 31, 2021	0.89%	500
	September 3, 2014	August 31, 2022	0.98%	1,000
	September 3, 2014	August 31, 2022	0.98%	950
	September 22, 2014	September 30, 2020	0.80%	2,700
	September 30, 2014	September 30, 2021	0.89%	1,000
	October 31, 2014	October 31, 2021	0.80%	3,000
	October 31, 2014	October 31, 2023	1.07%	2,000
	October 31, 2014	October 31, 2023	1.13%	1,500
	October 31, 2014	October 31, 2023	1.07%	1,000
	October 31, 2014	October 31, 2024	1.26%	2,000
	October 31, 2014	October 31, 2024	1.26%	1,000
	January 30, 2015	January 31, 2021	0.71%	1,500
January 30, 2015	January 31, 2025	1.16%	1,500	
February 18, 2015	February 28, 2022	0.91%	1,250	
February 18, 2015	February 28, 2022	0.91%	350	
February 18, 2015	February 29, 2024	1.16%	1,700	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	February 18, 2015	February 28, 2025	1.31%	¥ 1,250
	February 27, 2015	February 28, 2025	1.15%	2,100
	March 12, 2015	February 28, 2025	1.22%	1,000
	March 31, 2015	March 31, 2025	1.27%	2,500
	April 30, 2015	April 30, 2022	0.83%	2,300
Subtotal				¥130,500
Corporate bonds	March 15, 2007	March 15, 2017	2.37%	¥ 3,000
	March 8, 2012	September 8, 2017	2.00%	1,500
	September 12, 2013	September 12, 2018	1.00%	1,800
	July 25, 2014	July 25, 2024	1.18%	2,000
Subtotal				¥ 8,300
Total				¥174,600

6. REDUCTION ENTRY

The amount of reduction entry of property and equipment acquired by government subsidy

	In thousands of yen	
	As of October 31, 2015	As of April 30, 2015
Buildings and structures	¥26,230	¥26,230

7. PER UNIT INFORMATION

	Yen	
	From May 1, 2015 to October 31, 2015	From November 1, 2014 to April 30, 2015
Net asset value per unit	¥523,395	¥523,485
Net income per unit	¥ 11,273	¥ 12,860
Weighted average number of units (units)	404,885	397,394

The weighted average number of units outstanding of 404,885 as of October 31, 2015 and 397,394 as of April 30, 2015 was used for the computation of the amount of net income per unit. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

8. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement that it currently distribute in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. The Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥4,170 million (deducting ¥394 million as the provision of reserve for reduction entry) and ¥4,601 million (deducting ¥510 million as the provision of reserve for reduction entry) for the periods ended October 31, 2015, and April 30, 2015. Therefore such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.03% for the fiscal periods ended October 31, 2015 and April 30, 2015. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	From May 1, 2015 to October 31, 2015	From November 1, 2014 to April 30, 2015
Statutory tax rate	32.31%	34.15%
Deductible cash distributions	(29.51)	(30.74)
Provision of reserve for reduction entry	(2.79)	(3.41)
Others	0.02	0.03
Effective tax rate	0.03%	0.03%

The significant components of deferred tax assets and liabilities as of October 31, 2015 and April 30, 2015 were as follows:

	In thousands of yen	
	As of October 31, 2015	As of April 30, 2015
Deferred tax assets:		
Enterprise tax payable	¥ 32	¥ 33
Amortization of leasehold rights	2,460	2,210
Subtotal deferred tax assets	2,492	2,243
Valuation allowance	2,460	2,210
Total deferred tax assets	¥ 32	¥ 33

9. NET ASSETS

The Investment Corporation issues only non-par value units in accordance with the Investment Trust Act. The entire amount of the issue price of new units is designated as stated capital. The Investment Corporation is required to maintain net assets of at least ¥50 million as required by the Investment Trust Act.

10. RELATED-PARTY TRANSACTIONS

1. PARENT COMPANY, CORPORATE UNITHOLDERS AND OTHER

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015) and Twentieth Fiscal Period (November 1, 2014 to April 30, 2015): Not applicable

2. AFFILIATED COMPANIES AND OTHER

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015) and Twentieth Fiscal Period (November 1, 2014 to April 30, 2015): Not applicable

3. FELLOW SUBSIDIARY COMPANIES AND OTHER

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015) and Twentieth Fiscal Period (November 1, 2014 to April 30, 2015): Not applicable

4. DIRECTORS, INDIVIDUAL UNITHOLDERS AND OTHER

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015) and Twentieth Fiscal Period (November 1, 2014 to April 30, 2015): Not applicable

11. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY

Rental and other operating revenues, property-related expenses, gain and loss on sale of real estate property for the periods from May 1, 2015 to October 31, 2015 and from November 1, 2014 to April 30, 2015 consist of the following:

	In thousands of yen	
	From May 1, 2015 to October 31, 2015	From November 1, 2014 to April 30, 2015
Rental and other operating revenues:		
Rental revenues	¥ 9,124,877	¥ 9,075,126
Common area charges	1,981,677	1,983,917
Subtotal	11,106,554	11,059,043
Others:		
Parking space rental revenues	472,738	471,152
Utility charge reimbursement	1,131,096	1,019,055
Miscellaneous	515,644	287,557
Subtotal	2,119,478	1,777,764
Total rental and other operating revenues	13,226,032	12,836,807
Property-related expenses:		
Property management fees and facility management fees	1,261,503	1,241,711
Depreciation	2,218,871	2,221,037
Utilities	1,232,969	1,208,553
Taxes	1,097,079	957,213
Insurance	18,325	18,294
Repairs and maintenance	497,904	437,406
Trust fees	52,439	45,464
Others	289,902	247,927
Total property-related expenses	6,668,992	6,377,605
Gain on sale of real estate property:		
Revenue from sale of investment property	4,800,000	5,742,169
Cost of investment property	4,214,661	4,892,161
Other sales expenses	123,973	140,375
Gain on sale of real estate property	461,366	709,633
Loss on sale of real estate property:		
Revenue from sale of investment property	960,000	1,050,000
Cost of investment property	1,094,481	1,308,263
Other sales expenses	31,210	29,457
Loss on sale of real estate property	¥ 165,691	¥ 287,720

12. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease terms of generally two years for office buildings and residential properties and with lease terms ranging from two to ten years for retail properties. The future minimum rental revenues under existing non-cancelable operating leases as of October 31, 2015 and April 30, 2015 are as follows:

	In thousands of yen	
	As of October 31, 2015	As of April 30, 2015
Due within one year	¥ 1,759,328	¥ 2,246,302
Due after one year	9,540,266	10,202,936
Total	¥11,299,594	¥12,449,238

13. FINANCIAL INSTRUMENTS

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015)

(A) OVERVIEW

(1) POLICY FOR FINANCIAL INSTRUMENTS

The Investment Corporation procures essential funds for acquiring properties and undertaking the repayment of loans primarily through bank loans and the issuance of corporate bonds and new investment units. The Investment Corporation uses derivatives for the purpose of hedging its exposure to changes in interest rates and does not enter into derivatives for speculative or trading purposes. Management of surplus funds is undertaken in a prudent manner that considers fully such factors as safety, liquidity, interest rate conditions and cash flows.

(2) TYPES OF FINANCIAL INSTRUMENTS AND RELATED RISK

Investment securities, which are Japanese silent partnership (tokumei kumiai, "TK") interests, are exposed to credit risk of the issuer and risk of fluctuation of value of its property.

Debt and corporate bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately ten years following the accounting date. Although a certain portion of said liabilities are subject to interest rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap and interest-rate cap transactions) in order to reduce such risk.

Interest-rate swap and interest-rate cap transactions are used as derivative financial instruments. Utilizing interest-rate swap and interest-rate cap transaction, the Investment Corporation fixes its interest expense for long-term debt bearing interest at a variable rate. With regard to hedge accounting methods, hedging instruments and hedged items, hedge policy, and the assessment of the effectiveness of hedging activities, please see Note 2 (K) "Derivative Financial Instruments".

(3) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

(a) Monitoring of market risk (the risks arising from fluctuations in interest rates and others)

The Investment Corporation uses interest-rate swap and interest-rate cap transactions in order to minimize risk arising from fluctuations in interest rates on funds procured. The Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to investment securities.

(b) Monitoring of liquidity risk (the risk that the Investment Corporation may not be able to meet its obligations on scheduled due dates) associated with procurement of funds

Although loans and other liabilities are subject to liquidity risk, the Investment Corporation reduces such risk by spreading out payment due dates and by using diversified fund procurement methods. Liquidity risk is also managed by such means as regularly checking the balance of cash reserves.

(4) SUPPLEMENTARY EXPLANATION OF THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

(B) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial instruments on the balance sheet as of October 31, 2015 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
① Cash and bank deposits	¥ 22,587,773	¥ 22,587,773	¥ —
Subtotal	22,587,773	22,587,773	—
① Short-term debt	2,500,000	2,500,000	—
② Corporate bonds (including current portion of corporate bonds)	8,300,000	8,474,360	174,360
③ Long-term debt (including current portion of long-term debt)	163,300,000	163,761,383	461,383
Subtotal	¥174,100,000	¥174,735,743	¥635,743
Derivative transactions (*)	—	—	—

(*) The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parentheses representing net liability position.

*1: METHODS TO DETERMINE THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER MATTERS RELATED TO SECURITIES AND DERIVATIVE TRANSACTIONS

ASSETS

① Cash and bank deposits

Since these items are settled in a short period of time, their carrying value approximates fair value.

LIABILITIES

① Short-term debt

Since these items are settled in a short period of time, their carrying value approximates fair value.

② Corporate bonds

The fair value of corporate bonds is based on quoted market prices.

③ Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into. The fair value of long-term debt bearing interest at a variable rate, which is subject to fixed interest rates resulting from interest-rate swaps and special treatment applied to said swaps, is based on the present value of the total of principal and interest, which is handled together with the applicable interest-rate swaps, discounted by the interest rate to be applied if similar loans were entered into.

DERIVATIVE TRANSACTIONS

Please refer to Note 14 "DERIVATIVE TRANSACTIONS".

*2: FINANCIAL INSTRUMENTS FOR WHICH IT IS EXTREMELY DIFFICULT TO DETERMINE THE FAIR VALUE

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,100,235

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above TK interests are not included in the preceding table.

*3: REDEMPTION SCHEDULE FOR RECEIVABLES

	Due within 1 year or less (In thousands of yen)
Cash and bank deposits	¥22,587,773
Total	¥22,587,773

*4: REDEMPTION SCHEDULE FOR DEBT AND CORPORATE BONDS

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	¥ 2,500,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	4,500,000	1,800,000	—	—	2,000,000
Long-term debt	¥30,800,000	¥16,200,000	¥16,750,000	¥12,750,000	¥18,600,000	¥68,200,000

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015)

(A) OVERVIEW

(1) POLICY FOR FINANCIAL INSTRUMENTS

The Investment Corporation procures essential funds for acquiring properties and undertaking the repayment of loans primarily through bank loans and the issuance of corporate bonds and new investment units. The Investment Corporation uses derivatives for the purpose of hedging its exposure to changes in interest rates and does not enter into derivatives for speculative or trading purposes. Management of surplus funds is undertaken in a prudent manner that considers fully such factors as safety, liquidity, interest rate conditions and cash flows.

(2) TYPES OF FINANCIAL INSTRUMENTS AND RELATED RISK

Investment securities, which are Japanese silent partnership (tokumei kumiai, "TK") interests, are exposed to credit risk of the issuer and risk of fluctuation of value of its property.

Debt and corporate bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately ten years following the accounting date. Although a certain portion of said liabilities are subject to interest rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap and interest-rate cap transactions) in order to reduce such risk.

Interest-rate swap and interest-rate cap transactions are used as derivative financial instruments. Utilizing interest-rate swap and interest-rate cap transactions, the Investment Corporation fixes its interest expense for long-term debt bearing interest at a variable rate. With regard to hedge accounting methods, hedging instruments and hedged items, hedge policy, and the assessment of the effectiveness of hedging activities, please see Note 2 (K) "Derivative Financial Instruments".

(3) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

(a) Monitoring of market risk (the risks arising from fluctuations in interest rates and others)

The Investment Corporation uses interest-rate swap and interest-rate cap transactions in order to minimize risk arising from fluctuations in interest rates on funds procured. The Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to investment securities.

(b) Monitoring of liquidity risk (the risk that the Investment Corporation may not be able to meet its obligations on scheduled due dates) associated with funds procurement

Although loans and other liabilities are subject to liquidity risk, the Investment Corporation reduces such risk by spreading out payment due dates and by using diversified fund procurement methods. Liquidity risk is also managed by such means as regularly checking the balance of cash reserves.

(4) SUPPLEMENTARY EXPLANATION OF THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

(B) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial instruments on the balance sheet as of April 30, 2015 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
① Cash and bank deposits	¥ 24,601,157	¥ 24,601,157	¥ —
Subtotal	24,601,157	24,601,157	—
① Short-term debt	3,000,000	3,000,000	—
② Corporate bonds (including current portion of corporate bonds)	8,300,000	8,500,380	200,380
③ Long-term debt (including current portion of long-term debt)	163,300,000	163,418,891	118,891
Subtotal	¥174,600,000	¥174,919,271	¥319,271
Derivative transactions (*)	—	—	—

(*) The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parentheses representing net liability position.

***1: METHODS TO DETERMINE THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER MATTERS RELATED TO SECURITIES AND DERIVATIVE TRANSACTIONS**

ASSETS

① Cash and bank deposits

Since these items are settled in a short period of time, their carrying value approximates fair value.

LIABILITIES

① Short-term debt

Since these items are settled in a short period of time, their carrying value approximates fair value.

② Corporate bonds

The fair value of corporate bonds is based on quoted market prices.

③ Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into. The fair value of long-term debt bearing interest at variable rates, which is subject to fixed interest rates resulting from interest-rate swaps and special treatment applied to said swaps, is based on the present value of the total of principal and interest, which is handled together with the applicable interest-rate swaps, discounted by the interest rate to be applied if similar loans were entered into.

DERIVATIVE TRANSACTIONS

Please refer to Note 14 "DERIVATIVE TRANSACTIONS".

***2: FINANCIAL INSTRUMENTS FOR WHICH IT IS EXTREMELY DIFFICULT TO DETERMINE THE FAIR VALUE**

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,076,656

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above TK interests are not included in the preceding table.

***3: REDEMPTION SCHEDULE FOR RECEIVABLES**

	Due within 1 year or less (In thousands of yen)
Cash and bank deposits	¥24,601,157
Total	¥24,601,157

***4: REDEMPTION SCHEDULE FOR DEBT AND CORPORATE BONDS**

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	¥ 3,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	3,000,000	1,500,000	1,800,000	—	2,000,000
Long-term debt	¥32,800,000	¥17,700,000	¥19,250,000	¥15,050,000	¥14,700,000	¥63,800,000

14. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap and the interest-rate cap contracts as of October 31, 2015:

① Hedge accounting not applied

Not applicable

② Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	¥ 98,050,000	¥92,050,000	*	—
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term debt	3,000,000	500,000	*	—
Total			¥101,050,000	¥92,550,000		—

(*) Interest-rate swaps and interest-rate caps for which the special treatment is applied are accounted for together with the underlying hedged item. As a result, their fair value is included in the fair value of the hedged long-term debt.

The following summarizes the contracted amount and the fair value of interest-rate swap and the interest-rate cap contracts as of April 30, 2015:

① Hedge accounting not applied

Not applicable

② Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	¥90,550,000	¥86,050,000	*	—
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term debt	3,000,000	2,000,000	*	—
Total			¥93,550,000	¥88,050,000		—

(*) Interest-rate swaps and interest-rate caps for which the special treatment is applied are accounted for together with the underlying hedged item. As a result, their fair value is included in the fair value of the hedged long-term debt.

15. INVESTMENT AND RENTAL PROPERTIES

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015)

The Investment Corporation owns real estate for rental purposes mainly in the Tokyo Metropolitan Area for the purpose of generating rental revenues.

The carrying value in the balance sheets and corresponding fair value of those properties are as follows:

Carrying value (In thousands of yen)			Fair value As of October 31, 2015 (In thousands of yen)
As of April 30, 2015	Net change	As of October 31, 2015	
¥379,905,814	¥1,560,827	¥381,466,641	¥392,422,000

notes 1. The carrying value represents the acquisition cost less accumulated depreciation.

2. The fair value is the appraisal value or the survey value determined by outside appraisers.

3. Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increases and decreases were the acquisition of two properties totaling ¥8,621,306 thousand, the sale of two properties totaling ¥5,309,142 thousand and depreciation amounting to ¥2,218,871 thousand.

Income and loss in the fiscal period ended October 31, 2015 for real estate for rental purposes is listed in Note 11. "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY".

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015)

The Investment Corporation owns real estate for rental purposes mainly in the Tokyo Metropolitan Area for the purpose of generating rental revenues.

The carrying value in the balance sheets and corresponding fair value of those properties are as follows:

Carrying Value (In thousands of yen)			Fair value As of April 30, 2015 (In thousands of yen)
As of October 31, 2014	Net change	As of April 30, 2015	
¥365,835,095	¥14,070,719	¥379,905,814	¥381,864,000

notes 1. The carrying value represents the acquisition cost less accumulated depreciation.

2. The fair value is the appraisal value or the survey value determined by outside appraisers.

3. Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increases and decreases were the acquisition of seven properties totaling ¥22,140,043 thousand, the sale of four properties totaling ¥6,200,424 thousand and depreciation amounting to ¥2,221,037 thousand.

Income and loss in the fiscal period ended April 30, 2015 for real estate for rental purposes is listed in Note 11. "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY".

16. SEGMENT AND RELATED INFORMATION

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015)

(A) SEGMENT INFORMATION

Disclosure is omitted because the real estate leasing business is the Investment Corporation's sole business and it has no reportable segment subject to disclosure.

(B) RELATED INFORMATION

(1) INFORMATION ABOUT EACH PRODUCT AND SERVICE

Disclosure is omitted because net sales to external customers for a single product/service category account for over 90% of the operating revenue on the statement of income.

(2) INFORMATION ABOUT EACH GEOGRAPHIC AREA

(a) Net sales

Disclosure is omitted because net sales to external customers in Japan account for over 90% of the operating revenue on the statement of income.

(b) Property and equipment

Disclosure is omitted because the amount of property and equipment located in Japan accounts for over 90% of the amount of property and equipment on the balance sheet.

(3) INFORMATION ABOUT EACH MAJOR CUSTOMER

Disclosure is omitted because net sales to a single external customer account for less than 10% of the operating revenue on the statement of income.

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015)

(A) SEGMENT INFORMATION

Disclosure is omitted because the real estate leasing business is the Investment Corporation's sole business and it has no reportable segment subject to disclosure.

(B) RELATED INFORMATION

(1) INFORMATION ABOUT EACH PRODUCT AND SERVICE

Disclosure is omitted because net sales to external customers for a single product/service category account for over 90% of the operating revenue on the statement of income.

(2) INFORMATION ABOUT EACH GEOGRAPHIC AREA

(a) Net sales

Disclosure is omitted because net sales to external customers in Japan account for over 90% of the operating revenue on the statement of income.

(b) Property and equipment

Disclosure is omitted because the amount of property and equipment located in Japan accounts for over 90% of the amount of property and equipment on the balance sheet.

(3) INFORMATION ABOUT EACH MAJOR CUSTOMER

Disclosure is omitted because net sales to a single external customer account for less than 10% of the operating revenue on the statement of income.

17. SUBSEQUENT EVENTS

Not applicable