FINANCIAL STATEMENTS

10th Fiscal Period

From November 1, 2009 to April 30, 2010

- Report of Independent Auditors
- Balance Sheets
- Statements of Income and Retained Earnings
- Statements of Changes of Unitholders' Equity
- Notes to Financial Statements

Statements of Cash Flows and Related Notes (Unaudited)

Report of Independent Auditors

The Board of Directors of
Kenedix Realty Investment Corporation

We have audited the accompanying balance sheets of Kenedix Realty Investment Corporation as of April 30, 2010 and October 31, 2009, and the related statements of income and retained earnings and changes in unitholders' equity for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Realty Investment Corporation at April 30, 2010 and October 31, 2009, and the results of its operations for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

June 10, 2010

Kenedix Realty Investment Corporation

BALANCE SHEETS

AS OF APRIL 30, 2010 AND OCTOBER 31, 2009

	In thousands of yen			
	As of April 30, 2010		As of October 31, 2009	
ASSETS				
Current assets:				
Cash and bank deposits	¥	13,297,791	¥	12,870,430
Rental receivables		151,363		184,068
Consumption tax refundable		48,308		136,065
Other current assets		83,141		99,296
Total current assets		13,580,603		13,289,859
Property and equipment, at cost:				
Land		164,462,798		152,327,017
Buildings and structures		80,958,715		76,930,254
Machinery and equipment		1,264,468		1,228,084
Tools, furniture and fixtures		340,770		327,711
Less-accumulated depreciation		(10,108,997)		(8,650,220)
Net property and equipment		236,917,754		222,162,846
Other assets:				
Ground leasehold		285,350		285,350
Organization costs		—		5,090
Corporate bond issuance costs		33,865		39,647
Unit issuance costs		41,893		23,684
Other assets		707,019		513,945
Total assets	**¥**	**251,566,484**	**¥**	**236,320,421**

LIABILITIES AND UNITHOLDERS' EQUITY				
Liabilities				
Current liabilities:				
Trade and other payables	¥	549,294	¥	469,905
Short-term debt		37,050,000		24,500,000
Deposits received		17,054		15,105
Rents received in advance		1,245,403		1,133,738
Other current liabilities		179,264		171,408
Total current liabilities		39,041,015		26,290,156
Corporate bonds		12,000,000		12,000,000
Long-term debt		53,918,500		60,720,000
Leasehold and security deposits received		10,917,330		10,228,542
Other liabilities		—		14,554
Total liabilities	¥	115,876,845	¥	109,253,252
Unitholders' equity				
Unitholders' capital	¥	133,129,755	¥	124,973,750
Units authorized: 2,000,000 units				
Units issued and outstanding: 233,550 units				
As of April 30, 2010 and October 31, 2009, respectively				
Retained earnings		2,567,480		2,102,249
Unrealized gain from deferred hedge transactions		(7,596)		(8,830)
Total unitholders' equity		135,689,639		127,067,169
Total liabilities and unitholders' equity	**¥**	**251,566,484**	**¥**	**236,320,421**

See accompanying notes to the financial statements.

STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE PERIOD FROM MAY 1, 2009 TO OCTOBER 31, 2009 AND THE PERIOD FROM NOVEMBER 1, 2009 TO APRIL 30, 2010

	In thousands of yen			
	From November 1, 2009 to April 30, 2010		From May 1, 2009 to October 31, 2009	
Operating revenues:				
Rental revenues	¥	8,067,448	¥	7,921,862
Total operating revenues		8,067,448		7,921,862
Operating expenses:				
Property-related expenses		3,714,418		3,652,105
Loss on sale of real estate		—		440,771
Asset management fees		433,915		423,183
Administrative service and custodian fees		77,229		76,727
Other operating expenses		103,530		115,723
Total operating expenses		4,329,092		4,708,509
Operating income	**¥**	**3,738,356**	**¥**	**3,213,353**
Non-operating expenses:				
Interest expense	¥	932,081	¥	907,825
Financing-related expenses		210,091		147,899
Amortization of organization costs		5,090		5,090
Amortization of unit issuance costs		32,063		23,684
Amortization of corporate bond issuance costs		5,782		5,878
Others, net		(15,122)		19,729
Income before income taxes		2,568,371		2,103,248
Income taxes		940		1,057
Net income		2,567,431		2,102,191
Retained earnings at the beginning of period		49		58
Retained earnings at the end of period	**¥**	**2,567,480**	**¥**	**2,102,249**

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE PERIOD FROM MAY 1, 2009 TO OCTOBER 31, 2009 AND THE PERIOD FROM NOVEMBER 1, 2009 TO APRIL 30, 2010

In thousands of yen

	Unitholders' Equity			
	Unitholders' capital	Retained earnings	Unrealized gain from deferred hedge transactions	Total
Balance as of April 30, 2009	**¥ 124,973,750**	**¥ 2,434,458**	**¥ (10,110)**	**¥ 127,398,098**
Changes during the fiscal period				
New unit issuance	—	—	—	—
Payment of dividends	—	(2,434,400)	—	(2,434,400)
Net income	—	2,102,191	—	2,102,191
Interest-rate swap	—	—	1,280	1,280
Total changes during the fiscal period	—	(332,209)	1,280	(330,929)
Balance as of October 31, 2009	**¥ 124,973,750**	**¥ 2,102,249**	**¥ (8,830)**	**¥ 127,067,169**
Changes during the fiscal period				
New unit issuance	8,156,005	—	—	8,156,005
Payment of dividends	—	(2,102,200)	—	(2,102,200)
Net income	—	2,567,431	—	2,567,431
Interest-rate swap	—	—	1,234	1,234
Total changes during the fiscal period	8,156,005	465,231	1,234	8,622,470
Balance as of April 30, 2010	**¥ 133,129,755**	**¥ 2,567,480**	**¥ (7,596)**	**¥ 135,689,639**

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD FROM MAY 1, 2009 TO OCTOBER 31, 2009 AND THE PERIOD FROM NOVEMBER 1, 2009 TO APRIL 30, 2010

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Kenedix Realty Investment Corporation ("the Investment Corporation") was established on May 6, 2005 under the Law concerning Investment Trusts and Investment Corporations of Japan ("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 public offerings including two global offerings. The Investment Corporation also undertook an additional issue of 33,550 investment units through a public offering in Japan on November 16, 2009. Consequently, as of April 30, 2010, the end of the tenth fiscal period, the number of investment units issued and outstanding totaled 233,550 units.

The Investment Corporation is externally managed by Kenedix REIT Management, Inc. ("the Asset Management Company") as its asset management company. 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. The Investment Corporation endeavors to develop a diversified investment portfolio named "KENEDIX Selection," adopting a three-point investment criteria based on property type, area and size.

During the period ended April 30, 2010, the Investment Corporation also undertook an additional issue of 33,550 investment units through a public offering in Japan on November 16, 2009, and undertook long-term borrowings of ¥7,000 million. The Investment Corporation acquired five office buildings (total acquisition price of ¥15,610 million) in the Tokyo Metropolitan Area. As of April 30, 2010, the Investment Corporation had total unitholders' capital of ¥133,130 million with 233,550 investment units outstanding. The Investment Corporation owned a portfolio of 70 properties with a total acquisition price of ¥235,769 million containing a total leasable area of 271,260.81m^2. The occupancy ratio was 94.4%. The portfolio of 70 properties consists of 63 office buildings, 5 residential properties and 2 central urban retail properties. 60 properties are located in the Tokyo Metropolitan Area and 10 properties are located in Other Regional Areas.

BASIS OF PRESENTATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) 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, 2009 to April 30, 2010	From May 1, 2009 to October 31, 2009
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

(B) ORGANIZATION COSTS

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

(C) UNIT ISSUANCE COSTS

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

Underwriters' commissions in connection with the issuance of unitholders' equity are offset against proceeds raised since the "Spread Method" was used for the unit issuance. Under the Spread Method, securities underwriters underwrite the units at the issue price and offer them to investors at the offer price, which is different from the issue price. The difference between the offer price and the issue price represents the underwriting commission received by the securities underwriters, eliminating the need for the issuer to pay underwriting commissions. If securities underwriters had underwritten the units at the issue price and offered the units to investors at an offer price equal to the issue price (known as the "Conventional Method"), a commission would have been incurred and it would have been expensed as new unit issuance costs. Therefore, the Spread Method understated unit issuance costs by ¥254,421 thousand on the balance sheet and decreased amortization of unit issuance costs by ¥50,884 thousand and increased income before income taxes on the income statement by the same amount compared to the Conventional Method for the period from November 1, 2009 through April 30, 2010.

(D) CORPORATE BOND ISSUANCE COSTS

Corporate bond issuance costs are amortized over a loan 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 within trust are recorded in the relevant balance sheet and income statement accounts.

(F) REVENUE RECOGNITION

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

(G) TAXES ON PROPERTY AND EQUIPMENT

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. Under the Japanese tax rule, the seller of the property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued property-related tax liabilities.

When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period in which the installments of such taxes are paid to the relevant tax authorities.

(H) 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.

(I) DERIVATIVE FINANCIAL INSTRUMENTS

The Investment Corporation utilizes interest-rate swap agreements as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. The Investment Corporation deferred recognition of gains or losses resulting from changes in fair value of interest-rate swap agreements because its interest-rate swap agreements met the criteria for deferral hedging accounting. However, the Investment Corporation adopted special treatment for interest-swap agreements if its interest-rate swap agreement met the criteria for hedging accounting under this treatment whereby the net amount to be paid or received under the interest-rate swap agreement is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(J) 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. SCHEDULE OF PROPERTY

	In millions of yen					
	As of April 30, 2010			As of October 31, 2009		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥ 164,463	—	¥ 164,463	¥ 152,327	—	¥ 152,327
Buildings and structures	80,959	¥ 9,573	71,386	76,930	¥ 8,191	68,739
Machinery and equipment	1,264	399	865	1,228	341	887
Tools, furniture and fixtures	341	137	204	328	118	210
Total	**¥ 247,027**	**¥ 10,109**	**¥ 236,918**	**¥ 230,813**	**¥ 8,650**	**¥ 222,163**

4. SHORT-TERM AND LONG-TERM DEBT

The following summarizes short-term and long-term debt outstanding as of April 30, 2010:

Classification	Drawdown date	Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	October 26, 2009	October 26, 2010	1.79%	¥ 1,500
	October 30, 2009	October 29, 2010	1.80%	3,500
	January 29, 2010	January 31, 2011	1.36%	1,300
	February 26, 2010	February 28, 2011	1.65%	500
	April 30, 2010	April 28, 2011	1.40%	2,000
Current portion of long-term debt	August 1, 2005	July 30 ,2010	1.29%	9,500
	October 31, 2008	October 29, 2010	1.57%	500
	July 31, 2008	January 31, 2011	1.87%	3,500
	February 29, 2008	February 28, 2011	1.37%	2,000
	June 30, 2008	February 28, 2011	1.99%	1,000
	September 22, 2008	March 22, 2011	1.71%	1,250
	July 15, 2008	March 31, 2011	1.87%	2,000
	September 30, 2008	March 31, 2011	1.82%	2,000
	April 17, 2007	April 18, 2011	1.65%	1,500
	May 1, 2006	April 28, 2011	2.20%	2,500
	April 30, 2009	April 28, 2011	2.23%	1,500
	April 30, 2009	April 28, 2011	2.23%	1,000
Subtotal				**¥ 37,050**
Long-term debt	May 1, 2006	April 28, 2016	2.73%	¥ 5,000
	July 14, 2006	July 13, 2011	2.15%	1,000
	September 1, 2006	August 30, 2013	2.12%	3,000
	December 1, 2006	November 30, 2011	1.96%	2,500
	April 2, 2007	April 2, 2012	1.88%	2,000
	January 10, 2008	January 10, 2012	1.50%	2,500
	February 29, 2008	August 31, 2011	1.43%	1,500
	March 31, 2008	September 30, 2011	1.61%	3,000
	March 31, 2008	September 30, 2011	1.56%	2,000
	May 1, 2008	November 1, 2011	1.91%	1,000
	June 30, 2008	June 29, 2012	2.15%	1,500
	June 30, 2008	December 28, 2012	2.26%	3,000
	July 31, 2008	July 29, 2011	1.99%	3,500
	September 1, 2008	September 1, 2011	1.78%	1,000
	February 27, 2009	February 29, 2012	2.07%	480
	February 27, 2009	August 31, 2012	2.04%	960
	April 30, 2009	October 31, 2011	2.40%	3,500
	April 30, 2009	April 27, 2012	2.40%	2,000
	October 26, 2009	October 28, 2013	2.42%	980
	October 30, 2009	October 30, 2013	2.45%	1,960
	December 8, 2009	December 10, 2012	1.67%	500
	January 13, 2010	January 15, 2013	1.90%	1,000
	January 29, 2010	January 30, 2015	2.17%	1,176
	February 18, 2010	February 18, 2013	1.90%	1,500
	February 18, 2010	February 18, 2015	2.19%	5,363
	April 2, 2010	April 2, 2015	2.22%	2,000
Subtotal				**¥ 53,919**
Corporate bonds	March 15, 2007	March 15, 2012	1.74%	9,000
	March 15, 2007	March 15, 2017	2.37%	3,000
Subtotal				**¥ 12,000**
Total				**¥ 102,969**

5. LINE OF CREDIT

The Investment Corporation has established a credit commitment line with a lender. The borrowing under the commitment line agreement is ¥2 billion. The Investment Corporation had an outstanding balance of ¥2 billion as of April 30, 2010.

The commitment period of the commitment line agreement concluded with The Bank of Tokyo-Mitsubishi UFJ, Ltd. has already expired. Furthermore, the expiration date of the commitment line agreement is March 31, 2011, set in the memorandum of understanding executed on September 26, 2008. However, since the commitment period has already expired, the Investment Corporation can not undertake new borrowings.

6. ASSETS PLEDGED AS COLLATERAL AND SECURED LOANS PAYABLE

(As of April 30, 2010)

Assets pledged as collateral	In thousands of yen
Cash and bank deposits	¥ 5,213,604
Land	117,509,969
Buildings and structures	51,514,053
Machinery and equipment	544,088
Tools, furniture and fixtures	121,981
Other assets	1,146
Total	**¥ 174,904,841**
Secured loans payable:	
Short-term loans debt	¥ 37,050,000
Long-term loans debt	53,918,500
Total	**¥ 90,968,500**

7. PER UNIT INFORMATION

The net asset value per unit as of April 30, 2010 and October 31, 2009 was ¥580,987 and ¥635,335. Net income per unit as of April 30, 2010 and October 31, 2009 was ¥11,125 and ¥10,510.

The weighted average number of units outstanding of 230,770 and 200,000 were used for the computation of the amount of net income per unit as of April 30, 2010 and October 31, 2009.

8. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 40%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measure Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement 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. Since the Investment Corporation distributed approximately 100% of its distributable income in the form of cash distributions totaling ¥2,567 million and ¥2,102 million for the periods ended April 30, 2010 and October 31, 2009, such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.04% and 0.05% for the periods ended April 30, 2010 and October 31, 2009. The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	From November 1, 2009 to April 30, 2010	From May 1, 2009 to October 31, 2009
Statutory tax rate	39.33%	39.33%
Deductible cash distributions	(39.32)	(39.31)
Other	0.03	0.03
Effective tax rate	0.04%	0.05%

9. UNITHOLDERS' EQUITY

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

10. RELATED-PARTY TRANSACTIONS

TRANSACTIONS WITH KENEDIX REIT MANAGEMENT, INC.

Kenedix REIT Management, Inc., a consolidated subsidiary of Kenedix, Inc., provides the Investment Corporation with property management services and related services. For these services, the Investment Corporation pays Kenedix REIT Management, Inc. property management fees in accordance with the terms of its Property Management Agreements. For these services, the Investment Corporation paid ¥305 million to Kenedix REIT Management, Inc.

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

Rental and other operating revenues and property-related expenses for the periods from November 1, 2009 to April 30, 2010 and from May 1, 2009 to October 31, 2009 consist of the following:

	In thousands of yen	
	From November 1, 2009 to April 30, 2010	From May 1, 2009 to October 31, 2009
Rental and other operating revenues:		
Rental revenues	¥ 5,882,594	¥ 5,711,053
Common area charges	1,267,521	1,195,072
Subtotal	7,150,115	6,906,125
Others:		
Parking space rental revenues	243,319	231,982
Utility charge reimbursement	560,259	617,328
Miscellaneous	113,755	166,427
Subtotal	917,333	1,015,737
Total rental and other operating revenues	**¥ 8,067,448**	**¥ 7,921,862**
Property management fees and facility management fees	¥ 801,877	¥ 764,052
Depreciation	1,477,410	1,451,833
Utilities	508,338	529,106
Taxes	648,231	536,723
Insurance	16,759	16,098
Repairs and maintenance	110,725	171,075
Trust fees	41,579	38,192
Loss on retirement of fixed assets	12,537	23,394
Others	96,962	121,632
Total property-related expenses	**¥ 3,714,418**	**¥ 3,652,105**
Loss on sale of real estate		
Revenue from sale of investment properties	—	¥ 1,982,000
Cost of investment properties	—	2,348,605
Other sales expenses	—	74,166
Loss on sale of real estate	**—**	**¥ 440,771**

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, 2010 and October 31, 2009 are as follows:

	In thousands of yen	
	As of April 30, 2010	As of October 31, 2009
Due within one year	¥ 1,285,413	¥ 1,059,032
Due after one year	7,940,847	7,538,786
Total	**¥ 9,226,260**	**¥ 8,597,818**

13. DERIVATIVES AND HEDGE ACCOUNTING

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

The following summarizes the notional principal amounts and the estimated unrealized loss from interest-rate swap contracts as of April 30, 2010: The estimated unrealized loss does not include the interest-rate swap agreements that met the criteria for the special treatment.

(As of April 30, 2010)

Type	Notional amount	Unrealized loss
Interest-rate swap: **Fixed rate payable and floating rate receivable**	¥25,000 million	¥(13 million)

14. PROPERTY INFORMATION

Details of the property portfolio as of April, 2010 were as follows:

Type	Office Buildings		Residential Properties		Central Urban Retail Properties
Location	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area
Number of properties	54	9	4	1	2

Property information (In millions of yen)

Acquisition price	¥ 180,856	¥ 32,215	¥ 8,519	¥ 1,800	¥ 12,380
Percentage of total acquisition costs	76.71%	13.66%	3.61%	0.76%	5.25%
Net book value	182,795	31,785	8,242	1,876	12,506
Appraisal value at year end	170,141	24,624	7,095	1,370	11,670
Percentage of total appraisal value	79.17%	11.46%	3.30%	0.64%	5.43%

Financial results for the period ended April 30, 2010 (In thousands of yen)

Rental and other operating revenues	¥ 6,255,280	¥ 1,099,609	¥ 265,222	¥ 94,106	¥ 353,231
Rental revenues	5,584,307	918,872	238,616	84,036	324,285
Other revenues	670,973	180,737	26,606	10,070	28,946
Property-related expenses	1,606,555	460,603	58,667	34,943	76,240
Property management fees	573,530	171,176	24,965	8,302	23,904
Taxes	469,995	137,117	13,188	8,409	19,521
Utilities	387,172	96,685	2,730	2,117	19,634
Repairs and maintenance	72,598	15,796	9,371	7,043	5,917
Insurance	10,506	4,783	673	469	328
Trust fees and other expenses	92,754	35,046	7,740	8,603	6,936
NOI (Net Operating Income)	4,648,725	639,006	206,555	59,163	276,991
Depreciation expenses	968,514	344,043	76,269	22,781	65,803
Operating income from property leasing activities	3,680,211	294,963	130,286	36,382	211,188
Capital expenditures	214,377	100,716	288	—	15,074
NCF (Net Cash Flow)	4,434,348	538,290	206,267	59,163	261,917

A breakdown of property types as of April 30, 2010 was as follows:

Class of assets	Property type	Area	Balance at the end of period (In millions of yen)	Percentage of total assets
Property and equipment	Office Buildings	Tokyo Metropolitan Area	¥ 182,795	72.7%
		Other Regional Areas	31,785	12.6%
	Subtotal		214,580	85.3%
	Residential Properties	Tokyo Metropolitan Area	8,242	3.3%
		Other Regional Areas	1,876	0.7%
	Subtotal		10,118	4.0%
	Central Urban Retail Properties	Tokyo Metropolitan Area	12,506	5.0%
	Total		**¥ 237,204**	**94.3%**
Bank deposits and other assets			¥ 14,362	5.7%
Total assets			251,566	100.0%
Total liabilities			115,877	46.1%
Net assets			¥ 135,689	53.9%

15. FINANCIAL INSTRUMENTS

Tenth Fiscal Period (November 1, 2009 to April 30, 2010)

Effective the fiscal year ended April 30, 2010, a new accounting standard for financial instruments and related implementation guidance have been adopted.

1. 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

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 seven 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 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 2. (I) 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.

(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.

2. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial instruments on the balance sheets as of April 30, 2010 and estimated fair value are shown in the following table.

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
(1) Cash and bank deposits	¥ 13,297,791	¥ 13,297,791	—
Total assets	**¥ 13,297,791**	**¥ 13,297,791**	—
(1) Short-term debt	8,800,000	8,800,000	—
(2) Corporate bonds	12,000,000	11,415,600	(584,400)
(3) Long-term debt (including current portion of long-term debt)	82,168,500	81,417,950	(750,550)
Total liabilities	**¥ 102,968,500**	**¥ 101,633,550**	**¥ (1,334,950)**

Note 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 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

① Items that are not applied to hedge accounting

Not applicable

② Items that are applied to hedge accounting

Hedge accounting method	**Type of derivative transaction**	Hedged items	Contracted amount (in thousands of yen)	Contracted amount (in thousands of yen): Maturing within 1 year	Fair value (in thousands of yen)	Calculation method for applicable fair value
Accounting method, in principle	**Interest-rate swaps: Receive/ floating and pay/ fixed**	Long-term debt	¥ 1,500,000	—	¥ (12,520)	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 debt	23,500,000	¥ 9,000,000	*	
	Total		**¥ 25,000,000**	**¥ 9,000,000**	**¥ (12,520)**	

*Special treatment of interest-rate swaps is reported at the fair value of applicable long-term debt. This is because such swaps are handled together with hedged long-term debt.

Note 2: Redemption schedule for receivables.

	Due in 1 year or less (In thousands of yen)
Cash and bank deposits	¥ 13,297,791
Total	**¥ 13,297,791**

Note 3: Redemption schedule for debt and corporate bonds.

	In thousands of yen					
	Due in 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	¥ 8,800,000	—	—	—	—	—
Corporate bonds	—	9,000,000	—	—	—	3,000,000
Long-term debt	28,250,000	25,980,000	8,460,000	5,940,000	8,538,500	5,000,000

16. INVESTMENT AND RENTAL PROPERTIES

Tenth Fiscal Period (November 1, 2009 to April 30, 2010)

Effective the fiscal year ended April 30, 2010, a new accounting standard for disclosures regarding the fair value of investment and rental real estate properties and related implementation guidance have been adopted.

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 sheet and corresponding fair value of those properties are as follows:

Carrying value (In thousands of yen)			Fair value As of April 30, 2010 (In thousands of yen)
As of October 31, 2009	Net change	As of April 30, 2010	
¥ 222,449,460	¥ 14,754,790	¥ 237,204,250	¥ 214,900,000

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

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

Note 3: Among net changes during the fiscal period, principal increases were caused by the acquisition of five office buildings totaling ¥15,893,389 thousand, and principal decreases were the retirement of fixed assets at two properties amounting to ¥12,537 thousand.

Income and loss in the fiscal period ended April 30, 2010 for real estate for rental purposes is listed in the note "11. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES AND PROPERTY-RELATED EXPENSES."

STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE PERIOD FROM MAY 1, 2009 TO OCTOBER 31, 2009 AND THE PERIOD FROM NOVEMBER 1, 2009 TO APRIL 30, 2010

	In thousands of yen	
	From November 1, 2009 to April 30, 2010	From May 1, 2009 to October 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 2,568,371	¥ 2,103,248
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	1,672,685	1,613,633
Interest expense	932,081	907,825
Loss on retirement of fixed assets	12,537	23,394
Changes in assets and liabilities:		
Rental receivables	32,705	76,500
Consumption tax refundable	87,756	(136,065)
Accrued consumption tax	(30,679)	(240,048)
Trade and other payables	(4,781)	(136,412)
Rents received in advance	111,665	(39,880)
Property and equipment due to sale	—	2,348,605
Others, net	(331,498)	(192,155)
Subtotal	5,050,842	6,328,645
Cash payments of interest expense	(905,953)	(912,655)
Cash payments of income taxes	(752)	(649)
Net cash provided by operating activities	**4,144,137**	**5,415,341**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(16,241,402)	(4,110,567)
Proceeds from leasehold and security deposits received	1,436,443	613,790
Payments of leasehold and security deposits received	(664,470)	(692,215)
Proceeds from withdrawal of time deposits	1,000,000	—
Payments of restricted bank deposits	(165,814)	(16,919)
Proceeds from restricted bank deposits	66,354	1,034
Others, net	330	—
Net cash used in investing activities	**(14,568,559)**	**(4,204,877)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term debt	3,800,000	5,000,000
Payment of short-term debt	(5,000,000)	(5,000,000)
Proceeds from long-term debt	11,700,000	3,000,000
Payment of long-term debt	(4,751,500)	(4,530,000)
Proceeds from issuance of investment units	8,105,733	—
Payment of dividends	(2,101,910)	(2,434,003)
Net cash (used in) provided by financing activities	**11,752,323**	**(3,964,003)**
Net change in cash and cash equivalents	1,327,901	(2,753,539)
Cash and cash equivalents at the beginning of period	10,957,956	13,711,495
Cash and cash equivalents at the end of period	**¥ 12,285,857**	**¥ 10,957,956**

See related notes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Unaudited)

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.

CASH AND CASH EQUIVALENTS (Unaudited)

Cash and cash equivalents consisted of the following as of April 30, 2010 and October 31, 2009:

	In thousands of yen	
	As of April 30, 2010	As of October 31, 2009
Cash and bank deposits	¥ 13,297,791	¥ 12,870,430
Restricted bank deposits held in trust (Note 1)	(621,934)	(522,474)
More than 3-month fixed deposits (Note 2)	(390,000)	(1,390,000)
Cash and cash equivalents	¥ 12,285,857	¥ 10,957,956

Notes: 1. Restricted bank deposits held in trust are retained for repayment of tenant leasehold and security deposits.
2. More than 3-month fixed deposits are fixed deposits which have deposit terms of more than 3 months.