

# Financial Statements

(Fifth Fiscal Period: From May 1, 2007 to October 31, 2007)

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# Kenedix Realty Investment Corporation

## Report of Independent Auditors

To the Board of Directors and Unitholders of  
Kenedix Realty Investment Corporation

We have audited the accompanying balance sheets of Kenedix Realty Investment Corporation as of October 31, 2007 and April 30, 2007, and the related statements of income and retained earnings, changes in unitholders' equity, and cash flows for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Realty Investment Corporation at October 31, 2007 and April 30, 2007, and the results of its operations and its cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.



December 7, 2007

# Kenedix Realty Investment Corporation

## BALANCE SHEETS

As of October 31, 2007 and April 30, 2007

In thousands of yen

	As of October31, 2007	As of April30, 2007
<b>Assets</b>		
Current assets:		
Cash and bank deposits	¥ 12,323,340	¥ 8,923,063
Rental receivables	141,910	75,125
Consumption tax refundable	47,552	302,041
Other current assets	58,169	32,956
Total current assets	12,570,971	9,333,185
Property and equipment, at cost:		
Land	131,547,185	113,187,263
Buildings and structures	72,108,105	67,134,816
Machinery and equipment	861,811	823,009
Tools, furniture and fixtures	670,095	602,585
Less-accumulated depreciation	(4,622,859)	(3,230,846)
Net property and equipment	200,564,337	178,516,827
Other assets:		
Ground leasehold	285,350	285,145
Organization costs	25,448	30,538
Corporate bond issuance costs	62,997	68,875
Unit Issuance costs	171,775	71,139
Other assets	83,112	94,969
<b>Total assets</b>	<b>¥ 213,763,990</b>	<b>¥ 188,400,678</b>
<b>Liabilities and Unitholders'Equity</b>		
<b>Liabilities</b>		
Current liabilities :		
Trade and other payables	¥ 526,994	¥ 413,751
Short-term debt	19,500,000	20,000,000
Deposits received	1,985	26,743
Rents received in advance	1,141,333	916,372
Other current liabilities	75,600	87,286
Total current liabilities	21,245,912	21,444,152
Corporate bonds	12,000,000	12,000,000
Long-term debt	44,000,000	56,500,000
Leasehold and security deposits received	8,749,709	7,578,756
Other liabilities	6,434	-
<b>Total liabilities</b>	<b>86,002,055</b>	<b>97,522,908</b>
<b>Unitholders'equity</b>		
Unitholders'capital	124,973,750	88,729,652
Units Authorized:2,000,000units		
Units Issued and outstanding:200,000units		
as of October31, 2007 and April 30, 2007, respectively		
Retained earnings	2,792,084	2,148,118
Unrealized gain from deferred hedge transactions	(3,899)	-
<b>Total unitholders'equity</b>	<b>127,761,935</b>	<b>90,877,770</b>
<b>Total liabilities and unitholders'equity</b>	<b>¥ 213,763,990</b>	<b>¥ 188,400,678</b>

See notes to financial statements

# Kenedix Realty Investment Corporation

## STATEMENTS OF INCOME AND RETAINED EARNINGS

For the period from November 1, 2006 to April 30, 2007, and the period from May 1, 2007 to October 31, 2007

	In thousands of yen	
	From May 1, 2007 to October 31, 2007	From November 1, 2006 to April 30, 2007
<b>Operating Revenues:</b>		
Rental revenues	¥ 7,208,246	¥ 5,647,462
Profit on sale of trust beneficiary interests in real estate	-	130,748
<b>Total operating revenues</b>	<b>7,208,246</b>	<b>5,778,210</b>
<b>Operating Expenses:</b>		
Property-related expenses	3,205,728	2,607,389
Asset management fees	369,009	306,965
Administrative service and custodian fees	72,565	66,601
Other operating expenses	90,018	110,510
<b>Total operating expenses</b>	<b>3,737,320</b>	<b>3,091,465</b>
<b>Operating income</b>	<b>3,470,926</b>	<b>2,686,745</b>
<b>Non-Operating Expenses:</b>		
Interest expense	595,160	479,926
Financing related expense	24,339	20,595
Amortization of organization costs	5,090	5,090
Amortization of unit issuance costs	41,469	17,785
Amortization of corporate bond issuance costs	5,878	1,501
Others, net	5,925	12,969
<b>Income before income taxes</b>	<b>2,793,065</b>	<b>2,148,879</b>
Income taxes	1,024	821
<b>Net income</b>	<b>2,792,041</b>	<b>2,148,058</b>
<b>Retained earnings at the beginning of period</b>	<b>43</b>	<b>60</b>
<b>Retained earnings at the end of period</b>	<b>¥ 2,792,084</b>	<b>¥ 2,148,118</b>

See notes to financial statements

# Kenedix Realty Investment Corporation

## Statements of Changes in Unitholders' Equity

For the period from November 1, 2006 to April 30, 2007 and the period from May 1, 2007 to October 31, 2007

(Thousands in Yen)

	Unitholders' Equity			
	Unitholders' capital	Retained earnings	Unrealized gain from deferred hedge transactions	Total
Balance as of November 1, 2006	¥ 88,729,652	¥ 2,124,112	¥ 79,533	¥ 90,933,297
Changes during the fiscal period				
Payment of dividends	-	(2,124,052)	-	(2,124,052)
Net income	-	2,148,058	-	2,148,058
Interest-rate swap	-	-	(79,533)	(79,533)
Total changes during the fiscal period	-	24,006	(79,533)	(55,527)
Balance as of April 30, 2007	¥ 88,729,652	¥ 2,148,118	¥ -	¥ 90,877,770
Changes during the fiscal period				
New unit issuance	36,244,098	-	-	36,244,098
Payment of dividends	-	(2,148,074)	-	(2,148,074)
Net income	-	2,792,041	-	2,792,040
Interest-rate swap	-	-	(3,899)	(3,899)
Total changes during the fiscal period	36,244,098	643,966	(3,899)	36,884,165
Balance as of October 31, 2007	¥ 124,973,750	¥ 2,792,084	¥ (3,899)	¥ 127,761,934

See notes to financial statements

# Kenedix Realty Investment Corporation

## STATEMENTS OF CASH FLOWS

For the period from November 1, 2006 to April 30, 2007 and the period from May 1, 2007 to October 31, 2007

In thousands of yen

	From May 1, 2007 to October 31, 2007	From November 1, 2006 to April 30, 2007
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	¥ 2,793,065	¥ 2,148,879
Adjustments to reconcile income before income taxes to net cash provided by operating activities		
Depreciation and amortization	1,465,288	1,288,871
Interest expense	595,160	479,926
Changes in assets and liabilities:		
Rental receivables	(66,786)	8,250
Consumption tax refundable	254,489	297,446
Trade and other payables	103,499	3,328
Rents received in advance	224,961	148,836
 Sale of trust beneficiary interests in real estate	-	1,433,571
Others, net	(56,018)	37,018
Subtotal	5,313,658	5,846,125
Cash payments of interest expense	(606,962)	(420,546)
Cash payments of income taxes	(543)	(924)
<b>Net cash provided by operating activities</b>	4,706,153	5,424,655
 <b>Cash Flow from Investing Activities:</b>		
Purchases of property and equipment	(23,439,729)	(31,759,821)
Proceeds from leasehold and security deposits received	1,779,663	1,909,350
Payments of leasehold and security deposits received	(599,597)	(455,487)
Payments of restricted bank deposits	(111,083)	(361,623)
Proceeds from restricted bank deposits	435,530	355,864
Others, net	(762)	6,555
<b>Net cash used in investing activities</b>	(21,935,978)	(30,305,162)
 <b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term debt	5,250,000	19,500,000
Payment of short-term debt	(17,250,000)	(14,500,000)
Proceeds from long-term debt	2,000,000	9,500,000
 Payment of long-term debt	(3,000,000)	-
 Proceeds from issuance of units	36,101,994	-
 Proceeds from issuance of corporate bonds	-	12,000,000
 Payment of corporate bond issuance costs	-	(70,376)
Payment of dividends	(2,147,444)	(2,120,522)
<b>Net cash provided by financing activities</b>	20,954,550	24,309,102
<b>Net change in cash and cash equivalents</b>	3,724,725	(571,405)
<b>Cash and cash equivalents at the beginning of period</b>	7,606,600	8,178,005
<b>Cash and cash equivalents at the end of period</b>	¥ 11,331,325	¥ 7,606,600

See notes to financial statements

# Kenedix Realty Investment Corporation

## Notes to Financial Statements

For the period from November 1, 2006 to April 30, 2007 and the period from May 1, 2007 to October 31, 2007

### 1. ORGANIZATION AND BASIS OF PRESENTATION

#### Organization

Kenedix Realty 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. The Investment Corporation was incorporated as an investment corporation under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. Pursuant to this law, the Investment Corporation is externally managed by a licensed asset management company, Kenedix REIT Management, Inc. ("Asset Management Company"), a wholly-owned subsidiary of Kenedix, Inc. ("Kenedix")

On May 6, 2005, the Investment Corporation was originally formed with ¥200 million of initial capital contributions from Kenedix, Asset Management Company and their executives and employees. On July 20, 2005, the Investment Corporation raised ¥41,869 million of equity capital through an initial public offering of 75,000 investment units and was listed on the J-REIT section of the Tokyo Stock Exchange on the following day.

On August 1, 2005, 29 properties with an aggregate purchase price of ¥61,083 million were acquired with additional debt proceeds of ¥23,000 million and substantial operations of the Investment Corporation were commenced from that date.

On August 16, 2005, the Investment Corporation completed third-party allotment of 3,970 investment units, generating an additional ¥2,216 million. Subsequent to that, the Investment Corporation acquired 2 additional properties in September, 2005. During the period ended April 30, 2006, the Investment Corporation acquired 4 additional properties by utilizing internal cash and bank borrowing.

On May 1, 2006, the Investment Corporation raised ¥42,172 million of equity capital through a public offering of 73,660 investment units and 26 properties with an aggregate purchase price of ¥58,033 million were acquired with additional debt proceeds of ¥16,000 million.

On May 26, 2006, the Investment Corporation completed third-party allotment of 3,970 investment units, generating an additional ¥2,273 million. During the period ended October 31, 2006, the Investment Corporation sold 2 properties and acquired 5 properties.

During the period ended April 30, 2007, the Investment Corporation acquired 10 additional properties by utilizing internal cash and bank borrowing, and sold 2 properties.

On March 15, 2007, the Investment Corporation issued the investment corporation bonds. Their total amounts is ¥12,000 million and term are five years and ten years.

At October 31, 2007, the Investment Corporation had total unitholders' capital of ¥124,974 million with 200,000 investment units outstanding. The Investment Corporation owned a portfolio of 77 properties with total acquisition costs of ¥197,090 million containing total leasable area of 248,653 m<sup>2</sup>. The occupancy ratio was approximately 96.9%. A portfolio of 77 properties consists of 44 office buildings, 30 residential properties and 3 central urban retail properties. 60 properties are located in the Tokyo Metropolitan Area and 17 properties are located in Other Regional Areas.

#### Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Law of Japan, the Japanese Corporation Law, the Financial Instruments and Exchange Law 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 International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements are a basically 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 from 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 which ends at the end of April and October of each year, respectively. The Investment Corporation does not prepare consolidated financial statements because it has no subsidiaries.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) 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.

### (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, 2007 to October 31, 2007	From November 1, 2006 to April 30, 2007
Buildings and structures .....	2-46 years	2-46 years
Machinery and equipment .....	3-17 years	3-17 years
Tools, furniture and fixtures .....	3-15 years	3-15 years

### (c) Impairment of Fixed Assets

The Investment Corporation adopted "Accounting Standard for Impairment of Fixed Assets" ("Opinion on Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council in Japan on August 9, 2002) and "Implementation Guidance for the Accounting Standards for Impairments of Fixed Assets" ("Financial Accounting Guidance No. 6" issued by the Accounting Standards Board of Japan on October 31, 2003). The Investment Corporation has not recognized an impairment loss on any of the properties during the fiscal periods ended October 31, 2007 and April 30, 2007.

### (d) Organization Costs

Organization costs are amortized over a period of five years, comprised of ten fiscal periods, with an equal amount amortized in each fiscal period.

### (e) Unit Issuance Costs

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

### (f) Corporate Bond Issuance Costs

Investment corporation bonds issuance costs are amortized over a loan period under the straight-line method.

### (g) 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 and through which the Investment Corporation holds all of its real property, all assets and liabilities within trust are recorded in the relevant balance sheet and income statement accounts.

### (h) Revenue Recognition

Operating revenues consist of rental revenues including base rents and common area charges, and other operating revenues including 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 revenue and expense during the fiscal period, respectively.



(i) **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. Under the Japanese tax rule, the seller of the 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 ¥82 million and ¥101 million as of October 31, 2007 and April 30, 2007. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period in which the installments of such taxes are paid to the relevant tax authorities.

(j) **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.

(k) **Derivative Financial Instruments**

The Investment Corporation utilizes interest rate swap contracts, which are derivative financial instruments only for the purpose of hedging its exposure to adverse fluctuations and changes in interest rates.

Derivative financial instruments are measured at fair value. For derivatives used for hedging purposes, if such derivatives qualify for deferred hedge treatment due to high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions and are reported on the balance sheet as either assets or liabilities.

Although deferred hedge treatment is generally adopted, if the interest rate swap contracts meet the criteria for the special treatment, the Investment Corporation has applied the special treatment to interest rate swap contracts beginning the year ended April 30, 2007 based on the revised investment Trust Law. Under the special treatment, interest rate swaps are not remeasured at fair value. Instead, the net amount paid or received under the interest rate swap contracts is recognized and include in interest expense or income.

(l) **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, 2007 and April 30, 2007:

	In thousands of yen	
	As of October 31, 2007	As of April 30, 2007
Cash and bank deposits .....	¥ 12,323,340	¥ 8,923,063
Restricted bank deposits held in trust .....	(992,015)	(1,316,463)
Cash and cash equivalents .....	¥ 11,331,325	¥ 7,606,600

Restricted bank deposits held in trust are retained for repayment of tenant leasehold and security deposits.

#### 4. SCHEDULE OF PROPERTY

	In millions of yen					
	As of October 31, 2007			As of April 30, 2007		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥ 131,547	-	¥ 131,547	¥ 113,187	¥ -	¥ 113,187
Buildings and structures	72,108	4,335	67,773	67,135	3,026	64,109
Machinery and equipment	862	169	693	823	119	704
Tools, furniture and fixtures	670	119	551	603	86	517
Total	205,187	4,623	¥ 200,564	¥ 181,748	¥ 3,231	¥ 178,517

#### 5. SHORT-TERM AND LONG-TERM DEBTS

The following summarizes short-term and long-term debt outstanding as of October 31, 2007 :

(As of October 31, 2007)

Classification	Drawdown Date	Repayment Date	Weighted-average interest rate	Balance (In millions of yen)
Unsecured short-term debt	March 1, 2007	February 29, 2008	1.02%	¥ 1,250
	July 31, 2007	July 31, 2008	1.05%	2,000
	July 31, 2007	July 31, 2008	1.02%	1,000
	September 20, 2007	September 20, 2008	1.04%	1,250
	October 31, 2007	October 31, 2008	1.10%	1,000
Unsecured current portion of long-term debt	August 1, 2005	July 31, 2008	0.87%	9,500
	November 1, 2005	October 31, 2008	1.09%	3,500
Subtotal				19,500
Unsecured long-term debt	August 1, 2005	July 31, 2010	1.29%	9,500
	December 8, 2005	December 7, 2008	1.10%	2,000
	March 1, 2006	February 28, 2009	1.45%	2,000
	March 16, 2006	March 16, 2009	1.48%	2,500
	May 1, 2006	April 30, 2009	1.63%	6,500
	May 1, 2006	April 30, 2011	2.20%	2,500
	May 1, 2006	April 30, 2016	2.73%	5,000
	July 14, 2006	July 13, 2011	2.15%	1,000
	September 1, 2006	August 31, 2013	2.12%	3,000
	December 1, 2006	November 30, 2011	1.96%	2,500
	April 2, 2007	April 2, 2010	1.57%	2,000
	April 2, 2007	April 2, 2012	1.88%	2,000
	April 17, 2007	April 16, 2011	1.26%	1,500
	October 31, 2007	October 31, 2009	1.34%	2,000
Subtotal				44,000
Corporate bonds	March 15, 2007	March 15, 2012	1.74%	9,000
	March 15, 2007	March 15, 2017	2.37%	3,000
Subtotal				12,000
Total				¥ 75,500

## 6. UNSECURED LINE OF CREDIT

The Investment Corporation established a credit facility with a financial institution in March 2007 which provides access to an aggregate ¥ 2.5 billion on an unsecured basis.

## 7. PER UNIT INFORMATION

The net asset value per unit as of October 31, 2007 and April 30, 2007 was ¥638,810 and ¥578,839. Net income per unit as of October 31, 2007 and April 30, 2007 was ¥14,334 and ¥13,681.

The weighted average number of units outstanding of 194,772 and 157,000 was used for the computation of the amount of net income per unit as of October 31, 2007 and April 30, 2007.

## 8. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 40%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measure Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement it currently distribute in excess of 90% of its taxable 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. Since the Investment Corporation distributed approximately 100% of its distributable income in the form of cash distributions totaling 2,792 million and ¥2,148 million for the periods ended October 31, 2007 and April 30, 2007. 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% and 0.04% for the periods ended October 31, 2007 and April 30, 2007. The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	From May 1, 2007 to October 31, 2007	From November 1, 2006 to April 30, 2007
Statutory tax rate .....	39.39%	39.39%
Deductible cash distributions .....	(39.37)	(39.38)
Other .....	0.01	0.03
Effective tax rate .....	0.03%	0.04%

## 9. UNITHOLDERS' EQUITY

The Investment Corporation issues only non-par value units in accordance with the Investment Trust Law. 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 Law.

## 10. RELATED-PARTY TRANSACTIONS

### (a) Transactions with Kenedix Advisors Co., Ltd. ("Kenedix Advisors")

Kenedix Advisors, a wholly-owned subsidiary of Kenedix, provides the Investment Corporation with property management services and related services. For these services, the Investment Corporation pays Kenedix Advisors property management fees and other fees in accordance with the terms of its Property Management Agreements. Transactions with Kenedix Advisors are as follows:

	In thousands of yen	
	From May 1, 2007 to October 31, 2007	From November 1, 2006 to April 30, 2007
Property management fees .....	¥ 256,842	¥ 202,279
Management transfer fees .....	10,800	21,200
Construction management fees .....	40,197	37,432

### (b) Transactions with Y.K.KWO Fourth ("KWO Fourth")

KWO4 is a wholly owned subsidiary of Kenedix. On June 1, 2007 the Investment Corporation acquired 5 properties from KWO Fourth for ¥22,000 million. The purchase price of these properties was determined based on an independently appraised value at the time of acquisition.

## 11. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES AND PROPERTY-RELATED EXPENSES

Rental and other operating revenues and property-related expenses for the periods from May 1, 2007 to October 31, 2007 and from November 1, 2006 to April 30, 2007 consist of the following:

	In thousands of yen	
	From May 1, 2007 to October 31, 2007	From November 1, 2006 to April 30, 2007
Rental and other operating revenues:		
Rental revenues .....	¥ 5,336,255	¥ 4,234,864
Common area charges .....	998,453	730,439
Subtotal .....	6,334,708	4,965,303
Others:		
Parking space rental revenues .....	222,255	182,047
Utility charge reimbursement .....	476,613	274,748
Miscellaneous .....	174,670	225,364
Subtotal .....	873,538	682,159
Total rental and other operating revenues .....	¥ 7,208,246	¥ 5,647,462
Property management fees and facility management fees .....	¥ 704,418	¥ 571,266
Depreciation .....	1,392,013	1,243,900
Utilities .....	454,313	275,900
Taxes .....	329,928	206,872
Insurance .....	17,219	14,701
Repairs and maintenance .....	119,710	89,964
Trust fees .....	55,386	46,396
Others .....	132,741	158,390
Total property-related expenses .....	¥ 3,205,728	¥ 2,607,389

## 12. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease term of generally two years for office buildings and residential properties and with lease term ranging from two to ten years for retail properties. The future minimum rental revenues under existing non-cancelable operating leases as of October 31, 2007 and April 30, 2007 are as follows:

	In thousands of yen	
	As of October 31, 2007	As of April 30, 2007
Due within one year .....	¥ 1,561,805	¥ 1,266,446
Due after one year .....	10,516,248	9,741,832
Total .....	¥ 12,078,054	¥ 11,008,278

## 13. DERIVATIVES AND HEDGE ACCOUNTING

The Investment Corporation has entered into interest rate swap agreements with several Japanese financial institutions to hedge its variable rate long-term debt obligations. The Investment Corporation utilizes interest rate swap contracts, which are derivative financial instruments, only for the purpose of mitigating future risks of fluctuations of interest rates, but does not enter into such transactions for speculative or trading purposes. The Investment Corporation entered into such derivative transactions to hedge interest rate risk in accordance with its Articles of Incorporation and the established risk management policies of the Asset Management Company.

The following summarizes the notional principal amounts and the estimated unrealized loss from interest rate swap contracts as of October 31, 2007.

The estimated unrealized loss does not include the interest rate swap contracts that met the criteria for the special treatment.

(As of October 31, 2007)

Type	Notional amount	Unrealized loss
Interest-rate swap: Fixed rate payable and floating rate receivable	¥45,300 million	¥ (6 million)

## 14. PROPERTY INFORMATION

Details of the property portfolio as of October 31, 2007 were as follows:

Type	Office Buildings		Residential Properties		Central Urban Retail	
Location	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas
Number of properties	36	8	22	8	2	1
Property information (In millions of yen)						
Acquisition price	¥ 116,654	¥ 21,325	¥ 33,481	¥ 9,571	¥ 12,380	¥ 3,680
Percentage of total acquisition costs	59.2%	10.8%	17.0%	4.9%	6.3%	1.9%
Net book value	119,088	21,323	33,899	9,998	12,863	3,679
Appraisal value at year end	133,938	22,110	34,702	9,646	14,440	3,810
Percentage of total appraisal value	61.3	10.1	15.9	4.4	6.6	1.7
Financial results for the period ended October (In thousands of yen)						
Rental and other operating revenues	4,238,851	980,450	1,084,938	383,989	411,922	108,000
Rental revenues	3,750,764	798,944	996,510	354,084	326,652	108,000
Other revenues	488,087	181,506	88,428	29,905	85,270	-
Property-related expenses	1,072,853	312,517	216,214	107,144	95,192	8,381
Property management fees	393,484	159,271	84,154	35,426	27,737	4,347
Taxes	210,242	38,421	32,721	24,844	19,666	2,725
Utilities	304,875	85,630	27,155	6,880	29,773	-
Repairs and maintenance	64,186	11,272	25,378	17,615	1,170	-
Insurance	7,971	4,450	2,756	1,504	429	109
Trust fees and other expenses	92,095	13,473	44,050	20,875	16,417	1,200
NOI (Net Operating Income)	3,165,998	667,933	868,724	276,845	316,730	99,619
Depreciation expenses	708,771	227,845	272,131	99,899	73,512	9,856
Operating income from property leasing	2,457,227	440,088	596,593	176,946	243,218	89,763
Capital expenditures	972,457	143,567	12,726	89,729	18,594	-
NCF (Net Cash Flow)	2,193,541	524,366	855,998	187,116	298,136	99,619

A breakdown of property-type as of October 31, 2007 was as follows:

Property type	Area	Balance at the end of period (In millions of yen)	Percentage of total assets
Office Buildings	Tokyo Metropolitan Area	¥ 119,088	55.7
	Other Regional Areas	21,323	10.0
Subtotal		140,411	65.7
Residential Properties	Tokyo Metropolitan Area	33,899	15.8
	Other Regional Areas	9,998	4.7
Subtotal		43,897	20.5
Central Urban Retail Properties	Tokyo Metropolitan Area	12,863	6.0
	Other Regional Areas	3,679	1.7
Subtotal		16,542	7.7
Total		200,850	93.4
Bank deposits and other assets		12,914	6.0
Total assets		213,764	100.0
Total liabilities		86,002	40.2
Net assets		¥ 127,762	59.8