

Financial Statements

(Sixth Fiscal Period: From November 1, 2007 to April 30, 2008)

Report of Independent Auditors

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Kenedix Realty Investment Corporation

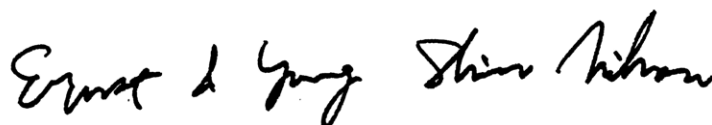
Report of Independent Auditors

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 April 30, 2008 and October 31, 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 April 30, 2008 and October 31, 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.



June 10, 2008

Kenedix Realty Investment Corporation

BALANCE SHEETS

As of April 30, 2008 and October 31, 2007

In thousands of yen

	As of April 30, 2008		As of October 31, 2007	
In thousands of yen				
Assets				
Current assets:				
Cash and bank deposits	¥	13,192,761	¥	12,323,340
Rental receivables		159,004		141,910
Consumption tax refundable		-		47,552
Other current assets		45,262		58,169
Total current assets		13,397,027		12,570,971
Property and equipment, at cost:				
Land		150,671,196		131,547,185
Buildings and structures		69,663,667		72,108,105
Machinery and equipment		787,653		861,811
Tools, furniture and fixtures		314,867		670,095
Less-accumulated depreciation		(4,953,431)		(4,622,859)
Net property and equipment		216,483,952		200,564,337
Other assets:				
Ground leasehold		285,350		285,350
Organization costs		20,359		25,448
Corporate bond Issuance costs		57,184		62,997
Unit Issuance costs		130,306		171,775
Other assets		146,065		83,112
Total assets	¥	230,520,243	¥	213,763,990
Liabilities and Unitholders' Equity				
Liabilities				
Current liabilities:				
Trade and other payables	¥	793,006	¥	526,994
Short-term debt		31,750,000		19,500,000
Deposits received		4,504		1,985
Rents received in advance		1,172,675		1,141,333
Other current liabilities		305,962		75,600
Total current liabilities		34,026,147		21,245,912
Corporate bonds		12,000,000		12,000,000
Long-term debt		46,000,000		44,000,000
Leasehold and security deposits received		10,176,842		8,749,709
Other liabilities		3,092		6,434
Total liabilities		102,206,081		86,002,055
Unitholders' equity				
Unitholders' capital		124,973,750		124,973,750
Units Authorized:2,000,000units				
Units Issued and outstanding:200,000units				
as of April 30, 2008 and October 31, 2007,respectively				
Retained earnings		3,342,285		2,792,084
Unrealized gain from deferred hedge transactions		(1,873)		(3,899)
Total unitholders' equity		128,314,162		127,761,935
Total liabilities and unitholders' equity	¥	230,520,243	¥	213,763,990

See notes to financial statements

Kenedix Realty Investment Corporation

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the period from May 1, 2007 to October 31, 2007, and the period from November 1, 2007 to April 30, 2008

	In thousands of yen	
	From November 1, 2007 to April 30, 2008	From May 1, 2007 to October 31, 2007
Operating Revenues:		
Rental revenues	¥ 7,630,465	¥ 7,208,246
Profit on sale of real estate	952,230	-
Total operating revenues	8,582,695	7,208,246
Operating Expenses:		
Property-related expenses	3,447,634	3,205,728
Loss on sale of real estate	439,333	-
Asset management fees	424,142	369,009
Administrative service and custodian fees	75,148	72,565
Other operating expenses	130,783	90,018
Total operating expenses	4,517,040	3,737,320
Operating income	4,065,655	3,470,926
Non-Operating Expenses:		
Interest expense	618,126	595,160
Financing related expense	28,471	24,339
Amortization of organization costs	5,090	5,090
Amortization of unit issuance costs	41,469	41,469
Amortization of corporate bond issuance costs	5,814	5,878
Others, net	22,928	5,925
Income before income taxes	3,343,757	2,793,065
Income taxes	1,556	1,024
Net income	3,342,201	2,792,041
Retained earnings at the beginning of period	84	43
Retained earnings at the end of period	¥ 3,342,285	¥ 2,792,084

See notes to financial statements

Kenedix Realty Investment Corporation

Statements of Changes in Unitholders' Equity

For the period from May 1, 2007 to October 31, 2007 and the period from November 1, 2007 to April 30, 2008

(Thousands in Yen)

	Unitholders' Equity			
	Unitholders' capital	Retained earnings	Unrealized gain from deferred hedge transactions	Total
Balance as of May 1, 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	-	2,792,040	-	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)	¥ 127,761,935
Changes during the fiscal period				
New unit issuance	-	-	-	
Payment of dividends	-	(2,792,000)	-	(2,792,000)
Net income	-	3,342,201	-	3,342,201
Interest-rate swap	-	-	2,026	2,026
Total changes during the fiscal period	-	550,201	2,026	552,227
Balance as of April 30, 2008	¥ 124,973,750	¥ 3,342,285	¥ (1,873)	¥ 128,314,162

See notes to financial statements

Kenedix Realty Investment Corporation

STATEMENTS OF CASH FLOWS

For the period from May 1, 2007 to October 31, 2007 and the period from November 1, 2007 to April 30, 2008

	In thousands of yen	
	From November 1, 2007 to April 30, 2008	From May 1, 2007 to October 31, 2007
Cash Flows from Operating Activities:		
Income before income taxes	¥ 3,343,757	¥ 2,793,065
Adjustments to reconcile income before income taxes: to net cash provided by operating activities		
Depreciation and amortization	1,509,898	1,465,288
Interest expense	618,126	595,160
Changes in assets and liabilities:		
Rental receivables	(17,093)	(66,786)
Consumption tax refundable	47,552	254,489
Accrued consumption tax	215,992	-
Trade and other payables	263,920	103,499
Rents received in advance	31,342	224,961
Sale of trust beneficiary interests in real estate	30,755,698	-
Loss on retirement of fixed assets	45,289	-
Others, net	(66,119)	(56,018)
Subtotal	36,748,362	5,313,658
Cash payments of interest expense	(603,866)	(606,962)
Cash payments of income taxes	(659)	(543)
Net cash provided by operating activities	36,143,837	4,706,153
Cash Flow from Investing Activities:		
Purchases of property and equipment	(48,150,727)	(23,439,729)
Proceeds from leasehold and security deposits received	2,132,300	1,779,663
Payments of leasehold and security deposits received	(705,167)	(599,597)
Payments of restricted bank deposits	(1,130,321)	(111,083)
Proceeds from restricted bank deposits	71,434	435,530
Others, net	(10,915)	(762)
Net cash used in investing activities	(47,793,396)	(21,935,978)
Cash Flows from Financing Activities:		
Proceeds from short-term debt	1,500,000	5,250,000
Payment of short-term debt	(2,250,000)	(17,250,000)
Proceeds from long-term debt	15,000,000	2,000,000
Payment of long-term debt	-	(3,000,000)
Proceeds from issuance of units	-	36,101,994
Payment of dividends	(2,789,908)	(2,147,444)
Net cash provided by financing activities	11,460,092	20,954,550
Net change in cash and cash equivalents	(189,467)	3,724,725
Cash and cash equivalents at the beginning of period	11,331,325	7,606,600
Cash and cash equivalents at the end of period	¥ 11,141,858	¥ 11,331,325

See notes to financial statements

Kenedix Realty Investment Corporation

Notes to Financial Statements

For the period from May 1, 2007 to October 31, 2007, and the period from November 1, 2007 to April 30, 2008

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 registered asset management company, Kenedix REIT Management, Inc. ("the 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, the 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.

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.

During the period ended April 30, 2008, the Investment Corporation sold 23 residential properties (initial total acquisition price of ¥30,343 million) to a wholly owned subsidiary of Kenedix, Inc. and acquired 9 office buildings (total acquisition price of ¥31,980 million) from a wholly owned subsidiary of Kenedix, Inc. on February 1, 2008. In addition, the Investment Corporation acquired 5 office buildings (total acquisition price of ¥14,121 million).

At April 30, 2008, the Investment Corporation had total unitholders' capital of ¥124,974 million with 200,000 investment units outstanding. The Investment Corporation owned a portfolio of 68 properties with total acquisition price of ¥212,849 million containing total leasable area of 248,625 m². The occupancy ratio was approximately 95.9%. A portfolio of 68 properties consists of 58 office buildings, 7 residential properties and 3 central urban retail properties. 55 properties are located in the Tokyo metropolitan area and 13 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 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 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 November 1, 2007 to April 30, 2008	From May 1, 2007 to October 31, 2007
Buildings and structures	2-46 years	2-46 years
Machinery and equipment	3-17 years	3-17 years
Tools, furniture and fixtures	3-20years	3-15 years

(c) 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.

(d) Unit Issuance Costs

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

(e) Corporate Bond Issuance Costs

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

(f) 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.

(g) 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.

(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. 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 ¥174 million and ¥82 million as of April 30, 2008 and October 31, 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.

(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) **Derivative Financial Instruments**

The Investment Corporation utilizes interest-rate swap agreements 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 agreements because its interest-rate swap agreements met the criteria for deferral hedging accounting. But, the Investment Corporation adopted special treatment for interest-rate swap agreements if its interest-rate swap agreements met the criteria for hedging accounting under this treatment, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(k) **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 April 30, 2008 and October 31, 2007:

	In thousands of yen	
	As of April 30, 2008	As of October 31, 2007
Cash and bank deposits	¥ 13,192,761	¥ 12,323,340
Restricted bank deposits held in trust	(2,050,903)	(992,015)
Cash and cash equivalents	¥ 11,141,858	¥ 11,331,325

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 April 30, 2008			As of October 31, 2007		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥ 150,671	-	¥ 150,671	¥ 131,547	-	¥ 131,547
Buildings and structures	69,664	¥ 4,678	64,986	72,108	¥ 4,335	67,773
Machinery and equipment	788	198	589	862	169	693
Tools, furniture and fixtures	315	77	237	670	119	551
Total	¥ 221,437	¥ 4,953	¥216,484	¥ 205,187	¥ 4,623	¥ 200,564

5. SHORT-TERM AND LONG-TERM DEBTS

The following summarizes short-term and long-term debt outstanding as of April 30, 2008:

(As of April 30, 2008)

Classification	Drawdown Date	Repayment Date	Weighted-average interest rate	Balance (In millions of yen)
Unsecured short-term debt	July 31, 2007	July 31, 2008	1.13%	¥ 2,000
	September 20, 2007	September 20, 2008	1.13%	1,250
	October 31, 2007	October 31, 2008	1.10%	1,000
	January 10, 2008	January 10, 2009	1.15%	1,000
	February 29, 2008	February 28, 2009	1.20%	500
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
	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
Subtotal				31,750
Unsecured long-term debt	August 1, 2005	July 31, 2010	1.29%	9,500
	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	1.65%	1,500
	October 31, 2007	October 31, 2009	1.34%	2,000
	January 10, 2008	January 10, 2012	1.50%	2,500
	February 29, 2008	February 28, 2009	1.37%	2,000
	February 29, 2008	August 31, 2011	1.43%	1,500
	March 31, 2008	September 30, 2011	1.61%	3,000
	March 31, 2008	September 30, 2011	1.56%	2,000
	April 25, 2008	October 25, 2009	1.56%	1,000
	April 25, 2008	October 25, 2009	1.46%	3,000
Subtotal				46,000
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				¥ 89,750

6. UNSECURED LINE OF CREDIT

The Investment Corporation established a credit commitment line with two lenders. The total borrowings available under the commitment line agreements are ¥5 billion. Currently, the Investment Corporation has a balance of ¥0.5 billion based on the concered agreements. The unused borrowings under the commitment line agreement are ¥4.5 billion.

7. PER UNIT INFORMATION

The net asset value per unit as of April 30, 2008 and October 31, 2007 was ¥641,571 and ¥638,810. Net income per unit as of April 30, 2008 and October 31, 2007 was ¥16,711 and ¥14,334.

The weighted average number of units outstanding of 200,000 and 194,772 was used for the computation of the amount of net income per unit as of April 30, 2008 and October 31, 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 3,342 million and ¥2,792 million for the periods ended April 30, 2008 and October 31, 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 0.05% and 0.03% for the periods ended April 30, 2008 and October 31, 2007. The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	From November 1, 2007 to April 30, 2008	From May 1, 2007 to October 31, 2007
Statutory tax rate	39.39%	39.39%
Deductible cash distributions	(39.37)	(39.37)
Other	0.03	0.01
Effective tax rate	0.05%	0.03%

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

Kenedix provides the Investment Corporation with intermediate services. For these services, The Investment Corporation will pay ¥120 million of brokerage fee to Kenedix. This includes the book value of the fixed assets.

(b) 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 November 1, 2007 to April 30, 2008	From May 1, 2007 to October 31, 2007
Property management fees	¥ 183,364	¥ 256,842
Management transfer fees (note 1)	65,400	10,800
Construction management fees (note 2)	3,600	40,197

Notes:

1. Management transfer fees include ¥28,353 thousands that were capitalized as costs of the real estate at the time of acquisition.
2. Construction management fees include ¥37,588 thousands that were capitalized as costs of the real estate.

(c) Transactions with Y.K. KRF11

Y.K. KRF11 is a wholly owned subsidiary of Kenedix. On February 1, 2008 the Investment Corporation acquired 6 properties from KRF11 for ¥17,260 million. The purchase price of these properties was determined based on an independently appraised value at the time of acquisition.

(d) Transactions with Y.K. KWO Fourth

Y.K. KWO4 is a wholly owned subsidiary of Kenedix. On February 1, 2008 the Investment Corporation acquired 1 property from KWO Fourth for ¥7,600 million. The purchase price of these properties was determined based on an independently appraised value at the time of acquisition.

(e) Transactions with Y.K. Cistern Capital

Y.K. Cistern Capital is a wholly owned subsidiary of Kenedix. On February 1, 2008 the Investment Corporation acquired 1 property from Cistern Capital for ¥4,900 million. The purchase price of these properties was determined based on an independently appraised value at the time of acquisition.

(f) Transactions with Y.K. KRF1

Y.K. KRF1 is a wholly owned subsidiary of Kenedix. On February 1, 2008 the Investment Corporation acquired 1 property from KRF1 for ¥2,220 million. The purchase price of these properties was determined based on an independently appraised value at the time of acquisition.

(g) Transactions with G.K. KRF20

G.K. KRF20 is a wholly owned subsidiary of Kenedix. On February 1, 2008 the Investment Corporation sold 23 properties to KRF20 ¥ 31,490 million. The sales 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 November 1, 2007 to April 30, 2008 and from May 1, 2007 to October 31, 2007 consist of the following:

	In thousands of yen	
	From November 1, 2007 to April 30, 2008	From May 1, 2007 to October 31, 2007
Rental and other operating revenues:		
Rental revenues	¥5,626,515	¥ 5,336,255
Common area charges	1,144,196	998,453
Subtotal	6,770,711	6,334,708
Others:		
Parking space rental revenues	240,631	222,255
Utility charge reimbursement	458,128	476,613
Miscellaneous	160,995	174,670
Subtotal	859,754	873,538
Total rental and other operating revenues	¥7,630,465	¥ 7,208,246
Property management fees and facility management fees	¥750,333	¥ 704,418
Depreciation	1,430,126	1,392,013
Utilities	450,237	454,313
Taxes	395,277	329,928
Insurance	16,806	17,219
Repairs and maintenance	149,231	119,710
Trust fees	57,312	55,386
Others	149,083	132,741
Loss on retirement of fixed assets.....	49,229	-
Total property-related expenses	¥3,447,634	¥ 3,205,728
Profit on sale of real estate:		
Revenue from sale of investment properties	18,788,000	
Cost of investment properties	17,705,426	-
Other sales expenses	130,344	
Profit on sale of real estate	952,230	
Loss on sale of real estate		
Revenue from sale of investment properties	12,702,000	
Cost of investment properties	13,050,272	-
Other sales expenses	91,061	
Loss on sale of real estate	439,333	

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 April 30, 2008 and October 31, 2007 are as follows:

	In thousands of yen	
	As of April 30, 2008	As of October 31, 2007
Due within one year	¥ 1,689,845	¥ 1,561,805
Due after one year	9,711,097	10,516,248
Total	¥ 11,400,942	¥ 12,078,054

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 agreements, 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 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 April 30, 2008:

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

(As of April 30, 2008)

Type	Notional amount	Unrealized loss
Interest-rate swap: Fixed rate payable and floating rate receivable	¥45,300 million	¥(3 million)

14. PROPERTY INFORMATION

Details of the property portfolio as of April 30, 2008 were as follows:

Type	Office Buildings		Residential Properties		Central Urban Retail Properties	
	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas
Number of properties	47	11	6	1	2	1
Property information (In millions of yen)						
Acquisition price	¥151,635	¥32,445	¥10,909	¥1,800	¥12,380	¥3,680
Percentage of total acquisition costs	71.24%	15.24%	5.13%	0.85%	5.82%	1.73%
Net book value	154,851	32,643	10,939	1,921	12,746	3,669
Appraisal value at year end	172,311	33,450	11,078	1,700	14,470	3,810
Percentage of total appraisal value	72.76%	14.12%	4.68%	0.72%	6.11%	1.61%
Financial results for the period ended April 30, 2008 (In thousands of yen)						
Rental and other operating revenues	4,988,545	1,188,511	354,844	94,118	370,185	108,000
Rental revenues	4,466,949	990,690	317,341	83,083	334,715	108,000
Other revenues	521,596	197,821	37,503	11,035	35,470	-
Property-related expenses	1,226,318	407,959	59,564	40,865	121,055	13,741
Property management fees	456,620	184,386	31,086	9,315	24,881	4,128
Taxes	236,618	73,482	9,070	8,632	19,409	8,160
Utilities	320,633	88,627	3,567	2,206	22,683	-
Repairs and maintenance	74,929	33,504	5,536	10,835	911	-
Insurance	8,795	4,876	913	523	382	103
Trust fees and other expenses	128,723	23,084	9,392	9,354	52,789	1,350
NOI (Net Operating Income)	3,762,227	780,552	295,280	53,253	249,130	94,259
Depreciation expenses	793,033	264,549	94,391	22,973	75,712	9,856
Operating income from property leasing activities	2,969,194	516,003	200,889	30,280	173,418	84,403
Capital expenditures	919,625	222,469	-	803	2,469	-
NCF (Net Cash Flow)	2,842,602	558,083	295,280	52,450	246,661	94,259

A breakdown of property-type as of April 30, 2008 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	¥154,851	67.2
	Other Regional Areas	32,643	14.2
Subtotal		187,494	81.3
Residential Properties	Tokyo Metropolitan Area	10,939	4.8
	Other Regional Areas	1,921	0.8
Subtotal		12,860	5.6
Central Urban Retail Properties	Tokyo Metropolitan Area	12,746	5.5
	Other Regional Areas	3,669	1.6
Subtotal		16,415	7.1
Total		216,769	94.0
Bank deposits and other assets		13,751	6.0
Total assets		230,520	100.0
Total liabilities		102,206	44.3
Net assets		¥128,314	55.7

15. SUBSEQUENT EVENTS

Acquisition of Property

On May 15, 2008, the Board of Directors of the Asset Management Company resolved to acquire KDX Harumi Building (office building, with total floor area of 12,694.32 m²) from Y.K.KW Property 11 on June 30, 2008, for ¥10,250 million (excluding the acquisition costs, property tax, city-planning tax and consumption tax, etc).