

Financial Section

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Financial Summary (Unaudited)

Historical Operating Trends
For the 16th–20th Fiscal Periods

Period	Unit	16th Period (as of Apr. 30, 2013)	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)
Operating revenues	mn yen	9,867	9,819	10,895	12,928	14,130
(Rental revenues)	mn yen	9,306	9,501	10,330	11,295	12,836
Operating expenses	mn yen	5,465	5,578	6,611	7,899	7,593
(Property-related expenses)	mn yen	4,740	4,845	5,047	5,557	6,377
Operating income	mn yen	4,401	4,240	4,283	5,028	6,537
Ordinary income	mn yen	3,003	2,832	2,887	3,570	5,111
Net income (a)	mn yen	3,002	2,831	2,885	3,569	5,110
Total assets (b)	mn yen	308,172	316,753	355,167	388,169	407,799
(Period-on-period change)	%	(+0.5)	(+2.8)	(+12.1)	(+9.3)	(+5.1)
Interest-bearing debt (c)	mn yen	142,369	150,558	167,746	187,685	174,600
(Period-on-period change)	%	(+1.3)	(+5.8)	(+11.4)	(+11.9)	(-7.0)
Unitholders' equity (d)	mn yen	150,653	150,781	170,109	180,844	211,951
(Period-on-period change)	%	(+0.2)	(+0.1)	(+12.8)	(+6.3)	(+17.2)
Unitholders' capital	mn yen	147,153	147,153	166,261	176,632	206,199
(Period-on-period change)	%	(0.0)	(0.0)	(+13.0)	(+6.2)	(+16.7)
Number of investment units issued and outstanding (e)	unit	286,550	286,550	332,540	355,010	404,885
Unitholders' equity per unit (d)/(e)	yen	525,747	526,195	511,546	509,407	523,484
Total distribution (f)	mn yen	2,703	2,665	3,205	3,571	4,600
Distribution per unit (f)/(e)	yen	9,434	9,302	9,638	10,060	11,363
(Earnings distributed per unit)	yen	9,434	9,302	9,638	10,060	11,363
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.0 (2.0)	0.9 (1.8)	0.9 (1.7)	1.0 (1.9)	1.3 (2.6)
Return on net assets (annualized) (Notes 2 and 3)	%	2.0 (4.0)	1.9 (3.7)	1.8 (3.6)	2.0 (4.0)	2.6 (5.2)
Net assets ratio at end of period (d)/(b)	%	48.9	47.6	47.9	46.6	52.0
(Period-on-period change)	%	(-0.1)	(-1.3)	(+0.3)	(-1.3)	(+5.4)
Interest-bearing debt ratio at end of period (c)/(b)	%	46.2	47.5	47.2	48.4	42.8
(Period-on-period change)	%	(+0.4)	(+1.3)	(-0.3)	(+1.1)	(-5.5)
Payout ratio (Note 4) (f)/(a)	%	90.0	94.1	111.0	100.0	90.0
Other references						
Number of properties	properties	83	85	89	94	97
Total leasable floor area	m ²	347,853.97	358,517.31	386,659.01	437,233.24	453,999.44
Occupancy ratio at end of period	%	93.9	95.8	96.0	95.6	96.5
Depreciation expenses for the period	mn yen	1,662	1,696	1,826	2,022	2,221
Capital expenditures for the period	mn yen	772	894	711	550	329
Leasing NOI (Net Operating Income) (Note 5)	mn yen	6,228	6,352	7,109	7,760	8,680
FFO (Funds From Operation) (Note 6)	mn yen	4,202	4,293	5,031	7,116	6,909
FFO per unit (Note 7)	yen	14,664	14,984	15,130	20,045	17,065

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 16th Fiscal Period are calculated based on a period of 181 days, 184 days for the 17th Fiscal Period, 181 days for the 18th Fiscal Period, 184 days for the 19th Fiscal Period and 181 days for the 20th 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 April 30, 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 April 30, 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 ShinNihon LLC

July 30, 2015
Tokyo, Japan

Balance Sheets

Kenedix Office Investment Corporation
As of April 30, 2015 and October 31, 2014

	In thousands of yen	
	As of April 30, 2015	As of October 31, 2014
ASSETS		
Current assets:		
Cash and bank deposits (Notes 3 and 13)	¥24,601,157	¥ 16,469,910
Rental receivables	321,915	293,161
Consumption tax refundable	—	752,671
Other current assets (Note 8)	176,000	402,016
Total current assets	25,099,072	17,917,758
Property and equipment, at cost: (Notes 4 and 15)		
Land	269,158,456	257,050,371
Buildings and structures (Note 6)	131,523,414	128,517,097
Machinery and equipment	1,890,733	1,959,350
Tools, furniture and fixtures	484,345	507,707
Construction in progress	1,785	—
Less-accumulated depreciation	(23,506,928)	(22,554,292)
Net property and equipment	379,551,805	365,480,233
Other assets:		
Ground leasehold (Note 15)	354,009	354,783
Investment securities (Note 13)	1,076,656	2,679,139
Corporate bond issuance costs	39,414	44,639
Unit issuance costs	223,603	164,421
Other assets (Note 15)	1,454,528	1,528,661
Total assets	¥407,799,087	¥388,169,634
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Trade and other payables	¥ 1,390,897	¥ 1,000,282
Short-term debt and current portion of long-term debt (Notes 5 and 13)	35,800,000	46,035,000
Deposits received	57,472	15,695
Rents received in advance	2,108,001	1,868,868
Other current liabilities	355,338	133,808
Total current liabilities	39,711,708	49,053,653
Corporate bonds (Notes 5 and 13)	8,300,000	8,300,000
Long-term debt (Notes 5 and 13)	130,500,000	133,350,000
Leasehold and security deposits received	17,336,230	16,621,220
Total liabilities	195,847,938	207,324,873
Net Assets		
Unitholders' equity		
Unitholders' capital	206,199,946	176,632,550
Units authorized: 2,000,000 units		
Units issued and outstanding: 404,885 and 355,010 units		
As of April 30, 2015 and October 31, 2014		
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	640,811	642,566
Retained earnings	5,110,392	3,569,645
Total surplus	5,751,203	4,212,211
Total unitholders' equity	211,951,149	180,844,761
Total net assets (Note 9)	211,951,149	180,844,761
Total liabilities and net assets	¥407,799,087	¥388,169,634

See accompanying notes to the financial statements.

Statements of Income and Retained Earnings

Kenedix Office Investment Corporation

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

	In thousands of yen	
	From November 1, 2014 to April 30, 2015	From May 1, 2014 to October 31, 2014
Operating revenues:		
Rental revenues (Note 11)	¥12,836,807	¥11,295,407
Gain on sale of real estate property (Note 11)	709,633	—
Dividends income	583,910	1,632,716
Total operating revenues	14,130,350	12,928,123
Operating expenses:		
Property-related expenses (Note 11)	6,377,605	5,557,660
Loss on sale of real estate property (Note 11)	287,720	1,524,518
Asset management fees	740,454	643,211
Administrative service and custodian fees	76,528	72,536
Other operating expenses	110,841	101,500
Total operating expenses	7,593,148	7,899,425
Operating income	6,537,202	5,028,698
Non-operating expenses:		
Interest expense	1,086,470	1,115,016
Financing-related expenses	244,331	288,414
Amortization of unit issuance costs	56,481	37,204
Amortization of corporate bond issuance costs	5,225	4,888
Others, net	32,980	12,519
Total non-operating expenses	1,425,487	1,458,041
Ordinary income	5,111,715	3,570,657
Income before income taxes	5,111,715	3,570,657
Income taxes (Note 8)	1,323	1,215
Net income	5,110,392	3,569,442
Retained earnings at the beginning of period	—	203
Retained earnings at the end of period	¥ 5,110,392	¥ 3,569,645

See accompanying notes to the financial statements.

Statements of Changes in Net Assets

Kenedix Office Investment Corporation

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

	In thousands of yen					
	Unitholders' capital	Unitholders' equity			Total unitholders' equity	Total
		Voluntary retained earnings	Retained earnings	Total surplus		
Balance as of April 30, 2014	¥166,261,746	¥ 961,750	¥ 2,886,039	¥ 3,847,789	¥170,109,535	¥170,109,535
Changes during the fiscal period						
New unit issuance	10,370,804	—	—	—	10,370,804	10,370,804
Reversal of reserve for reduction entry	—	(319,184)	319,184	—	—	—
Payments of dividends	—	—	(3,205,020)	(3,205,020)	(3,205,020)	(3,205,020)
Net income	—	—	3,569,442	3,569,442	3,569,442	3,569,442
Total changes during the fiscal period	10,370,804	(319,184)	683,606	364,422	10,735,226	10,735,226
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

See accompanying notes to the financial statements.

Statements of Cash Flows

Kenedix Office Investment Corporation

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

	In thousands of yen	
	From November 1, 2014 to April 30, 2015	From May 1, 2014 to October 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income taxes	¥ 5,111,715	¥ 3,570,657
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	2,520,961	2,340,487
Interest income	(772)	(650)
Interest expense	1,086,470	1,115,016
Changes in assets and liabilities:		
Rental receivables	(28,754)	(40,604)
Consumption tax refundable	752,671	(533,224)
Accrued consumption tax	248,360	(24,357)
Trade and other payables	223,597	169,776
Rents received in advance	239,132	76,620
Property and equipment due to sale	6,200,424	4,037,460
Others, net	97,348	(614,600)
Subtotal	16,451,152	10,096,581
Interest income received	772	650
Cash payments of interest expense	(1,109,425)	(1,116,994)
Cash payments of income taxes	(904)	(810)
Net cash provided by operating activities	15,341,595	8,979,427
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(22,545,378)	(39,025,487)
Purchases of investment securities	—	(1,592,392)
Proceeds from investment securities	1,602,482	919,815
Proceeds from leasehold and security deposits received	1,599,129	3,064,543
Payments of leasehold and security deposits received	(663,116)	(924,131)
Payments of restricted bank deposits	(88,482)	(1,834,660)
Proceeds from restricted bank deposits	1,475,886	88,375
Others, net	937	—
Net cash used in investing activities	(18,618,542)	(39,303,937)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term debt	1,500,000	17,900,000
Payments of short-term debt	(14,400,000)	(8,000,000)
Proceeds from long-term debt	15,450,000	28,650,000
Payments of long-term debt	(15,635,000)	(20,611,500)
Proceeds from issuance of investment units	29,451,732	10,277,174
Proceeds from issuance of investment corporation bonds	—	1,981,801
Payment of dividends	(3,571,135)	(3,204,772)
Net cash provided by financing activities	12,795,597	26,992,703
Net change in cash and cash equivalents	9,518,650	(3,331,807)
Cash and cash equivalents at the beginning of period	14,206,034	17,537,841
Cash and cash equivalents at the end of period (Note 3)	¥ 23,724,684	¥ 14,206,034

See accompanying notes to the financial statements.

Notes to Financial Statements

Kenedix Office Investment Corporation

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

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 October 31, 2014, the Investment Corporation acquired four office buildings (KDX Toyosu Grand Square: acquisition price of ¥8,666 million, KDX Takadanobaba Building: acquisition price of ¥3,650 million, KDX Ikebukuro West Building: acquisition price of ¥1,934 million and KDX Yokohama Nishiguchi Building: acquisition price of ¥7,210 million) located in the Tokyo Metropolitan Area, three office buildings (KDX Utsunomiya Building: acquisition price of ¥2,350 million, KDX Hiroshima Building: acquisition price of ¥1,300 million and Senri Life Science Center Building: acquisition price of ¥13,000 million) located in Other Regional Areas, preferred equity securities (Toyonaka Property TMK: investment of ¥1,583 million) and sold KDX Minami Semba Dai-1 Building (initial acquisition price of ¥1,610 million) and Nissou Dai-17 Building (initial acquisition price of ¥2,710 million) (with a total combined disposition price of ¥2,600 million).

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, 35 Sankyo Building: 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.

At the end of the nineteenth fiscal period, the Investment Corporation had total unitholders’ capital of 176,633 million with 355,010 investment units outstanding. At the end of the twentieth fiscal period, the Investment Corporation had total unitholders’ capital of ¥206,200 million with 404,885 investment units outstanding. The Investment Corporation owned a portfolio of 94 properties (consisting of 88 office buildings, two residential properties, three central urban retail properties and one other property), 97 properties (consisting of 92 office buildings, one residential property, three central urban retail properties and one other property) with total acquisition prices of ¥369,954 million and ¥385,094 million at the end of the nineteenth and twentieth fiscal periods, respectively. The occupancy ratios were approximately 95.6% and 96.5% at the end of the nineteenth and twentieth fiscal periods, respectively.

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 November 1, 2014 to April 30, 2015	From May 1, 2014 to October 31, 2014
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 nine 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 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 ¥116,101 thousand and ¥87,637 thousand as of April 30, 2015 and October 31, 2014, 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 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 April 30, 2015 and October 31, 2014:

	In thousands of yen	
	As of April 30, 2015	As of October 31, 2014
Cash and bank deposits	¥24,601,157	¥16,469,910
Restricted bank deposits (Note)	(876,473)	(2,263,876)
Cash and cash equivalents	¥23,724,684	¥14,206,034

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 April 30, 2015			As of October 31, 2014		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥269,158	¥ —	¥269,158	¥257,050	¥ —	¥257,050
Buildings and structures	131,523	22,486	109,037	128,517	21,473	107,044
Machinery and equipment	1,891	777	1,114	1,959	820	1,139
Tools, furniture and fixtures	484	243	241	508	261	247
Construction in progress	2	—	2	—	—	—
Total	¥403,058	¥23,507	¥379,552	¥388,034	¥22,554	¥365,480

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 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	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Current portion of long-term debt	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
	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	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	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
	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

The following summarizes short-term debt, long-term debt and corporate bonds outstanding as of October 31, 2014:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	May 30, 2014	May 29, 2015	0.55%	¥ 500
	July 31, 2014	July 31, 2015	0.50%	1,000
	October 15, 2014	October 15, 2015	0.55%	8,000
	October 29, 2014	October 29, 2015	0.54%	3,000
	October 29, 2014	October 29, 2015	0.54%	2,000
	October 29, 2014	October 29, 2015	0.54%	1,400
Current portion of long-term debt	January 29, 2010	January 30, 2015	2.17%	960
	January 31, 2012	January 30, 2015	1.19%	1,500
	February 18, 2010	February 18, 2015	2.19%	1,725
	February 18, 2010	February 18, 2015	2.19%	1,275
	February 18, 2010	February 18, 2015	2.19%	750

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Current portion of long-term debt	February 18, 2010	February 18, 2015	2.19%	¥ 375
	August 31, 2011	February 27, 2015	0.96%	1,500
	March 12, 2012	March 12, 2015	1.08%	1,000
	September 30, 2011	March 31, 2015	1.29%	2,500
	April 2, 2010	April 2, 2015	2.22%	1,550
	October 31, 2012	April 30, 2015	1.01%	2,500
	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
Subtotal				46,035
Long-term debt	May 1, 2006	April 30, 2016	2.73%	¥ 5,000
	November 12, 2010	November 12, 2015	1.79%	1,200
	November 12, 2010	November 12, 2015	1.79%	800
	November 12, 2010	November 12, 2017	2.02%	2,300
	December 1, 2010	November 12, 2015	1.41%	800
	December 1, 2010	November 12, 2015	1.41%	200
	December 1, 2010	November 12, 2017	2.21%	700
	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
	March 31, 2011	March 31, 2016	1.26%	1,000
	April 28, 2011	January 29, 2016	1.89%	1,000
	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
	January 10, 2012	January 29, 2016	1.27%	2,500
	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
	February 18, 2013	February 18, 2016	0.84%	1,500
	March 26, 2013	March 26, 2018	1.04%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	April 30, 2013	April 30, 2016	0.71%	1,000
	July 31, 2013	July 29, 2016	0.61%	1,500
	July 31, 2013	July 31, 2018	0.71%	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	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	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	
Subtotal				133,350
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				¥187,685

6. REDUCTION ENTRY

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

	In thousands of yen	
	As of April 30, 2015	As of October 31, 2014
Buildings and structures	¥26,230	¥26,230

7. PER UNIT INFORMATION

	Yen	
	From November 1, 2014 to April 30, 2015	From May 1, 2014 to October 31, 2014
Net asset value per unit	¥523,485	¥509,408
Net income per unit	¥ 12,860	¥ 10,150
Weighted average number of units (units)	397,394	351,672

The weighted average number of units outstanding of 397,394 as of April 30, 2015 and 351,672 as of October 31, 2014 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 34%. 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 ¥4,601 million (deducting ¥510 million as the provision of reserve for reduction entry) and ¥3,571 million (adding ¥2 million as the reversal of reserve for reduction entry) for the periods ended April 30, 2015, and October 31, 2014. 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 April 30, 2015 and October 31, 2014. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	From November 1, 2014 to April 30, 2015	From May 1, 2014 to October 31, 2014
Statutory tax rate	34.15%	34.16%
Deductible cash distributions	(30.74)	(34.17)
Provision of reserve for reduction entry	(3.41)	—
Others	0.03	0.04
Effective tax rate	0.03%	0.03%

The significant components of deferred tax assets and liabilities as of April 30, 2015 and October 31, 2014 were as follows:

	In thousands of yen	
	As of April 30, 2015	As of October 31, 2014
Deferred tax assets:		
Enterprise tax payable	¥ 33	¥ 30
Amortization of leasehold rights	2,210	2,071
Subtotal deferred tax assets	2,243	2,101
Valuation allowance	2,210	2,071
Total deferred tax assets	¥ 33	¥ 30

Tax rate changes after the twentieth fiscal period

With the "Act on Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) promulgated on March 31, 2015, the local corporation tax rate has been changed effective fiscal years starting on or after April 1, 2015. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for temporary differences, etc. expected to be resolved in accounting periods starting on or after April 1, 2015 will be changed to 32.31%. The effect of the announced tax rate changes is immaterial.

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

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

2. AFFILIATED COMPANIES AND OTHER

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

3. FELLOW SUBSIDIARY COMPANIES AND OTHER

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

4. DIRECTORS, INDIVIDUAL UNITHOLDERS' AND OTHER

Twentieth Fiscal Period (November 1, 2014 to April 30, 2015) and Nineteenth Fiscal Period (May 1, 2014 to October 31, 2014): 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 November 1, 2014 to April 30, 2015 and from May 1, 2014 to October 31, 2014 consist of the following:

	In thousands of yen	
	From November 1, 2014 to April 30, 2015	From May 1, 2014 to October 31, 2014
Rental and other operating revenues:		
Rental revenues	¥ 9,075,126	¥ 8,101,029
Common area charges	1,983,917	1,698,433
Subtotal	11,059,043	9,799,462
Others:		
Parking space rental revenues	471,152	350,221
Utility charge reimbursement	1,019,055	976,931
Miscellaneous	287,557	168,793
Subtotal	1,777,764	1,495,945
Total rental and other operating revenues	12,836,807	11,295,407
Property-related expenses:		
Property management fees and facility management fees	¥ 1,241,711	¥ 1,074,236
Depreciation	2,221,037	2,022,380
Utilities	1,208,553	1,103,867
Taxes	957,213	916,289
Insurance	18,294	15,841
Repairs and maintenance	437,406	174,512
Trust fees	45,464	45,445
Others	247,927	205,090
Total property-related expenses	6,377,605	5,557,660
Gain on sale of real estate property:		
Revenue from sale of investment property	5,742,169	—
Cost of investment property	4,892,161	—
Other sales expenses	140,375	—
Gain on sale of real estate property	709,633	—
Loss on sale of real estate property:		
Revenue from sale of investment property	1,050,000	2,600,000
Cost of investment property	1,308,263	4,037,459
Other sales expenses	29,457	87,059
Loss on sale of real estate property	¥ 287,720	¥ 1,524,518

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 April 30, 2015 and October 31, 2014 are as follows:

	In thousands of yen	
	As of April 30, 2015	As of October 31, 2014
Due within one year	¥ 2,246,302	¥ 2,138,972
Due after one year	10,202,936	9,346,089
Total	¥12,449,238	¥11,485,061

13. FINANCIAL INSTRUMENTS

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

Nineteenth Fiscal Period (May 1, 2014 to October 31, 2014)

(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 fully considers such factors as safety, liquidity, interest rate conditions and cash flows.

(2) TYPES OF FINANCIAL INSTRUMENTS AND RELATED RISK

Investment securities, which are preferred equity securities issued by a special purpose entity (tokutei mokuteki kaisha, "TMK") as set forth by the Act on Securitization of Assets and Japanese silent partnership (tokumei kumiai, "TK") interests, are exposed to the credit risk of the issuer and the risk of its value fluctuating with the 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 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, 2014 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	¥ 16,469,910	¥ 16,469,910	¥ —
Subtotal	16,469,910	16,469,910	—
① Short-term debt	15,900,000	15,900,000	—
② Corporate bonds (including current portion of corporate bonds)	8,300,000	8,522,510	222,510
③ Long-term debt (including current portion of long-term debt)	163,485,000	164,117,409	632,409
Subtotal	¥187,685,000	¥188,539,919	¥854,919
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 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	¥2,679,139

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above preferred equity securities of TMK and 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	¥16,469,910
Total	¥16,469,910

*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	¥15,900,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	—	4,500,000	1,800,000	—	2,000,000
Long-term debt	¥30,135,000	¥30,800,000	¥16,200,000	¥16,750,000	¥12,750,000	¥56,850,000

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 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.

The following summarizes the contracted amount and the fair value of interest-rate swap and the interest-rate cap contracts as of October 31, 2014:

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	¥77,850,000	¥71,850,000	*	—
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term debt	3,000,000	3,000,000	*	—
Total			¥80,850,000	¥74,850,000		—

(*) 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

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

Nineteenth Fiscal Period (May 1, 2014 to October 31, 2014)

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, 2014 (In thousands of yen)
As of April 30, 2014	Net change	As of October 31, 2014	
¥332,883,295	¥32,951,800	¥365,835,095	¥358,470,000

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 ¥38,462,889 thousand, the sale of two property totaling ¥4,037,459 thousand and depreciation amounting to ¥2,022,380 thousand.

Income and loss in the fiscal period ended October 31, 2014 for real estate for rental purposes is listed in the 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

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.

Nineteenth Fiscal Period (May 1, 2014 to October 31, 2014)

(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.