

Financial Summary (Unaudited)

Historical Operating Trends
For the 26th–30th Fiscal Periods

Period	Unit	26th Period (as of Apr. 30, 2018)	27th Period (as of Oct. 31, 2018)	28th Period (as of Apr. 30, 2019)	29th Period (as of Oct. 31, 2019)	30th Period (as of Apr. 30, 2020)
Operating revenues	millions of yen	14,823	15,420	15,212	15,027	15,272
(Rental revenues)	millions of yen	14,222	14,802	14,595	14,959	15,215
Operating expenses	millions of yen	7,974	8,271	8,039	8,199	8,132
(Property-related expenses)	millions of yen	6,977	7,105	6,880	7,092	7,008
Operating income	millions of yen	6,848	7,148	7,172	6,828	7,140
Ordinary income	millions of yen	5,829	6,109	6,179	5,845	6,177
Net income (a)	millions of yen	5,828	6,107	6,178	5,844	6,175
Total assets (b)	millions of yen	422,993	437,221	436,753	439,773	447,707
(Period-on-period change)	%	(+1.9)	(+3.4)	(−0.1)	(+0.7)	(+1.8)
Interest-bearing debt (c)	millions of yen	185,850	183,050	182,050	185,050	192,050
(Period-on-period change)	%	(+3.5)	(−1.5)	(−0.5)	(+1.6)	(+3.8)
Unitholders' equity (d)	millions of yen	213,642	229,313	229,440	229,276	229,589
(Period-on-period change)	%	(+0.4)	(+7.3)	(+0.1)	(−0.1)	(+0.1)
Unitholders' capital	millions of yen	206,199	220,970	220,970	220,970	220,970
(Period-on-period change)	%	(0.0)	(+7.2)	(0.0)	(0.0)	(0.0)
Number of investment units issued and outstanding (e)	unit	404,885	428,510	428,510	428,510	428,510
Unitholders' equity per unit (d)/(e)	yen	527,661	535,141	535,437	535,054	535,786
Total distribution (f)	millions of yen	5,247	5,766	5,878	5,844	6,175
Distribution per unit (f)/(e)	yen	12,960	13,458	13,719	13,639	14,412
(Earnings distributed per unit)	yen	12,960	13,458	13,719	13,639	14,412
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.4 (2.8)	1.4 (2.8)	1.4 (2.9)	1.3 (2.6)	1.4 (2.8)
Return on net assets (annualized) (Notes 2 and 3)	%	2.7 (5.5)	2.8 (5.5)	2.7 (5.4)	2.5 (5.1)	2.7 (5.4)
Net assets ratio at end of period (d)/(b)	%	50.5	52.4	52.5	52.1	51.3
(Period-on-period change)	%	(−0.8)	(+1.9)	(+0.1)	(−0.4)	(−0.9)
Interest-bearing debt ratio at end of period (c)/(b)	%	43.9	41.9	41.7	42.1	42.9
(Period-on-period change)	%	(+0.7)	(−2.1)	(−0.2)	(+0.4)	(+0.8)
Payout ratio (Note 4) (f)/(a)	%	90.0	94.4	95.1	99.9	99.9
Other references						
Number of properties	properties	97	97	96	97	99
Total leasable floor area	m ²	466,031.33	471,041.45	468,528.20	480,328.18	488,127.53
Occupancy rate at end of period	%	99.0	99.1	99.2	99.5	99.5
Depreciation expenses for the period	millions of yen	2,295	2,358	2,369	2,419	2,470
Capital expenditures for the period	millions of yen	886	925	1,231	1,426	1,485
Leasing NOI (Net Operating Income) (Note 5)	millions of yen	9,539	10,055	10,084	10,287	10,676
FFO (Funds From Operation) (Note 6)	millions of yen	7,574	7,934	7,983	8,265	8,646
FFO per unit (Note 7)	yen	18,708	18,516	18,630	19,287	20,178

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 26th Fiscal Period are calculated based on a period of 181 days, 184 days for the 27th Fiscal Period, 181 days for the 28th Fiscal Period, 184 days for the 29th Fiscal Period, and 182 days for the 30th 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 – Property-related expenses + Depreciation expenses for the period

6. FFO = Net income + Depreciation expenses for the period – Gain on sale of real estate properties + Loss on sale of real estate properties

7. FFO per unit = FFO / Number of investment units issued and outstanding (figures below ¥1 rounded down)

Balance Sheet

As of April 30, 2020

	As of April 30, 2020		As of October 31, 2019	
	In thousands of yen			
Assets				
Current assets				
Cash and deposits (Notes 4 and 16)	¥	14,699,777	¥	14,019,313
Cash and deposits in trust (Notes 4 and 16)		11,470,987		11,366,312
Operating accounts receivable		277,457		361,207
Prepaid expenses		74,600		109,777
Consumption taxes receivable		–		61,789
Other		12,394		13,223
Total current assets		26,535,218		25,931,623
Non-current assets				
Property, plant and equipment (Notes 5 and 18)				
Buildings		17,951,815		17,834,390
Accumulated depreciation		(6,221,158)		(5,917,165)
Buildings, net		11,730,656		11,917,224
Structures		43,564		34,963
Accumulated depreciation		(16,589)		(15,551)
Structures, net		26,974		19,411
Machinery and equipment		432,209		432,209
Accumulated depreciation		(272,362)		(260,033)
Machinery and equipment, net		159,847		172,176
Tools, furniture and fixtures		96,841		94,116
Accumulated depreciation		(64,691)		(61,148)
Tools, furniture and fixtures, net		32,150		32,967
Land		27,520,902		27,520,902
Buildings in trust (Note 8)		126,874,865		124,425,127
Accumulated depreciation		(33,269,306)		(31,204,886)
Buildings in trust, net		93,605,558		93,220,241
Structures in trust		362,902		359,676
Accumulated depreciation		(179,886)		(168,392)
Structures in trust, net		183,016		191,284
Machinery and equipment in trust		1,741,678		1,656,878
Accumulated depreciation		(796,661)		(743,824)
Machinery and equipment in trust, net		945,017		913,054
Tools, furniture and fixtures in trust		528,530		505,190
Accumulated depreciation		(346,706)		(326,879)
Tools, furniture and fixtures in trust, net		181,824		178,310
Land in trust		283,648,781		276,458,793
Total property, plant and equipment, net		418,034,728		410,624,366
Intangible assets (Note 5)				
Leasehold right (Note 18)		285,257		285,257
Leasehold right in trust (Note 18)		349,201		349,975
Other		1,168		1,796
Total intangible assets		635,627		637,029
Investments and other assets				
Investment securities (Note 16)		1,127,724		1,131,953
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		122,889		122,889
Long-term prepaid expenses		1,150,151		1,232,222
Other (Notes 11,16 and 17)		20,501		8,768
Total investments and other assets		2,431,266		2,505,834
Total non-current assets		421,101,622		413,767,231
Deferred assets				
Investment corporation bond issuance costs		51,840		46,835
Investment unit issuance costs		18,342		27,513
Total deferred assets		70,182		74,348
Total assets	¥	447,707,022	¥	439,773,203

	As of April 30, 2020	As of October 31, 2019
	In thousands of yen	
Liabilities		
Current liabilities		
Operating accounts payable	¥ 829,804	¥ 1,119,767
Short-term loans payable (Notes 7 and 16)	9,500,000	2,200,000
Current portion of long-term loans payable (Notes 7, 16 and 17)	22,300,000	21,600,000
Accounts payable—other	486,379	475,642
Accrued expenses	71,983	69,940
Income taxes payable	825	802
Accrued consumption taxes	378,113	132,354
Advances received	2,821,477	2,565,047
Deposits received	7,225	16,312
Other (Notes 16 and 17)	–	123
Total current liabilities	36,395,810	28,179,990
Non-current liabilities		
Investment corporation bonds (Notes 7 and 16)	10,000,000	8,000,000
Long-term loans payable (Notes 7, 16 and 17)	150,250,000	153,250,000
Tenant leasehold and security deposits	2,005,687	2,002,385
Tenant leasehold and security deposits in trust	19,113,024	18,741,871
Other (Notes 16 and 17)	352,748	322,853
Total non-current liabilities	181,721,460	182,317,110
Total liabilities	218,117,270	210,497,100
Net Assets		
Unitholders' equity		
Unitholders' capital	220,970,508	220,970,508
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	2,775,335	2,775,335
Total voluntary retained earnings	2,775,335	2,775,335
Unappropriated retained earnings	6,175,926	5,844,500
Total surplus	8,951,261	8,619,835
Total unitholders' equity	229,921,769	229,590,343
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 16 and 17)	(332,017)	(314,241)
Total valuation and translation adjustments	(332,017)	(314,241)
Total net assets (Note 12)	229,589,752	229,276,102
Total liabilities and net assets	¥ 447,707,022	¥ 439,773,203

See accompanying notes to the financial statements.

Statement of Income and Retained Earnings

For the period from November 1, 2019 to April 30, 2020

	From November 1, 2019 to April 30, 2020		From May 1, 2019 to October 31, 2019	
	In thousands of yen			
Operating revenues				
Rent revenue – real estate (Note 14)	¥	13,429,120	¥	12,976,033
Other lease business revenue (Note 14)		1,785,979		1,983,471
Dividends income		57,600		68,389
Total operating revenues		15,272,699		15,027,894
Operating expenses				
Expenses related to rent business (Note 14)		7,008,903		7,092,170
Asset management fees		929,882		899,348
Directors' compensation		8,400		8,400
Asset custody fees		23,193		23,102
Administrative service fees		57,595		57,264
Audit fees		12,800		12,800
Other operating expenses		91,860		106,412
Total operating expenses		8,132,635		8,199,497
Operating income		7,140,064		6,828,396
Non-operating income				
Interest income		68		68
Dividends and redemption-prescription		353		403
Interest on refund		109		2
Total non-operating income		531		473
Non-operating expenses				
Interest expenses		792,200		810,689
Interest expenses on investment corporation bonds		29,038		28,128
Financing-related expenses		125,667		127,833
Amortization of investment corporation bond issuance costs		4,963		4,511
Amortization of investment unit issuance costs		9,171		9,171
Other non-operating expenses		2,352		2,772
Total non-operating expenses		963,393		983,106
Ordinary income		6,177,202		5,845,764
Income before income taxes		6,177,202		5,845,764
Income taxes (Note 11)				
Current		1,332		1,264
Deferred		(4)		(1)
Total income taxes		1,328		1,263
Net income		6,175,873		5,844,500
Retained earnings brought forward		52		–
Unappropriated retained earnings	¥	6,175,926	¥	5,844,500

See accompanying notes to the financial statements.

Statement of Changes in Net Assets

For the period from November 1, 2019 to April 30, 2020

	Unitholders' equity						Valuation and translation adjustments	Total net assets						
	Surplus					Total unitholders' equity	Deferred gains or losses on hedges							
	Unitholders' capital	Reserve for reduction entry	Unappropriated		Total surplus									
			Voluntary retained earnings	retained earnings (Note 21)										
	¥	¥	¥	¥	¥	¥	¥							
In thousands of yen														
Balance as of April 30, 2019	¥	220,970,508	¥	2,475,385	¥	6,178,677	¥	8,654,063	¥	229,624,572	¥	(184,329)	¥	229,440,242
Changes during the fiscal period														
Provision of reserve for reduction entry		-		299,949		(299,949)		-		-		-		-
Dividends of surplus		-		-		(5,878,728)		(5,878,728)		(5,878,728)		-		(5,878,728)
Net income		-		-		5,844,500		5,844,500		5,844,500		-		5,844,500
Net changes of items other than unitholders' equity		-		-		-		-		-		(129,911)		(129,911)
Total changes during the fiscal period		-		299,949		(334,177)		(34,228)		(34,228)		(129,911)		(164,139)
Balance as of October 31, 2019 (Note 6)	¥	220,970,508	¥	2,775,335	¥	5,844,500	¥	8,619,835	¥	229,590,343	¥	(314,241)	¥	229,276,102
Changes during the fiscal period														
Dividends of surplus		-		-		(5,844,447)		(5,844,447)		(5,844,447)		-		(5,844,447)
Net income		-		-		6,175,873		6,175,873		6,175,873		-		6,175,873
Net changes of items other than unitholders' equity		-		-		-		-		-		(17,776)		(17,776)
Total changes during the fiscal period		-		-		331,425		331,425		331,425		(17,776)		313,649
Balance as of April 30, 2020 (Note 6)	¥	220,970,508	¥	2,775,335	¥	6,175,926	¥	8,951,261	¥	229,921,769	¥	(332,017)	¥	229,589,752

See accompanying notes to the financial statements.

Statement of Cash Flows

For the period from November 1, 2019 to April 30, 2020

	From November 1, 2019 to April 30, 2020	From May 1, 2019 to October 31, 2019
	In thousands of yen	
Cash flows from operating activities		
Income before income taxes	¥ 6,177,202	¥ 5,845,764
Depreciation	2,470,882	2,420,535
Amortization of long-term prepaid expenses	117,317	120,778
Interest income	(68)	(68)
Interest expenses	821,239	838,818
Amortization of investment unit issuance costs	9,171	9,171
Amortization of investment corporation bond issuance costs	4,963	4,511
Decrease (increase) in operating accounts receivable	83,749	(62,429)
Decrease (increase) in consumption taxes receivable	61,789	(61,789)
Decrease (increase) in prepaid expenses	35,176	(60,068)
Increase (decrease) in operating accounts payable	(194,273)	56,398
Increase (decrease) in accounts payable—other	10,954	(53,110)
Increase (decrease) in accrued consumption taxes	245,758	(342,749)
Increase (decrease) in advances received	256,430	196,680
Increase (decrease) in deposits received	(9,087)	19,583
Decrease (increase) in long-term prepaid expenses	(35,245)	(174,437)
Other, net	1,953	(12,220)
Subtotal	10,057,914	8,745,367
Interest income received	68	68
Interest expenses paid	(819,195)	(847,538)
Income taxes paid	(812)	(805)
Net cash provided by (used in) operating activities	9,237,974	7,897,092
Cash flows from investing activities		
Purchases of property, plant and equipment	(143,355)	(59,029)
Purchases of property, plant and equipment in trust	(9,814,320)	(10,577,896)
Repayments of tenant leasehold and security deposits	(28,690)	(20,533)
Proceeds from tenant leasehold and security deposits	29,040	36,145
Repayments of tenant leasehold and security deposits in trust	(317,128)	(1,122,394)
Proceeds from tenant leasehold and security deposits in trust	675,899	1,477,344
Payments of restricted deposits in trust	(74,775)	(30,740)
Proceeds from restricted deposits in trust	21,551	8,362
Net cash provided by (used in) investing activities	(9,651,778)	(10,288,741)
Cash flows from financing activities		
Increase in short-term loans payable	9,500,000	—
Decrease in short-term loans payable	(2,200,000)	(2,000,000)
Proceeds from long-term loans payable	8,200,000	11,200,000
Repayments of long-term loans payable	(10,500,000)	(6,200,000)
Proceeds from issuance of investment corporation bonds	1,990,031	—
Dividends paid	(5,844,312)	(5,879,350)
Net cash provided by (used in) financing activities	1,145,719	(2,879,350)
Net increase (decrease) in cash and cash equivalents	731,914	(5,270,999)
Cash and cash equivalents at the beginning of period	23,612,771	28,883,770
Cash and cash equivalents at the end of period (Note 4)	¥ 24,344,686	¥ 23,612,771

See accompanying notes to the financial statements.

Notes to the Financial Statements

For the period from November 1, 2019 to April 30, 2020

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 the ownership and operation of selected mainly office buildings 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 eight public 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, 2019, the Investment Corporation acquired one office building (Chofu Center Building: acquisition price of ¥8,700 million).

During the period ended April 30, 2020, the Investment Corporation acquired two office buildings (Tosabori Prime: acquisition price of ¥5,000 million, and KDX Kanda Ekimae Building: acquisition price of ¥3,300 million).

At the end of the twenty-ninth and thirtieth fiscal periods (fiscal periods ended October 31, 2019 and April 30, 2020), the Investment Corporation had total unitholders’ capital of ¥220,970 million with 428,510 investment units outstanding, respectively. The Investment Corporation owned a portfolio of 97 properties (consisting of 96 office buildings and one other property) and 99 properties (consisting of 98 office buildings and one other property) with total acquisition prices of ¥424,535 million and ¥432,835 million at the end of the twenty-ninth and thirtieth fiscal periods, respectively. The occupancy ratios were approximately 99.5% at the end of the twenty-ninth and thirtieth 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 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, Plant and Equipment (including trust assets)

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

	From November 1, 2019 to April 30, 2020	From May 1, 2019 to October 31, 2019
Buildings	2–49 years	2–49 years
Structures	2–45 years	2–45 years
Machinery and equipment	3–17 years	3–17 years
Tools, furniture and fixtures	3–20 years	3–20 years

(C) Intangible Assets (including trust assets)

Intangible assets are amortized by the straight-line method.

Leasehold right: Fixed-term land leasehold is amortized over a contractual period of 48 years and 9 months under the straight-line method.

(D) Long-term Prepaid Expenses

Long-term prepaid expenses are amortized by the straight-line method.

(E) Investment Unit Issuance Costs

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

(F) Investment Corporation Bond Issuance Costs

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

(G) Accounting Treatment of Trust Beneficiary Interests in Real Estate

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

(H) Revenue Recognition

Operating revenues consist of rental revenues including base rents, common area charges and other operating revenues, which include utility charge reimbursement, 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.

(I) Taxes on Property, Plant and Equipment

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to the said period. Under Japanese tax rules, the seller of property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is generally 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 ¥35,360 thousand and ¥29,256 thousand as of April 30, 2020 and October 31, 2019, 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.

(J) Income Taxes

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

(K) 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.

(L) Derivative Financial Instruments

The Investment Corporation utilizes interest-rate swap 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 contracts because these contracts met the criteria for deferral hedging accounting. However, the Investment Corporation adopted special treatment for interest-rate swap contracts if they met the criteria for hedging accounting under this treatment. The hedge effectiveness for the interest-rate swap contracts is assessed each fiscal period except for those that meet the criteria of special treatment.

(M) 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.

(N) Presentation of Amounts

Amounts of less than one thousand yen have been truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan. Unless otherwise noted, amounts are rounded down and ratios are rounded off in the accompanying financial statements.

Totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

New accounting standards and implementation guidance issued but not yet effective are as follows:

- “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States have jointly developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” (IFRS 15 (IASB) and Topic 606 (FASB)) in May 2014. Given the situation where IFRS 15 is applied from fiscal years beginning on or after January 1, 2018 and that Topic 606 is applied from fiscal years beginning after December 15, 2017, the ASBJ has developed comprehensive accounting standards for revenue recognition and issued them together with the implementation guidance.

The basic policy of the ASBJ when it developed the accounting standards for revenue recognition was to specify the accounting standards, incorporating the basic principles of IFRS 15 as a starting point, from the perspective of comparability between financial statements, which is one of the benefits of maintaining compatibility with IFRS 15. The basic policy also stipulates that if there is an item to which consideration should be given, such as practices that have been conducted thus far in Japan, alternative treatments will be added to the extent to which comparability is not impaired.

(2) Scheduled date of application

The accounting standards will be applied from the beginning of the fiscal period ending October 31, 2021.

(3) Impact of applying the accounting standards

The impact of applying “Accounting Standard for Revenue Recognition” and its guidance on the financial statements is currently under evaluation.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 31, 2020)

(1) Overview

The IASB and the FASB have established detailed guidance regarding fair value measurement (IFRS 13 “Fair Value Measurement” (IASB) and Topic 820 “Fair Value Measurement” (FASB)). The ASBJ repeatedly considered the guidance regarding fair value of financial instruments and disclosure in order to improve the comparability with such international accounting standards, and issued “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement.”

(2) Scheduled date of application

The accounting standards will be applied from the beginning of the fiscal period ending October 31, 2021.

(3) Impact of applying the accounting standards

The impact of applying the “Accounting Standard for Fair Value Measurement” and its guidance on the financial statements is currently under evaluation.

- “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31 issued on March 31, 2020)

(1) Overview

Paragraph 125 of International Accounting Standard 1 (IAS 1), “Presentation of Financial Statements,” (issued by the IASB in 2003) requires disclosure of information about the “assumptions the entity makes about the future, and other major sources of estimation uncertainty.” In this regard, there has been a request that the major sources of estimation uncertainty should be disclosed in the notes to financial statements under Japanese GAAP to provide useful information to users of financial statements. In response to this request, the ASBJ developed and issued “Accounting Standard for Disclosure of Accounting Estimates.”

(2) Scheduled date of application

The accounting standard will be applied from the end of the fiscal period ending April 30, 2021.

• “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24 issued on March 31, 2020)

(1) Overview

The ASBJ’s Standards Advisory Council recommended that the ASBJ consider enhancing disclosures for notes relating to “accounting policies and methods adopted in the cases where the relevant accounting standards were not clear.” In response to such recommendations, the ASBJ issued the revised “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.”

(2) Scheduled date of application

The accounting standard will be applied from the end of the fiscal period ending April 30, 2021.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of April 30, 2020 and October 31, 2019.

	As of April 30, 2020	As of October 31, 2019
	In thousands of yen	
Cash and deposits	¥ 14,699,777	¥ 14,019,313
Cash and deposits in trust	11,470,987	11,366,312
Restricted deposits in trust (Note)	(1,826,078)	(1,772,854)
Cash and cash equivalents in trust	¥ 24,344,686	¥ 23,612,771

Note: Restricted deposits in trust are retained for the repayment of tenant leasehold and security deposits in trust.

5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets consist of the following as of April 30, 2020.

Type of asset	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at the end of period	Remarks
					Accumulated depreciation	Depreciation for the period		
(in thousands of yen)								
Buildings	¥ 17,834,390	¥ 117,424	¥ –	¥ 17,951,815	¥ 6,221,158	¥ 303,993	¥ 11,730,656	
Structures	34,963	8,601	–	43,564	16,589	1,038	26,974	
Machinery and equipment	432,209	–	–	432,209	272,362	12,328	159,847	
Tools, furniture and fixtures	94,116	2,725	–	96,841	64,691	3,542	32,150	
Land	27,520,902	–	–	27,520,902	–	–	27,520,902	
Subtotal	45,916,582	128,751	–	46,045,333	6,574,802	320,902	39,470,531	
Property, plant and equipment								
Buildings in trust	¥ 124,425,127	¥ 2,449,737	¥ –	¥ 126,874,865	¥ 33,269,306	¥ 2,064,420	¥ 93,605,558	Note
Structures in trust	359,676	3,225	–	362,902	179,886	11,493	183,016	
Machinery and equipment in trust	1,656,878	84,799	–	1,741,678	796,661	52,836	945,017	
Tools, furniture and fixtures in trust	505,190	23,340	–	528,530	346,706	19,826	181,824	
Land in trust	276,458,793	7,189,987	–	283,648,781	–	–	283,648,781	Note
Subtotal	403,405,666	9,751,091	–	413,156,757	34,592,560	2,148,577	378,564,197	
Total property, plant and equipment	449,322,249	9,879,842	–	459,202,091	41,167,362	2,469,480	418,034,728	
Intangible assets								
Leasehold right	¥ 290,050	¥ –	¥ –	¥ 290,050	¥ 4,792	¥ –	¥ 285,257	
Leasehold right in trust	363,784	–	–	363,784	14,583	774	349,201	
Other	6,278	–	–	6,278	5,110	627	1,168	
Total intangible assets	660,113	–	–	660,113	24,486	1,402	635,627	
Total	¥449,982,362	¥9,879,842	¥ –	¥459,862,205	¥41,191,849	¥2,470,882	¥418,670,356	

Note: The amount of increase during the period is primarily attributable to the acquisition of the two real estate properties.

Property, plant and equipment and intangible assets consist of the following as of October 31, 2019.

Type of asset	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at the end of period	Remarks	
					Accumulated depreciation	Depreciation for the period			
(in thousands of yen)									
Buildings	¥ 17,776,419	¥ 57,970	¥ –	¥ 17,834,390	¥ 5,917,165	¥ 300,953	¥ 11,917,224		
Structures	32,618	2,344	–	34,963	15,551	860	19,411		
Machinery and equipment	424,662	7,547	–	432,209	260,033	12,214	172,176		
Tools, furniture and fixtures	93,446	670	–	94,116	61,148	3,499	32,967		
Land	27,520,902	–	–	27,520,902	–	–	27,520,902		
Subtotal	45,848,050	68,532	–	45,916,582	6,253,899	317,527	39,662,682		
Property, plant and equipment	Buildings in trust	¥ 121,511,168	¥ 2,913,959	¥ –	¥ 124,425,127	¥ 31,204,886	¥ 2,019,801	¥ 93,220,241	Note
	Structures in trust	343,278	16,398	–	359,676	168,392	11,158	191,284	
	Machinery and equipment in trust	1,604,492	52,386	–	1,656,878	743,824	51,855	913,054	
	Tools, furniture and fixtures in trust	487,000	18,189	–	505,190	326,879	18,791	178,310	
	Land in trust	269,059,794	7,398,999	–	276,458,793	–	–	276,458,793	Note
	Construction in progress in trust	1,511	–	1,511	–	–	–	–	
Subtotal	393,007,244	10,399,933	1,511	403,405,666	32,443,982	2,101,605	370,961,684		
Total property, plant and equipment	438,855,294	10,468,465	1,511	449,322,249	38,697,882	2,419,133	410,624,366		
Intangible assets	Leasehold right	¥ 290,050	¥ –	¥ –	¥ 290,050	¥ 4,792	¥ –	¥ 285,257	
	Leasehold right in trust	363,784	–	–	363,784	13,809	774	349,975	
	Other	6,278	–	–	6,278	4,482	627	1,796	
Total intangible assets	660,113	–	–	660,113	23,084	1,402	637,029		
Total	¥439,515,408	¥ 10,468,465	¥ 1,511	¥449,982,362	¥38,720,966	¥2,420,535	¥411,261,396		

Note: The amount of increase during the period is primarily attributable to the acquisition of the one real estate property.

6. UNITHOLDERS' EQUITY

Total number of authorized investment units and total number of investment units issued and outstanding are as follows:

	From November 1, 2019 to April 30, 2020	From May 1, 2019 to October 31, 2019
Total number of authorized investment units	2,000,000	2,000,000
Total number of investment units issued and outstanding	428,510	428,510

7. SHORT-TERM LOANS PAYABLE, LONG-TERM LOANS PAYABLE AND INVESTMENT CORPORATION BONDS

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of April 30, 2020:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	January 31, 2020	January 31, 2021	0.32%	¥ 500,000
	January 31, 2020	January 31, 2021	0.32%	500,000
	January 31, 2020	January 31, 2021	0.27%	4,200,000
	January 31, 2020	January 31, 2021	0.27%	800,000
	March 12, 2020	February 28, 2021	0.38%	3,000,000
	March 31, 2020	March 31, 2021	0.33%	500,000
Subtotal				9,500,000
Current portion of long-term loans payable	July 31, 2014	July 31, 2020	0.74%	¥ 2,700,000
	August 30, 2013	August 31, 2020	1.42%	1,500,000
	August 30, 2019	August 31, 2020	0.27%	1,000,000
	September 22, 2014	September 30, 2020	0.80%	2,700,000
	April 22, 2014	October 31, 2020	0.95%	2,900,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	November 12, 2013	November 12, 2020	1.07%	2,000,000
	November 12, 2013	November 12, 2020	1.07%	500,000
	November 29, 2013	November 30, 2020	1.12%	1,000,000
	November 29, 2013	November 30, 2020	1.12%	900,000
	November 29, 2019	November 30, 2020	0.37%	1,000,000
	November 29, 2019	November 30, 2020	0.32%	500,000
	November 29, 2019	November 30, 2020	0.32%	200,000
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	January 30, 2015	January 31, 2021	0.71%	1,500,000
Subtotal				22,300,000
Long-term loans payable	March 12, 2014	March 12, 2023	1.36%	¥ 1,800,000
	March 20, 2014	September 20, 2021	1.01%	4,000,000
	March 20, 2014	March 20, 2022	1.20%	3,000,000
	March 20, 2014	March 12, 2023	1.35%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	500,000
	July 31, 2014	July 31, 2022	1.01%	2,200,000
	September 1, 2014	August 31, 2021	0.89%	800,000
	September 1, 2014	August 31, 2021	0.89%	500,000
	September 3, 2014	August 31, 2022	0.98%	1,000,000
	September 3, 2014	August 31, 2022	0.98%	950,000
	September 30, 2014	September 30, 2021	0.89%	1,000,000
	October 31, 2014	October 31, 2021	0.80%	3,000,000
	October 31, 2014	October 31, 2023	1.07%	2,000,000
	October 31, 2014	October 31, 2023	1.13%	1,500,000
	October 31, 2014	October 31, 2023	1.07%	1,000,000
	October 31, 2014	October 31, 2024	1.26%	2,000,000
	October 31, 2014	October 31, 2024	1.26%	1,000,000
	January 30, 2015	January 31, 2025	1.16%	1,500,000
	February 18, 2015	February 28, 2022	0.91%	1,250,000
February 18, 2015	February 28, 2022	0.91%	350,000	
February 18, 2015	February 29, 2024	1.16%	1,700,000	
February 18, 2015	February 28, 2025	1.31%	1,250,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	February 27, 2015	February 28, 2025	1.15%	¥ 2,100,000
	March 12, 2015	February 28, 2025	1.22%	1,000,000
	March 31, 2015	March 31, 2025	1.27%	2,500,000
	April 30, 2015	April 30, 2022	0.83%	2,300,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	September 30, 2015	September 30, 2024	1.07%	2,000,000
	October 30, 2015	October 31, 2024	0.99%	1,000,000
	October 30, 2015	October 30, 2025	1.11%	1,500,000
	October 30, 2015	October 30, 2025	1.11%	2,000,000
	October 30, 2015	October 30, 2025	1.11%	2,500,000
	October 30, 2015	October 30, 2025	1.12%	2,500,000
	November 12, 2015	November 30, 2025	1.17%	1,000,000
	January 29, 2016	January 31, 2022	0.59%	2,500,000
	January 29, 2016	January 31, 2022	0.64%	500,000
	January 29, 2016	January 29, 2026	1.07%	2,000,000
	January 29, 2016	January 29, 2026	1.02%	1,800,000
	February 18, 2016	February 18, 2026	1.00%	1,000,000
	February 18, 2016	February 18, 2026	1.00%	500,000
	March 31, 2016	March 31, 2026	0.90%	1,000,000
	April 28, 2016	April 30, 2024	0.65%	2,000,000
	April 28, 2016	April 30, 2026	0.84%	2,000,000
	April 28, 2016	April 30, 2026	0.87%	1,000,000
	July 29, 2016	July 31, 2026	0.61%	1,500,000
	August 2, 2016	July 31, 2026	0.54%	1,000,000
	October 31, 2016	October 31, 2024	0.67%	1,000,000
	October 31, 2016	October 31, 2026	0.88%	2,500,000
	October 31, 2016	October 31, 2026	0.76%	1,000,000
	October 31, 2016	October 31, 2026	0.73%	4,000,000
	October 31, 2016	October 31, 2026	0.83%	1,500,000
	December 12, 2016	November 30, 2026	0.98%	500,000
	December 28, 2016	December 28, 2026	0.95%	1,500,000
	January 16, 2017	January 31, 2027	0.86%	500,000
	January 31, 2017	January 31, 2027	0.85%	700,000
	March 28, 2017	March 31, 2027	0.85%	500,000
	June 30, 2017	June 30, 2027	0.85%	1,500,000
	August 10, 2017	July 28, 2027	0.80%	3,500,000
	August 31, 2017	August 31, 2023	0.54%	1,000,000
	September 21, 2017	March 31, 2024	0.56%	1,000,000
	September 21, 2017	September 30, 2025	0.68%	1,500,000
	September 21, 2017	March 31, 2027	0.73%	1,000,000
	September 21, 2017	September 21, 2027	0.87%	1,000,000
	September 21, 2017	September 30, 2027	0.85%	2,500,000
	October 31, 2017	October 31, 2027	0.81%	2,500,000
	November 13, 2017	November 13, 2027	0.93%	3,000,000
	December 7, 2017	November 30, 2027	0.90%	1,400,000
December 7, 2017	November 30, 2027	0.82%	1,200,000	
December 7, 2017	November 30, 2027	0.97%	1,000,000	
December 7, 2017	November 30, 2027	0.94%	1,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	December 7, 2017	November 30, 2027	0.87%	¥ 1,000,000
	December 7, 2017	November 30, 2027	0.90%	800,000
	December 7, 2017	November 30, 2027	0.87%	600,000
	December 28, 2017	December 28, 2025	0.74%	500,000
	December 28, 2017	December 28, 2026	0.88%	500,000
	December 28, 2017	December 28, 2027	0.86%	500,000
	March 12, 2018	March 31, 2028	0.91%	1,500,000
	March 26, 2018	March 31, 2027	0.81%	1,000,000
	March 26, 2018	March 31, 2028	0.90%	1,000,000
	July 31, 2018	July 31, 2028	0.99%	500,000
	August 20, 2018	August 31, 2025	0.70%	500,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	500,000
	August 20, 2018	August 31, 2028	0.97%	500,000
	August 31, 2018	August 31, 2025	0.70%	500,000
	August 31, 2018	August 31, 2025	0.72%	300,000
	August 31, 2018	August 31, 2028	1.01%	700,000
	October 31, 2018	October 31, 2028	1.01%	1,500,000
	October 31, 2018	October 31, 2028	0.91%	1,000,000
	October 31, 2018	October 31, 2028	1.01%	500,000
	March 28, 2019	March 31, 2029	0.84%	1,400,000
	March 29, 2019	March 31, 2029	0.84%	2,950,000
	June 14, 2019	June 30, 2023	0.25%	500,000
	June 14, 2019	December 28, 2026	0.52%	500,000
	June 14, 2019	April 30, 2027	0.61%	1,000,000
	June 14, 2019	March 31, 2029	0.72%	1,000,000
	July 10, 2019	July 31, 2023	0.23%	500,000
	July 31, 2019	July 31, 2022	0.29%	1,000,000
	July 31, 2019	July 31, 2023	0.29%	1,000,000
	July 31, 2019	April 30, 2027	0.55%	1,000,000
	July 31, 2019	April 30, 2027	0.55%	1,000,000
	September 30, 2019	September 30, 2026	0.49%	1,000,000
September 30, 2019	March 31, 2027	0.53%	900,000	
September 30, 2019	March 31, 2027	0.43%	800,000	
January 31, 2020	January 31, 2025	0.41%	700,000	
January 31, 2020	January 31, 2027	0.53%	1,500,000	
January 31, 2020	January 31, 2029	0.68%	1,500,000	
March 12, 2020	February 28, 2026	0.36%	1,800,000	
March 31, 2020	March 31, 2028	0.64%	1,000,000	
Subtotal				150,250,000
Investment corporation bonds	July 25, 2014	July 25, 2024	1.18%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.90%	1,000,000
	July 19, 2017	July 19, 2022	0.26%	1,000,000
	July 19, 2017	July 16, 2027	0.64%	2,000,000
	February 15, 2019	February 15, 2024	0.39%	2,000,000
	January 30, 2020	January 30, 2025	0.25%	2,000,000
Subtotal				10,000,000
Total				¥ 192,050,000

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of October 31, 2019:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	November 30, 2018	November 30, 2019	0.37%	¥ 1,000,000
	November 30, 2018	November 30, 2019	0.32%	200,000
	January 31, 2019	January 31, 2020	0.32%	500,000
	January 31, 2019	January 31, 2020	0.32%	500,000
Subtotal				2,200,000
Current portion of long-term loans payable	November 12, 2018	November 30, 2019	0.32%	¥ 500,000
	January 31, 2014	January 31, 2020	0.93%	3,700,000
	March 12, 2014	March 12, 2020	0.92%	1,800,000
	March 20, 2014	March 12, 2020	0.91%	3,000,000
	March 29, 2019	March 31, 2020	0.37%	1,000,000
	March 29, 2019	March 31, 2020	0.32%	500,000
	July 31, 2014	July 31, 2020	0.74%	2,700,000
	August 30, 2013	August 31, 2020	1.42%	1,500,000
	August 30, 2019	August 31, 2020	0.27%	1,000,000
	September 22, 2014	September 30, 2020	0.80%	2,700,000
	April 22, 2014	October 31, 2020	0.95%	2,900,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	Subtotal			
Long-term loans payable	November 12, 2013	November 12, 2020	1.07%	¥ 2,000,000
	November 12, 2013	November 12, 2020	1.07%	500,000
	November 29, 2013	November 30, 2020	1.12%	1,000,000
	November 29, 2013	November 30, 2020	1.12%	900,000
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	March 12, 2014	March 12, 2023	1.36%	1,800,000
	March 20, 2014	September 20, 2021	1.01%	4,000,000
	March 20, 2014	March 20, 2022	1.20%	3,000,000
	March 20, 2014	March 12, 2023	1.35%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	500,000
	July 31, 2014	July 31, 2022	1.01%	2,200,000
	September 1, 2014	August 31, 2021	0.89%	800,000
	September 1, 2014	August 31, 2021	0.89%	500,000
	September 3, 2014	August 31, 2022	0.98%	1,000,000
	September 3, 2014	August 31, 2022	0.98%	950,000
	September 30, 2014	September 30, 2021	0.89%	1,000,000
	October 31, 2014	October 31, 2021	0.80%	3,000,000
	October 31, 2014	October 31, 2023	1.07%	2,000,000
	October 31, 2014	October 31, 2023	1.13%	1,500,000
	October 31, 2014	October 31, 2023	1.07%	1,000,000
	October 31, 2014	October 31, 2024	1.26%	2,000,000
	October 31, 2014	October 31, 2024	1.26%	1,000,000
	January 30, 2015	January 31, 2021	0.71%	1,500,000
	January 30, 2015	January 31, 2025	1.16%	1,500,000
	February 18, 2015	February 28, 2022	0.91%	1,250,000
	February 18, 2015	February 28, 2022	0.91%	350,000
	February 18, 2015	February 29, 2024	1.16%	1,700,000
	February 18, 2015	February 28, 2025	1.31%	1,250,000
February 27, 2015	February 28, 2025	1.15%	2,100,000	
March 12, 2015	February 28, 2025	1.22%	1,000,000	
March 31, 2015	March 31, 2025	1.27%	2,500,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	April 30, 2015	April 30, 2022	0.83%	¥ 2,300,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	September 30, 2015	September 30, 2024	1.07%	2,000,000
	October 30, 2015	October 31, 2024	0.99%	1,000,000
	October 30, 2015	October 30, 2025	1.11%	1,500,000
	October 30, 2015	October 30, 2025	1.11%	2,000,000
	October 30, 2015	October 30, 2025	1.11%	2,500,000
	October 30, 2015	October 30, 2025	1.12%	2,500,000
	November 12, 2015	November 30, 2025	1.17%	1,000,000
	January 29, 2016	January 31, 2022	0.59%	2,500,000
	January 29, 2016	January 31, 2022	0.64%	500,000
	January 29, 2016	January 29, 2026	1.07%	2,000,000
	January 29, 2016	January 29, 2026	1.02%	1,800,000
	February 18, 2016	February 18, 2026	1.00%	1,000,000
	February 18, 2016	February 18, 2026	1.00%	500,000
	March 31, 2016	March 31, 2026	0.90%	1,000,000
	April 28, 2016	April 30, 2024	0.65%	2,000,000
	April 28, 2016	April 30, 2026	0.84%	2,000,000
	April 28, 2016	April 30, 2026	0.87%	1,000,000
	July 29, 2016	July 31, 2026	0.61%	1,500,000
	August 2, 2016	July 31, 2026	0.54%	1,000,000
	October 31, 2016	October 31, 2024	0.67%	1,000,000
	October 31, 2016	October 31, 2026	0.88%	2,500,000
	October 31, 2016	October 31, 2026	0.76%	1,000,000
	October 31, 2016	October 31, 2026	0.73%	4,000,000
	October 31, 2016	October 31, 2026	0.83%	1,500,000
	December 12, 2016	November 30, 2026	0.98%	500,000
	December 28, 2016	December 28, 2026	0.95%	1,500,000
	January 16, 2017	January 31, 2027	0.86%	500,000
	January 31, 2017	January 31, 2027	0.85%	700,000
	March 28, 2017	March 31, 2027	0.85%	500,000
	June 30, 2017	June 30, 2027	0.85%	1,500,000
	August 10, 2017	July 28, 2027	0.80%	3,500,000
	August 31, 2017	August 31, 2023	0.54%	1,000,000
	September 21, 2017	March 31, 2024	0.56%	1,000,000
	September 21, 2017	September 30, 2025	0.68%	1,500,000
	September 21, 2017	March 31, 2027	0.73%	1,000,000
	September 21, 2017	September 21, 2027	0.87%	1,000,000
	September 21, 2017	September 30, 2027	0.85%	2,500,000
	October 31, 2017	October 31, 2027	0.81%	2,500,000
	November 13, 2017	November 13, 2027	0.93%	3,000,000
	December 7, 2017	November 30, 2027	0.90%	1,400,000
December 7, 2017	November 30, 2027	0.82%	1,200,000	
December 7, 2017	November 30, 2027	0.97%	1,000,000	
December 7, 2017	November 30, 2027	0.94%	1,000,000	
December 7, 2017	November 30, 2027	0.87%	1,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	December 7, 2017	November 30, 2027	0.90%	¥ 800,000
	December 7, 2017	November 30, 2027	0.87%	600,000
	December 28, 2017	December 28, 2025	0.74%	500,000
	December 28, 2017	December 28, 2026	0.88%	500,000
	December 28, 2017	December 28, 2027	0.86%	500,000
	March 12, 2018	March 31, 2028	0.91%	1,500,000
	March 26, 2018	March 31, 2027	0.81%	1,000,000
	March 26, 2018	March 31, 2028	0.90%	1,000,000
	July 31, 2018	July 31, 2028	0.99%	500,000
	August 20, 2018	August 31, 2025	0.70%	500,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	500,000
	August 20, 2018	August 31, 2028	0.97%	500,000
	August 31, 2018	August 31, 2025	0.70%	500,000
	August 31, 2018	August 31, 2025	0.72%	300,000
	August 31, 2018	August 31, 2028	1.01%	700,000
	October 31, 2018	October 31, 2028	1.01%	1,500,000
	October 31, 2018	October 31, 2028	0.91%	1,000,000
	October 31, 2018	October 31, 2028	1.01%	500,000
	March 28, 2019	March 31, 2029	0.84%	1,400,000
	March 29, 2019	March 31, 2029	0.84%	2,950,000
	June 14, 2019	June 30, 2023	0.25%	500,000
	June 14, 2019	December 28, 2026	0.52%	500,000
	June 14, 2019	April 30, 2027	0.61%	1,000,000
	June 14, 2019	March 31, 2029	0.72%	1,000,000
	July 10, 2019	July 31, 2023	0.23%	500,000
	July 31, 2019	July 31, 2022	0.29%	1,000,000
	July 31, 2019	July 31, 2023	0.29%	1,000,000
	July 31, 2019	April 30, 2027	0.55%	1,000,000
July 31, 2019	April 30, 2027	0.55%	1,000,000	
September 30, 2019	September 30, 2026	0.49%	1,000,000	
September 30, 2019	March 31, 2027	0.53%	900,000	
September 30, 2019	March 31, 2027	0.43%	800,000	
Subtotal				153,250,000
Investment corporation bonds	July 25, 2014	July 25, 2024	1.18%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.90%	1,000,000
	July 19, 2017	July 19, 2022	0.26%	1,000,000
	July 19, 2017	July 16, 2027	0.64%	2,000,000
	February 15, 2019	February 15, 2024	0.39%	2,000,000
Subtotal				8,000,000
Total				¥ 185,050,000

8. REDUCTION ENTRY

The amount of reduction entry of property, plant and equipment acquired by government subsidy is as follows:

	As of April 30, 2020	As of October 31, 2019
	In thousands of yen	
Buildings in trust	¥ 26,230	¥ 26,230

9. COMMITMENT LINE AGREEMENT

The Investment Corporation has concluded a commitment line agreement with bank of account, etc.

	As of April 30, 2020	As of October 31, 2019
	In thousands of yen	
Maximum amount	¥ 6,000,000	¥ 6,000,000
Drawn credit facility	—	—
Balance	¥ 6,000,000	¥ 6,000,000

10. PER UNIT INFORMATION

	From November 1, 2019 to April 30, 2020	From May 1, 2019 to October 31, 2019
	Yen	
Net asset value per unit	¥ 535,786	¥ 535,054
Net income per unit	¥ 14,412	¥ 13,639
Weighted-average number of units (units)	428,510	428,510

The weighted-average number of units outstanding of 428,510 as of April 30, 2020 and October 31, 2019, respectively, 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.

11. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement that it currently distribute in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. The Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥6,175 million and ¥5,844 million for the fiscal periods ended April 30, 2020 and October 31, 2019, respectively. 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 0.02% for the fiscal periods ended April 30, 2020 and October 31, 2019, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

	From November 1, 2019 to April 30, 2020	From May 1, 2019 to October 31, 2019
Statutory tax rate	31.46%	31.51%
Deductible cash distributions	(31.45)	(31.50)
Others	0.01	0.01
Effective tax rate	0.02%	0.02%

The significant components of deferred tax assets and liabilities as of April 30, 2020 and October 31, 2019 are as follows:

	As of April 30, 2020	As of October 31, 2019
In thousands of yen		
Deferred tax assets		
Enterprise tax payable	¥ 36	¥ 32
Amortization of leasehold right	4,587	4,344
Deferred gains or losses on hedges	110,974	101,608
Subtotal	115,598	105,985
Valuation allowance	(115,562)	(105,952)
Total deferred tax assets	¥ 36	¥ 32

12. 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.

13. RELATED-PARTY TRANSACTIONS

(1) Parent Company, Major Corporate Unitholders and Other

Thirtieth fiscal period (From November 1, 2019 to April 30, 2020) and Twenty-ninth fiscal period (From May 1, 2019 to October 31, 2019)

: Not applicable

(2) Affiliated Companies and Other

Thirtieth fiscal period (From November 1, 2019 to April 30, 2020) and Twenty-ninth fiscal period (From May 1, 2019 to October 31, 2019)

: Not applicable

(3) Fellow Subsidiary Companies and Other

Thirtieth fiscal period (From November 1, 2019 to April 30, 2020) and Twenty-ninth fiscal period (From May 1, 2019 to October 31, 2019)

: Not applicable

(4) Directors, Major Individual Unitholders and Other

Thirtieth fiscal period (From November 1, 2019 to April 30, 2020) and Twenty-ninth fiscal period (From May 1, 2019 to October 31, 2019)

: Not applicable

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

Rent revenue – real estate, expenses related to rent business, and gain and loss on sale of real estate property for the fiscal periods from November 1, 2019 to April 30, 2020 and from May 1, 2019 to October 31, 2019 consist of the following:

	From November 1, 2019 to April 30, 2020	From May 1, 2019 to October 31, 2019
In thousands of yen		
Rental and other operating revenues		
Rent revenue – real estate		
Rental revenues	¥11,698,824	¥11,216,006
Common area charges	1,730,295	1,760,026
Subtotal	13,429,120	12,976,033
Others:		
Parking space rental revenues	510,017	523,855
Utility charge reimbursement	981,703	1,190,161
Miscellaneous	294,258	269,454
Subtotal	1,785,979	1,983,471
Total rent revenue – real estate	¥15,215,099	¥14,959,504
Property-related expenses		
Expenses related to rent business		
Property management fees and facility management fees	¥1,440,554	¥1,392,326
Utilities	1,020,457	1,203,041
Taxes	1,283,557	1,280,309
Repairs and maintenance	474,879	409,464
Insurance	18,656	19,469
Trust fees	33,416	32,946
Others	267,111	334,688
Depreciation	2,470,270	2,419,923
Total expenses related to rent business	¥7,008,903	¥7,092,170

15. 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. The future minimum rental revenues under existing non-cancelable operating leases as of April 30, 2020 and October 31, 2019 are as follows:

	As of April 30, 2020	As of October 31, 2019
	In thousands of yen	
Due within one year	¥ 2,673,596	¥ 2,797,748
Due after one year	8,393,119	9,191,310
Total	¥ 11,066,716	¥ 11,989,058

16. FINANCIAL INSTRUMENTS

Thirtieth fiscal period (From November 1, 2019 to April 30, 2020)

(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 investment corporation 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.

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 9 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 transactions) in order to reduce such risk. Interest-rate swap transactions are used as derivative financial instruments. Utilizing interest-rate swap transactions, the Investment Corporation fixes its interest expense for long-term loans payable 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(L) "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 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. Moreover, the contract amounts, etc. of derivative transactions in "(B) Estimated Fair Value of Financial Instruments" do not indicate the market risk of derivative transactions.

(B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of April 30, 2020 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).

	Carrying value	Estimated fair value	Difference
	In thousands of yen		
(1) Cash and deposits	¥ 14,699,777	¥ 14,699,777	¥ -
(2) Cash and deposits in trust	11,470,987	11,470,987	-
Subtotal	26,170,764	26,170,764	-
(1) Short-term loans payable	9,500,000	9,500,000	-
(2) Current portion of investment corporation bonds	-	-	-
(3) Current portion of long-term loans payable	22,300,000	22,345,163	45,163
(4) Investment corporation bonds	10,000,000	10,033,200	33,200
(5) Long-term loans payable	150,250,000	152,628,904	2,378,904
Subtotal	¥ 192,050,000	¥ 194,507,267	¥ 2,457,267
Derivative transactions(*)	(332,017)	(332,017)	-

(*)The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parentheses representing the 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 deposits and (2) Cash and deposits in trust

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

Liabilities

(1) Short-term loans payable

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

(2) Current portion of investment corporation bonds and (4) Investment corporation bonds

The fair value of investment corporation bonds is based on quoted market prices. The fair value of those for which no market price is available is based on the quoted price obtained from counterparty financial institutions, etc.

(3) Current portion of long-term loans payable and (5) Long-term loans payable

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

Derivative Transactions

Please refer to Note 17 "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	¥ 1,127,724

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 deposits	¥ 14,699,777
Cash and deposits in trust	11,470,987
Total	¥ 26,170,764

*4 Redemption schedule for loans payable and investment corporation bonds

	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
In thousands of yen						
Short-term loans payable	¥ 9,500,000	¥ –	¥ –	¥ –	¥ –	¥ –
Investment corporation bonds	–	–	1,000,000	2,000,000	4,000,000	3,000,000
Long-term loans payable	22,300,000	21,700,000	11,950,000	12,200,000	16,050,000	88,350,000
Total	¥ 31,800,000	¥ 21,700,000	¥ 12,950,000	¥ 14,200,000	¥ 20,050,000	¥ 91,350,000

Twenty-ninth fiscal period (From May 1, 2019 to October 31, 2019)

(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 investment corporation 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.

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 9 years and 5 months 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 transactions) in order to reduce such risk.

Interest-rate swap transactions are used as derivative financial instruments. Utilizing interest-rate swap transactions, the Investment Corporation fixes its interest expense for long-term loans payable 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(L) “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 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. Moreover, the contract amounts, etc. of derivative transactions in “(B) Estimated Fair Value of Financial Instruments” do not indicate the market risk of derivative transactions.

(B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of October 31, 2019 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).

	Carrying value	Estimated fair value	Difference
In thousands of yen			
(1) Cash and deposits	¥ 14,019,313	¥ 14,019,313	¥ -
(2) Cash and deposits in trust	11,366,312	11,366,312	-
Subtotal	25,385,625	25,385,625	-
(1) Short-term loans payable	2,200,000	2,200,000	-
(2) Current portion of investment corporation bonds	-	-	-
(3) Current portion of long-term loans payable	21,600,000	21,661,969	61,969
(4) Investment corporation bonds	8,000,000	8,099,900	99,900
(5) Long-term loans payable	153,250,000	156,160,213	2,910,213
Subtotal	¥ 185,050,000	¥ 188,122,082	¥ 3,072,082
Derivative transactions(*)	(314,241)	(314,241)	-

(*)The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parentheses representing the 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 deposits and (2) Cash and deposits in trust

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

Liabilities

(1) Short-term loans payable

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

(2) Current portion of investment corporation bonds and (4) Investment corporation bonds

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

(3) Current portion of long-term loans payable and (5) Long-term loans payable

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

Derivative Transactions

Please refer to Note 17 "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	¥ 1,131,953
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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 deposits	¥ 14,019,313
Cash and deposits in trust	11,366,312
Total	¥ 25,385,625

*4 Redemption schedule for loans payable and investment corporation bonds

	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
In thousands of yen						
Short-term loans payable	¥ 2,200,000	¥ –	¥ –	¥ –	¥ –	¥ –
Investment corporation bonds	–	–	1,000,000	–	4,000,000	3,000,000
Long-term loans payable	21,600,000	21,300,000	18,050,000	11,300,000	11,700,000	90,900,000
Total	¥ 23,800,000	¥ 21,300,000	¥ 19,050,000	¥ 11,300,000	¥ 15,700,000	¥ 93,900,000

17. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap contracts as of April 30, 2020:

(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		
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 43,650,000	¥ 42,650,000	¥ (332,017)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	74,050,000	55,950,000	*	
Total			¥ 117,700,000	¥ 98,600,000	¥ (332,017)	

(*)Interest-rate swaps 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 loans payable.

The following summarizes the contracted amount and the fair value of interest-rate swap contracts as of October 31, 2019:

(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		
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 37,150,000	¥ 36,150,000	¥ (314,241)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	82,550,000	65,450,000	*	
Total			¥ 119,700,000	¥ 101,600,000	¥ (314,241)	

(*)Interest-rate swaps 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 loans payable.

18. INVESTMENT AND RENTAL PROPERTIES

Thirtieth fiscal period (From November 1, 2019 to April 30, 2020)

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, 2019	Net change	As of April 30, 2020	As of April 30, 2020 (In thousands of yen)
¥ 411,259,731	¥ 7,409,572	¥ 418,669,303	¥ 506,912,000

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

*2: Fair value at the end of the fiscal period is the appraisal 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 increase/decrease factors were the acquisition of two properties totaling ¥8,394,455 thousand and depreciation amounting to ¥2,470,270 thousand.

Income and loss in the fiscal period ended April 30, 2020 for real estate for rental purposes is listed in Note 14 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY."

Twenty-ninth fiscal period (From May 1, 2019 to October 31, 2019)

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, 2019	Net change	As of October 31, 2019	As of October 31, 2019 (In thousands of yen)
¥ 403,212,700	¥ 8,047,031	¥ 411,259,731	¥ 496,331,000

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

*2: Fair value at the end of the fiscal period is the appraisal 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 increase/decrease factors were the acquisition of one property totaling ¥9,042,398 thousand and depreciation amounting to ¥2,419,923 thousand.

Income and loss in the fiscal period ended October 31, 2019 for real estate for rental purposes is listed in Note 14 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY."

19. SEGMENT AND RELATED INFORMATION

Thirtieth fiscal period (From November 1, 2019 to April 30, 2020)

(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 revenues on the statement of income and retained earnings.

(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 revenues on the statement of income and retained earnings.

(b) Property, plant and equipment

Disclosure is omitted because the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant 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 revenues on the statement of income and retained earnings.

Twenty-ninth fiscal period (From May 1, 2019 to October 31, 2019)

(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 revenues on the statement of income and retained earnings.

(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 revenues on the statement of income and retained earnings.

(b) Property, plant and equipment

Disclosure is omitted because the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant 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 revenues on the statement of income and retained earnings.

20. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

21. DISTRIBUTIONS

	Thirtieth fiscal period (From November 1, 2019 to April 30, 2020)	Twenty-ninth fiscal period (From May 1, 2019 to October 31, 2019)
	(Yen)	(Yen)
I. Retained earnings at the end of period	¥6,175,926,413	¥5,844,500,609
II. Total distributions	¥6,175,686,120	¥5,844,447,890
Distributions per unit	¥14,412	¥13,639
III. Retained earnings brought forward to the next period	¥240,293	¥52,719
Method of calculating distribution amount	<p>In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation has decided to distribute ¥6,175,686,120, the maximum integral multiple amount of investment units issued and outstanding of 428,510 units, up to the amount of unappropriated retained earnings for the fiscal period under review.</p> <p>In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.</p>	<p>In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation has decided to distribute ¥5,844,447,890, the maximum integral multiple amount of investment units issued and outstanding of 428,510 units, up to the amount of unappropriated retained earnings for the fiscal period under review.</p> <p>In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.</p>

Independent Auditor's Report

The Board of Directors
Kenedix Office Investment Corporation

Opinion

We have audited the accompanying financial statements of Kenedix Office Investment Corporation (the Company), which comprise the balance sheet as at April 30, 2020, and the statement of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2020, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Supervisory Director 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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Supervisory Director is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 30, 2020

向井 誠 

Makoto Mukai
Designated Engagement Partner
Certified Public Accountant

吉田 雅彦 

Masahiko Yoshida
Designated Engagement Partner
Certified Public Accountant