



KENEDIX
Office Investment Corporation

Semiannual Report
27th Fiscal Period

May 1, 2018–October 31, 2018

Kenedix Office Investment Corporation

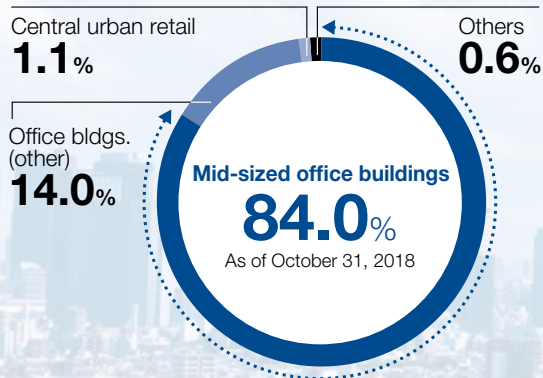
We invest in and manage primarily mid-sized office buildings in the Tokyo metropolitan area to generate stable earnings and sustainably expand assets under management and thereby maximize unitholder profit.

Mid-sized office buildings

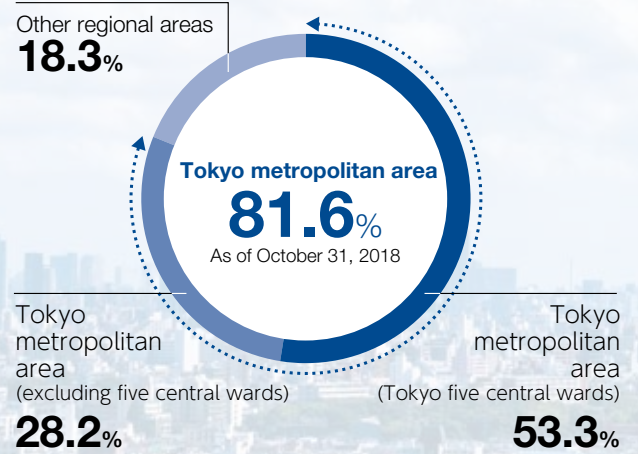
and

Tokyo metropolitan area

Mid-sized office building investment ratio (Note)

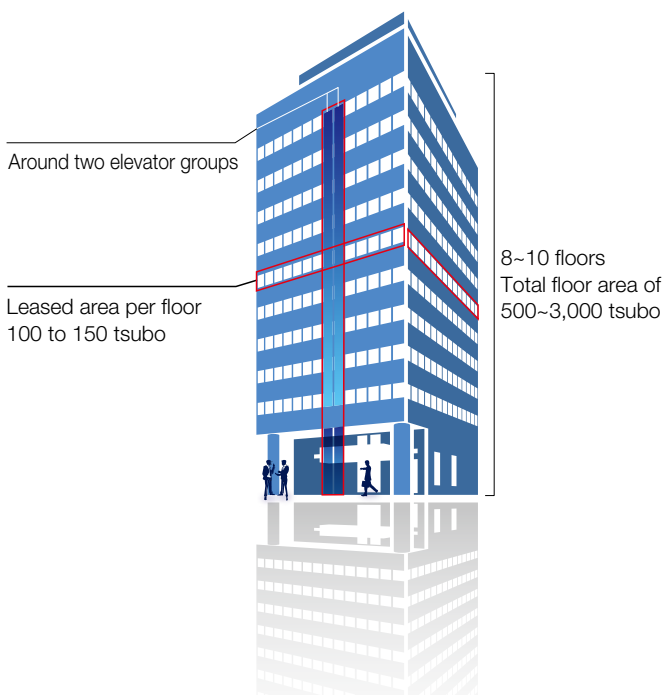


Tokyo metropolitan area investment ratio (Note)



Note: Acquisition price ratios for each category with respect to total acquisition prices, rounded down to the first decimal place.

Image of a typical mid-sized office building



We contribute to sustainable social growth by providing comfortable office environments.

Please see the Sustainability section on page 14 for details on our contribution efforts.

Features and attractions of mid-sized office buildings in the Tokyo metropolitan area

✓ Numerous buildings

Mid-sized office buildings (between 500 and 3,000 tsubo) account for 83.0% of all office buildings in Tokyo central five wards ^(Note) ^(Source 1), and offer more numerous attractive investment opportunities than large-sized ones. The investment efficiency of mid-sized office buildings is greater than from small ones.

✓ High liquidity

Properties valued at between 1 and 10 billion yen account for 61.0% of mid-sized office building sales ^(Source 2), and transactions in properties in this price range are relatively brisk.

✓ Solid tenant base

The prime tenants of mid-sized office buildings are firms with fewer than 30 employees. The figure for the Tokyo Metropolitan is 92.2% ^(Source 3). This makes it relatively easy to secure new tenants when others leave and maintain high occupancy rates.

✓ Positive rental demand climate

Small and mid-sized buildings constructed more than 20 years ago account for 82% of the total on a leased area basis ^(Source 4) in Tokyo's 23 wards. New supply is limited relative to that of large-sized office buildings, and we can make properties competitive by properly managing them, upgrading facilities on an ongoing basis, and undertaking construction to enhance value.

Contents

Characteristics of Kenedix Office Investment Corporation	2	Sustainability	14
27th Fiscal Period (Oct. 2018) Results and Outlook	4	Financial Strategy	15
Message from the Management	6	Financial Section	16
External Growth	10	Unitholders' Information	40
Internal Growth	12	Portfolio	42

Note : Rental office buildings in Tokyo five central wards, representing the ratio of the number of buildings by structural scale covered in CBRE survey (at the end of September 2016).

Source 1: Data from survey the Investment Corporation commissioned to CBRE.

Source 2: Compiled by the Asset Management Company based on "the Number of Office Building Transactions by Transaction Size (fiscal 2008 to 2017)" obtained from "the Real Estate Transactions Study" by Urban Research Institute Corporation, a property thinktank in the Mizuho Financial Group.

Source 3: Compiled by the Asset Management Company based on "the Results of the Tokyo Metropolitan Government's 2014 Economic Census for Business Frame Tokyo (revised results) (published on March 27, 2017)".

Source 4: Compiled by the Asset Management Company based on "Tokyo 23 Wards New Supply of Office Buildings & Office Pyramid 2018", published by Xymax Corporation on December 7, 2017.

Refer to the following definitions for the glossary in this report.

- Tokyo five central wards are Chiyoda, Chuo, Minato, Shinjuku, and Shibuya wards.
- The Tokyo metropolitan area encompasses Tokyo and Kanagawa, Saitama, and Chiba prefectures.
- Regional areas are regional hub cities, including government-designated ones.
- In this document, Kenedix Office Investment Corporation is called "the Investment Corporation" or "KDO", and Kenedix Real Estate Fund Management, Inc. is called "the Asset Management Company".
- The Investment Corporation defines mid-sized office buildings as rental office buildings whose main use under the Building Standards Act is office and whose total floor area of the entire building stated in the certificate of all registered matters ("total floor area") fulfills the following criteria ("mid-sized office building")
 - Tokyo 23 wards
Total floor area 13,000 m² or less
 - Outside Tokyo 23 wards
Total floor area 20,000 m² or less

Actual distributions per unit in the 27th fiscal period (Oct. 2018)

13,458 yen

Change from the previous fiscal period **+3.8%**
 Change from the initial forecast **+2.0%**

27th fiscal period (Oct. 2018) results

External growth

Asset size

420.8 billion yen
 Selective investment through mutual transactions

Gain on sale of real estate in the 27th/28th fiscal periods

1.09 billion yen
 Disposition of Frame Jinnan-zaka and KDX Hamamatsucho Dai-2 Bldg.

Portfolio NOI yield after depreciation

3.6%
 Enhanced profitability by continuous asset reshuffle

Internal growth

Occupancy rate

99.1%
 The occupancy rate remained high with the strong tenant demands

Percentage of count of unit rent growth upon tenant turnover

69.8%
 Steady progress in filling vacancies despite increasing turnover ratio

Upward rent revision (accumulated monthly rent over 5 periods)

33.4 million yen
 Steady rent increase as a result of proactive upward rent negotiations

Financial strategy

Interest-bearing debt average interest rate

1.06%
 Reduced interest cost through refinancing

LTV (interest-bearing debt ratio)

41.9%
 Decreased LTV level through public offering for the first time in three and a half years

Borrowing capacity for acquisition (in the case of LTV 45% limit)

25.0 billion yen
 Securement of flexibility for selective investment



Forecasted distributions per unit in
the 28th fiscal period (Apr. 2019) ^(Note)

13,620 yen

Change from 27th fiscal period (Oct. 2018) **+1.2%**

Note : Forecasted as of December 12, 2018 based on certain assumptions.

Outlook

- Selectively invest by leveraging borrowing capacity for acquisitions
- Enhance portfolio quality by continuing to reshuffle assets
- Respond to office locations changes through work practice reforms and advances in information and communications technologies

- Maintain high occupancy rates and continuously increase rents through tenant turnover
- Decrease rent gaps through proactive upward rent revisions
- Improve property profitability and reduce energy costs through value-upgrading works

- Refinance to continue reducing interest costs
- Explore diversifying financing channels
- Maintain stable financial management, with LTV (interest-bearing debt ratio) of 45% limit



We aim to materialize sustainable growth by building a robust and profitable portfolio.

Jiro Takeda

Director & COO, Head of Office REIT Department,
Kenedix Real Estate Fund Management, Inc.

We made our first domestic public offering in three and a half years and enhanced our portfolio by reshuffling assets through a mutual transaction.

In our 27th fiscal period, the six months ended October 31, 2018, distributions per unit (DPU) were 13,458 yen, which was 2.0% higher than the 13,200 yen that was initially forecasted*. Distribution growth was around 7.7% year on year, with a steady progress in DPU in the 27th fiscal period.

During the period under review, we acquired CROSS PLACE Hamamatsucho through a mutual transaction with a general business corporation in Japan. The acquisition was priced at 20.7 billion yen, compared with an appraised valuation of 22.4 billion yen. This building is in Minato Ward, Tokyo, and has excellent public transport access. As part of the transaction, we sold the KDX Hamamatsucho Dai-2 Building and Frame Jinnan-zaka (quasi co-ownership interest of 49%), realizing 532 million yen gain on sales of these properties. Of that amount, we allocated 192 million yen to dividends and the residual 340 million yen to the reserve for reduction entry. As to date, this reserve is part of an effective policy of delivering stable dividends and sustainable growth.

The transaction was significant to us because it enabled us to lift our investment ratio in office buildings by divesting a non-core asset as well as a relatively small and older asset while securing a relatively new and outstanding property in central Tokyo.

We have maintained high office building occupancy rates because of solid tenant demand, owing partly to expanding business space needs. Rises in occupied space have outstripped increases in vacated space while vacated spaces turned upward.

Unit rent raises are now well entrenched, with revenues increasing steadily from proactive negotiations to increase rents.

The financial strategy has been to continue prudent financial management and maintain long borrowing terms and lower interest costs. In addition, as a result of our public offering in May 2018, we reduced our loan-to-value (LTV) ratio to 41.9%, and raised borrowing capacity for acquisition toward selective investment .

* As of June 15, 2018

We aim to boost unitholder value by pursuing a growth strategy centered on strong internal growth in a favorable investment climate.

On the external growth front, we will push ahead with acquisitions in the current environment of property transactions at high prices while maintaining a balance between scale expansion through selective investments and an improved portfolio.

While acquiring properties is a challenge, the climate remains favorable for selling properties. Our policy is to keep pushing forward to reshuffle assets to improve appraisal profit/loss and profitability and thereby raise portfolio quality.

We will drive internal growth by maintaining high occupancy rates while continuing to increase average unit rents by lifting asking rents upon tenant turnover.

With occupancy rates high, the impact of raising revenues from tenant turnovers will be limited. Nonetheless, there is still scope for focusing on upward rent revisions as market rents rise. We will refer to findings from regular customer satisfaction surveys for tenants in endeavoring to boost such satisfaction in appropriately undertaking construction and operations for them while steadily and acceptably revising rents.

We will keep undertaking construction that effectively increases the competitiveness and profitability of our properties while focusing even more on reducing energy consumption levels and costs from the standpoint of lowering our environmental impact.

On top of that, we expect that current work practice reforms and the evolution of information and communications technologies (ICT) will drive considerable changes in required office building locations and in tenant demand. We believe that it will be important to identify such changes and incorporate them in our acquisition strategies and operational management.

Our financial strategy will encompass continuing to pursue conservative financial management and lower interest costs while exploring ways to diversify our financing sources.

It is with your support and encouragement that we enjoy a favorable portfolio management climate. We will endeavor to further increase unitholder value by driving robust internal and external growth and our financial strategy.



We will undertake investment management that reflects changing office needs and look into ways that we can contribute to a sustainable society.

In the face of grave labor shortages, companies are increasingly seeking to attract more talented people by creating offices that are more comfortable and convenient for workers.

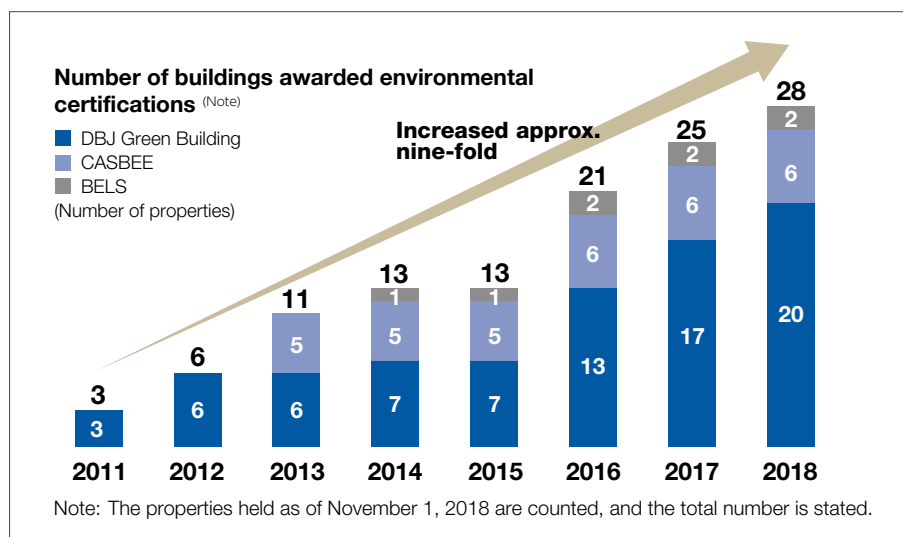
We will constantly strive to cater to such corporate needs through ongoing engagement with tenants and understanding changes in the office layouts and work styles of office workers while providing office spaces that meet corporate needs.

We support the activities of Japan for UNHCR, the official support contact point in Japan on behalf of UNHCR. We provide vacant space at our properties to this organization for the “UN Refugee Assistance Campaign” at no charge and broadcast refugee support videos for free through “digital signage” as part of our social contribution.

We will continue to assist efforts to reach the UN’s Sustainable Development Goals (SDGs) by supporting the initiatives of Japan for UNHCR.

We have stepped up our sustainability efforts by securing certifications and assessments from external organizations. As of November 1, 2018, 28 of our properties have been certified or assessed. We were among the first J-REIT players to take part in the real estate assessment program of GRESB, a world-class benchmark for sustainability performance evaluations. We have acquired the Green Star rating for seven consecutive years in recognition of our excellent efforts on both “management and policy” and “implementation and measurement”.



Environmental, social, and governance (ESG) efforts are top management priorities. We accordingly explore ways to materialize a sustainable society by fulfilling our corporate social responsibilities (CSR), steadily undertaking specific initiatives toward that end.

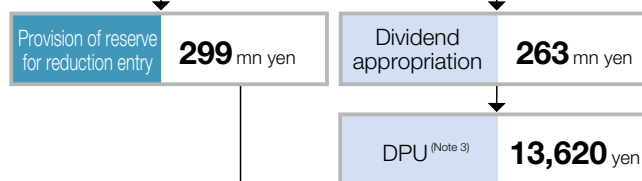
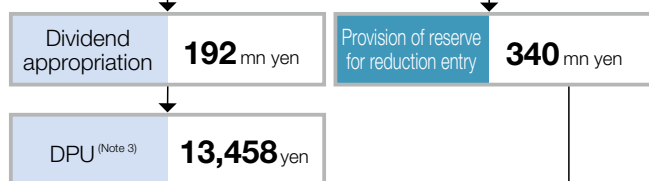




» Asset reshuffle in the 27th fiscal period (Oct. 2018)

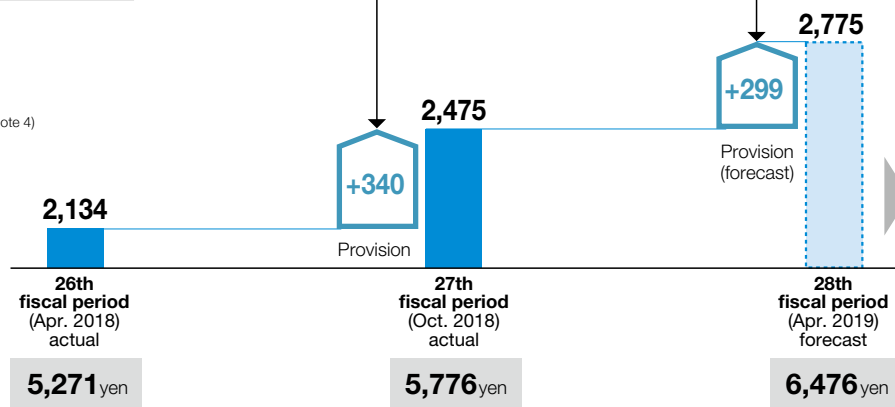
Booked gain on sale of property for the second consecutive fiscal periods as a result of transactions with domestic general business groups, contributing to increases in distributions and reserve for reduction entry.

Acquisition		Disposition																					
CROSS PLACE Hamamatsucho		KDX Hamamatsucho Dai-2 Building	Frame Jinnan-zaka																				
	<table border="1"> <tr><td>Acquisition price</td><td>20,700 mn yen</td></tr> <tr><td>Appraisal value</td><td>22,400 mn yen (as of October 31, 2018)</td></tr> <tr><td>NOI yield after depreciation (actual) (Note 1)</td><td>3.4%</td></tr> <tr><td>Completion date</td><td>February, 2015</td></tr> <tr><td>Acquisition date</td><td>July 2, 2018</td></tr> </table>	Acquisition price	20,700 mn yen	Appraisal value	22,400 mn yen (as of October 31, 2018)	NOI yield after depreciation (actual) (Note 1)	3.4%	Completion date	February, 2015	Acquisition date	July 2, 2018		<table border="1"> <tr><td>Total of disposition price</td><td>12,500 mn yen</td></tr> <tr><td>Total of appraisal value</td><td>13,300 mn yen (as of April 30, 2018)</td></tr> <tr><td>NOI yield after depreciation (actual) (Note 1)</td><td>3.0%</td></tr> <tr><td>Completion date</td><td>April, 1992 KDX Hamamatsucho Dai-2 Building March, 2005 Frame Jinnan-zaka</td></tr> <tr><td>Disposition date</td><td>July 2, 2018 KDX Hamamatsucho Dai-2 Building Frame Jinnan-zaka (quasi co-ownership interest: 49.0%) November 1, 2018 Frame Jinnan-zaka (quasi co-ownership interest: 51.0%)</td></tr> </table>	Total of disposition price	12,500 mn yen	Total of appraisal value	13,300 mn yen (as of April 30, 2018)	NOI yield after depreciation (actual) (Note 1)	3.0%	Completion date	April, 1992 KDX Hamamatsucho Dai-2 Building March, 2005 Frame Jinnan-zaka	Disposition date	July 2, 2018 KDX Hamamatsucho Dai-2 Building Frame Jinnan-zaka (quasi co-ownership interest: 49.0%) November 1, 2018 Frame Jinnan-zaka (quasi co-ownership interest: 51.0%)
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Total reserve for reduction entry (Note 4)
(mn yen)

Reserve for reduction entry per unit (Note 3)



Utilization policy for reserve for reduction entry

- Response to one-time decrease in revenue and incurrence of costs
- Response to one-time decline in dividend resulted from investment for future growth
- Response to dilution of dividend due to a public offering during the fiscal period

Note 1: NOI yield after depreciation (actual): Calculated by dividing actual NOI after depreciation (actual NOI – depreciation expenses) by acquisition price.

Note 2: Forecasts for the 28th fiscal period (Apr. 2019) are estimated amounts as of December 12, 2018, based on certain conditions.

Note 3: Figures per unit are calculated based on the number of investment units issued and outstanding as of the end of each fiscal period.

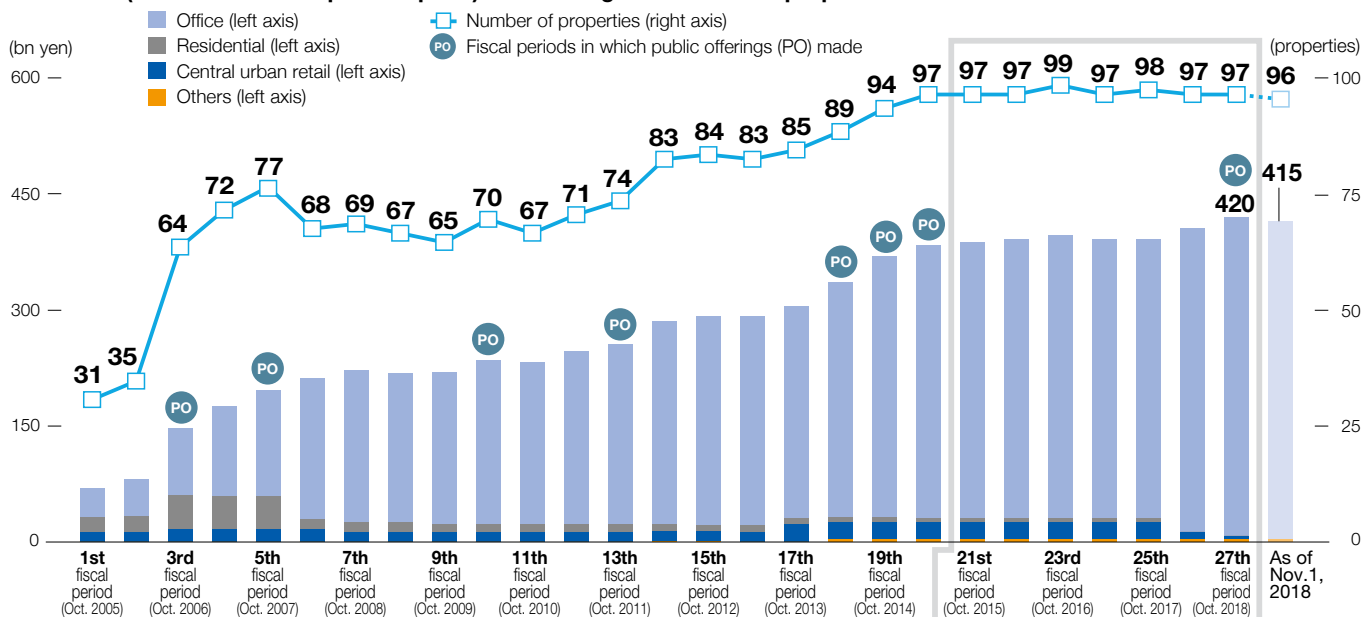
Note 4: The balance of reserve for reduction entry is calculated by adding provision of reserve for reduction entry stated on Basis for Calculating Cash Distribution for the relevant fiscal period to the balance of reserve for reduction entry on the balance sheet as of the end of the relevant fiscal periods.



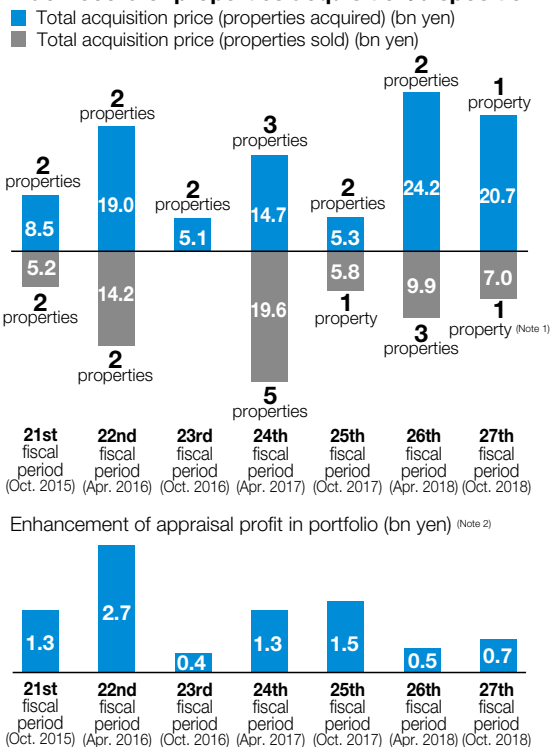
» Asset reshuffles since the 21st fiscal period (Oct. 2015) and impacts

We have focused on strategically reshuffling assets since the 21st fiscal period through selective investments, increasing appraisal profit in the portfolio and enhancing profitability.

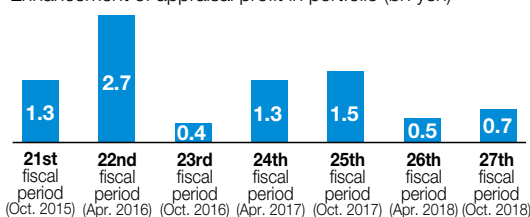
Asset size (based on total acquisition price) since listing and number of properties owned



Trackrecord of properties acquisition/disposition



Enhancement of appraisal profit in portfolio (bn yen)



Effects of asset reshuffle from 21st to 27th fiscal periods

	End of 20th fiscal period (Apr. 2015)	21st fiscal period (Oct. 2015)~27th fiscal period (Oct. 2018)		End of 27th fiscal period (Oct. 2018)	Portfolio growth
		Acquisition	Disposition		
Number of properties, AUM (Note 1)	97 properties 385.0 bn yen	14 properties 97.7 bn yen	14 properties 61.9 bn yen	97 properties 420.8 bn yen	— +35.7 bn yen
Portfolio NOI yield (Note 3)	4.5%	4.0%	3.9%	4.8%	+0.3%
Portfolio NOI yield after depreciation (Note 3)	3.3%	3.3%	3.0%	3.6%	+0.3%
Reserve for reduction entry (Note 4)	1.1 bn yen	—	+1.3 bn yen	2.4 bn yen	+1.3 bn yen

Note 1: Frame Jinnan-zaka is not included in the number of properties sold in the 27th fiscal period as the Investment Corporation holds 51.0% of the quasi co-ownership interest as of the end of the 27th fiscal period. Total acquisition price of properties sold in the 27th fiscal period (Oct. 2018) and total acquisition price are calculated including the amount equivalent to quasi co-ownership interest of 49.0%.

Note 2: For the properties acquired, appraisal profit is the difference between the appraisal value as of the end of the 27th fiscal period (Oct. 2018) and the acquisition price. Enhancement of appraisal profit/loss in portfolio is calculated for each fiscal year in which acquisitions or dispositions are implemented by, if the difference between the appraisal value at disposition and the book value at disposition is positive, subtracting the difference from the appraisal profit, and if the difference is negative, the sum of the amount.

Note 3: Portfolio NOI yield and Portfolio NOI yield after depreciation as of the end of the 20th fiscal period (Apr. 2015) and the 27th fiscal period (Oct. 2018) are calculated based on actual results for the relevant fiscal period. NOI yield and NOI yield after depreciation of the properties acquired from the 21st fiscal period (Oct. 2015) through the 27th fiscal period (Oct. 2018) are calculated in accordance with the above calculation method based on actual results of the relevant property for the 27th fiscal period (Oct. 2018). Each yield of the properties sold is calculated by dividing the sum of actual NOI and NOI after depreciation for two previous fiscal periods from the fiscal period including disposition date by the sum of acquisition price, including disposition of 49.0% of quasi co-ownership interest in Frame Jinnan-zaka.

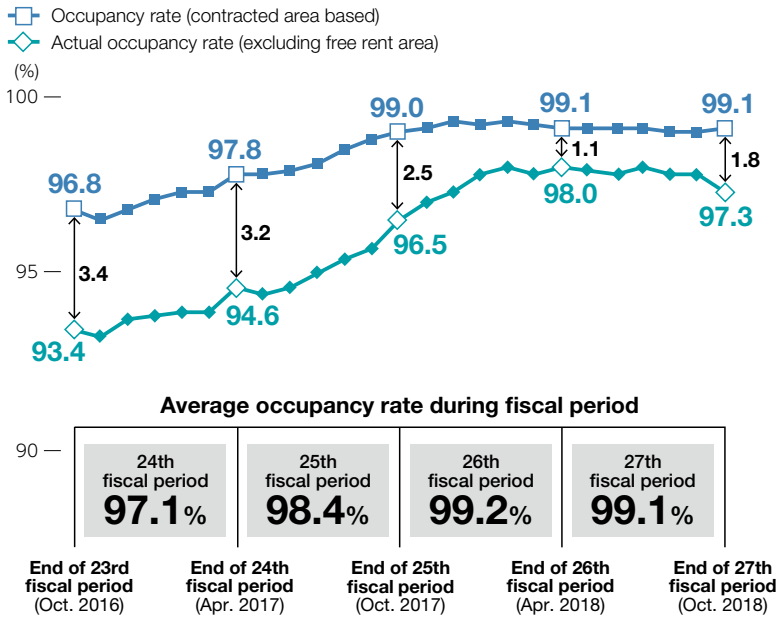
Note 4: The balance of reserve for reduction entry is calculated by either adding provision of reserve for reduction entry or subtracting reversal of reserve for reduction entry stated on Basis for Calculating Cash Distribution for the relevant fiscal period to/from the balance of reserve for reduction entry on the balance sheet as of the end of the relevant fiscal period.



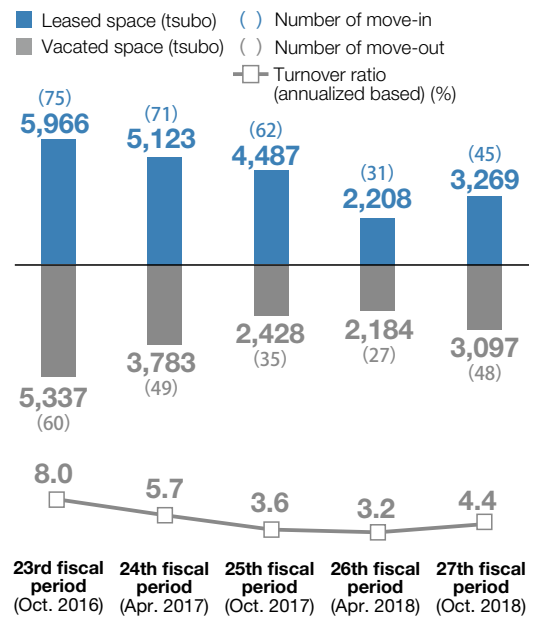
Office building occupancy rates, leased and vacated space and number of cases and turnover ratio

Occupancy rates have remained high against a backdrop of strong tenant demand. We consider this an opportunity to raise the unit rent and solicit new tenants.

Occupancy rate performance of office buildings (Note 1)



Leased and vacated space and number of cases and turnover ratio (Note 2) (Note 3)



Note 1: Occupancy rate (contracted area based) is calculated by dividing contract based leased area by leasable area, and actual occupancy rate (excluding free rent area) is calculated by subtracting free rent area from leased area then dividing that area by leasable area. The figures are rounded to the first decimal place. Average occupancy rate of office buildings during each fiscal period is a simple average of month-end occupancy rates of owned office buildings during each period.

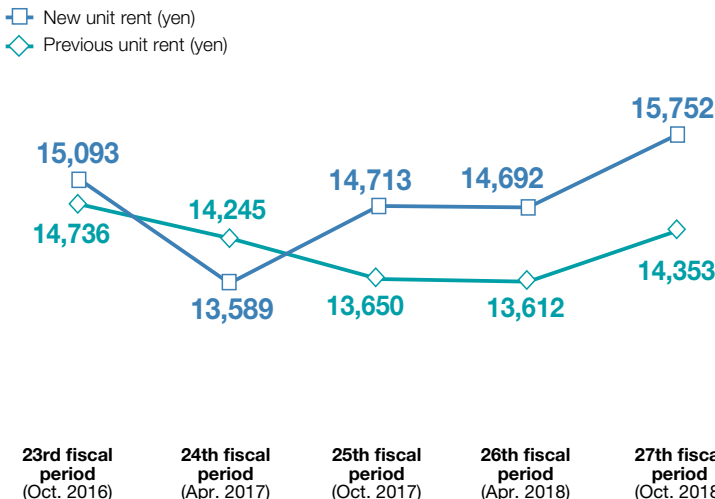
Note 2: The number of move-in / out and leased area are calculated based on floor. In cases that an end-tenant move-out from/move-in to multiple floors, the number is counted by floor.

Note 3: Turnover ratio is calculated and annualized as follows: (Total leased area of the end-tenants who cancelled their lease agreements during the six-month period from the beginning to the end of each period) / (Average leasable area of all office buildings owned by KDO as of each month-end during the relevant period) x 2. Figures are rounded to the first decimal place.

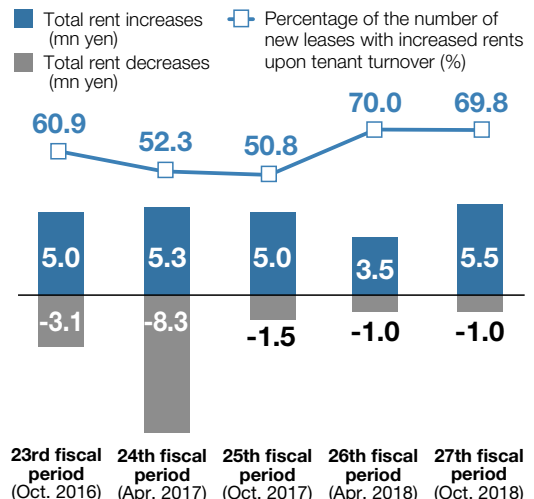
Rent trends upon tenant turnover (office buildings)

Unit rent conditions have surpassed previous levels in a robust rental market. Monthly rents continue to rise upon tenant turnover.

Change in unit rent upon tenant turnover (Note 1)



Increase/decrease in monthly rent upon tenant turnover (Note 2)



Note 1: New unit rent is an average unit rent calculated based on aggregated rents and areas for the spaces where rents paid by new tenants and by previous tenants can be compared for each fiscal period of "Turnover by leased area and the number of tenants". Previous unit rent is an average unit price calculated based on aggregated previous rent units and areas for the spaces where new rent units are calculated.

Note 2: Total amount of increases/decreases in monthly rent before and after rent revision for each fiscal period is respectively aggregated for the spaces where the rents paid by new tenants and by previous tenants can be compared.



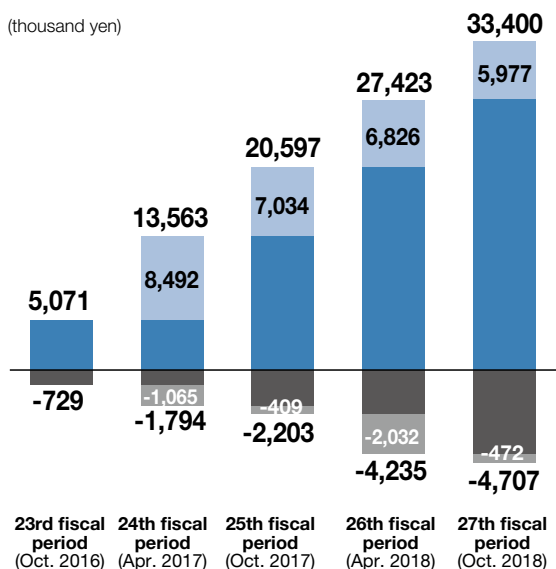
» Rent revisions with existing tenants

Upward rent trend has expanded beyond Tokyo five central wards to become well entrenched. Proactive negotiations to boost rents have steadily borne fruit.

Cumulative monthly rent increases and decreases from rental revisions ^(Note 1)

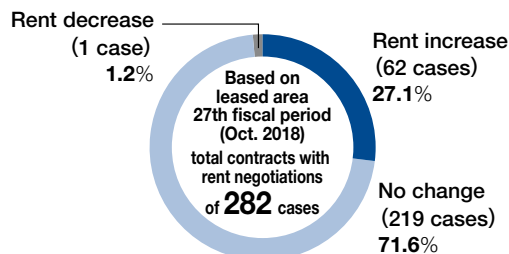
- Accumulated increase in rent
- Increase in rent in the relevant fiscal period
- Accumulated decrease in rent
- Decrease in rent in the relevant fiscal period

(thousand yen)



Rent revisions (leased floor area ratios)

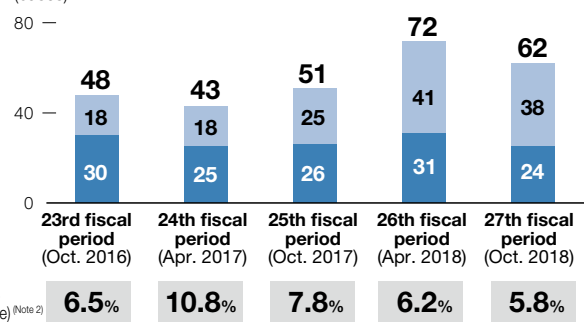
(based on percentage of leased floor area)



Changes in count of rent increases and rent increase rates

- Tokyo central 5 wards
- Other areas

(cases)



Note 1: Difference in monthly rent before and after rent revision in each fiscal period is calculated by aggregating the change amount per contract in each fiscal period. Figures are rounded to the nearest thousand yen.

Note 2: Rent increase rate is calculated by dividing the sum of increase in monthly rent by the sum of monthly rent before revision. Figures are rounded to the first decimal place.

» Efforts on value-upgrading works

Strategic efforts on value-upgrading works have made properties more competitive and enhanced tenant satisfaction, thereby increasing rents. Greater profitability has helped raise asset value, including appraisal values.

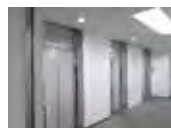
KDX Nishi-Shinbashi Building



Recovering and strengthening property competitiveness by renovating common areas in large for first time since the completion

- The building's competitiveness in the 26 years since the completion exhibited a decline, prompting us plan an upgrade to bolster value.
- We renovated toilets, elevator halls, and other areas, enabling us to increase rents by an average of more than 10%.

■ Renovation example (elevator hall)



Before renovation



After renovation

Average rent increase rate ^(Note)

+10.4%

KDX Omiya Building



Improving tenant services through gradual value-upgrading works

- We fully renovated aging restrooms while value-upgrading works have partially been implemented.
- We negotiated rents with improved appearance and comfort, boosting rents by an average of more than 6%.

■ Renovation example (restrooms)



Before renovation



After renovation

Average rent increase rate ^(Note)

+6.9%

Note: For the tenants whose rents were revised upward after renovation, calculated by dividing monthly rent after revision by monthly rent before revision (rounded to the first decimal place).



» Social initiatives

Support on Japan for UNHCR

- KDO has been supporting Japan for UNHCR, which is the official support contact point in Japan on behalf of UNHCR, a refugee support organization of United Nations, by providing a space for the “UN Refugee Assistance Campaign”, showing their advertising video on the “digital signage” of KDX Toranomon 1chome Building both for free.
- In November 2018, the letter of appreciation was given by Japan for UNHCR to KDO.



Provision of relief goods to Mindanao Children's Library

- Kenedix Group internally collects relief goods and sends them to Mindanao Children's Library on a regular basis. We receive warm greetings from the children in Mindanao.



» Environmental certifications and assessments

GRESB Real Estate Assessment ^(Note 1)

- We have received a Green Star rating for seven consecutive years in recognition of efforts to improve our sustainability performance.
- We have earned 4 Stars in the GRESB ratings, the second-highest level.
- In 2011, we became the first J-REIT to participate in this program.



DBJ Green Building Certification ^(Note 2)

- CROSS PLACE Hamamatsucho Building (four stars) was one of two properties newly certified in the 27th fiscal period.
- A total of 20 properties have received DBJ Green Building Certification. One of them is KDX Toranomon 1chome Building, which earned five stars as best in class for environmental and social awareness.



Certification for CASBEE for Real Estate ^(Note 3)

- ARK Mori Bldg., KDX Toranomon 1chome Building, KDX Karasuma Building, KDX Kobayashi-Doshomachi Building, and KDX Shinjuku Building received CASBEE's top S rating.



BELS Certification ^(Note 4)

- In October 2014, the KDX Musashi-Kosugi Building became the first J-REIT property to receive a BELS Certification (three stars).
- In April 2016, KDX Iidabashi Square was awarded a BELS Certification (three stars).



Note 1: GRESB (Global Real Estate Sustainability Benchmark) is a benchmark to evaluate sustainability performance of private and listed real estate portfolio, etc., from environmental and social perspectives.

Note 2: The DBJ Green Building Certification System is a system certifying real estate with environmental and social considerations (Green Building) using a scoring model originally developed by Development Bank of Japan Inc. (DBJ) in order to select and certificate buildings that meet the demands of the time. The certification has the following 5 ranks: “five stars”, “four stars”, “three stars”, “two stars” and “one star”.

Note 3: CASBEE is an evaluation system for rating the environmental performance of buildings, developed under the auspices of the Ministry of Land, Infrastructure, Transport and Tourism. The system rates the overall environmental performance of buildings from two perspectives: the evaluation of the environmental quality and performance of buildings themselves and the external environmental load of buildings.

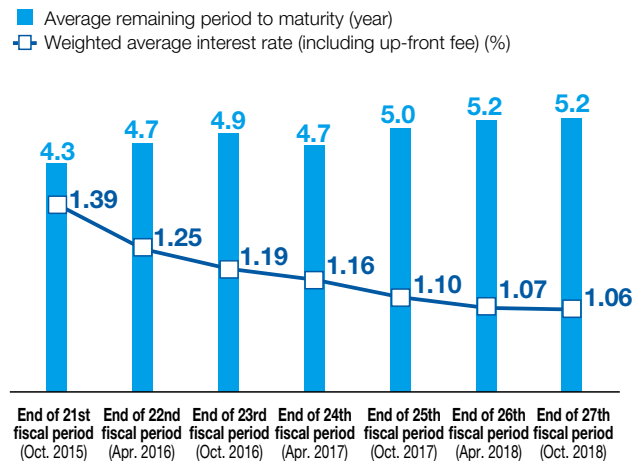
Note 4: BELS (Building-Housing Energy-efficiency Labeling System) is the third-party certification system to rate houses and buildings in accordance with the obligation to make effort to label energy saving performance as stipulated in the Act on Improving Energy Consumption Performance for Architectural Structures.



» Status of debt financing

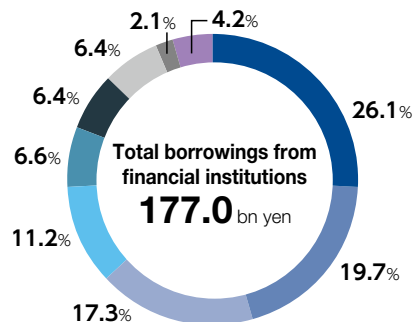
While closely monitoring interest rate trends, we endeavor to reduce interest costs upon refinance and extend borrowing periods.

Average interest rate and remaining period to maturity ^(Note)



Note: Average interest rate and borrowing period are the weighted average based on the balance of debt outstanding as of the end of each fiscal period (with the average interest rate rounded to the second decimal place and the average borrowing period rounded to the first decimal place).

Borrowings from financial institutions as of the end of the 27th fiscal period (Oct. 2018)



14 lending financial institutions (mn yen)

Sumitomo Mitsui Banking	46,200	The Bank of Fukuoka	2,500
MUFG Bank	34,800	The Nishi-Nippon City Bank	1,700
Development Bank of Japan	30,550	The Hiroshima Bank	1,000
Sumitomo Mitsui Trust Bank	19,900	The 77 Bank	1,000
Mizuho Bank	11,700	Higashi-Nippon Bank	800
Aozora Bank	11,350	The Mie Bank	500
Resona Bank	11,250		
Mizuho Trust & Banking	3,800		

» Major indices related to financial stability

Credit rating status	LTV (Interest-bearing debt ratio) ^(Note 1)	Ratio of fixed interest rate ^(Note 2)
Japan Credit Rating Agency, Ltd. (JCR) AA- (stable)	Reduced LTV through public offering in May 2018, securing borrowing capacity for acquisition 41.9%	Continue to hedge against a potential rise in interest rates 96.7%

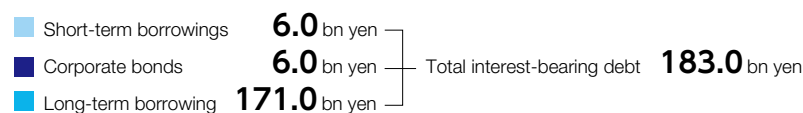
Note 1: LTV (interest-bearing debt ratio) is calculated by dividing the balance of interest-bearing debt by the amount of total assets as of the end of the fiscal period, rounded to the first decimal place.

Note 2: Include borrowings with floating interest rate fixed by interest rate swap, rounded to the first decimal place.

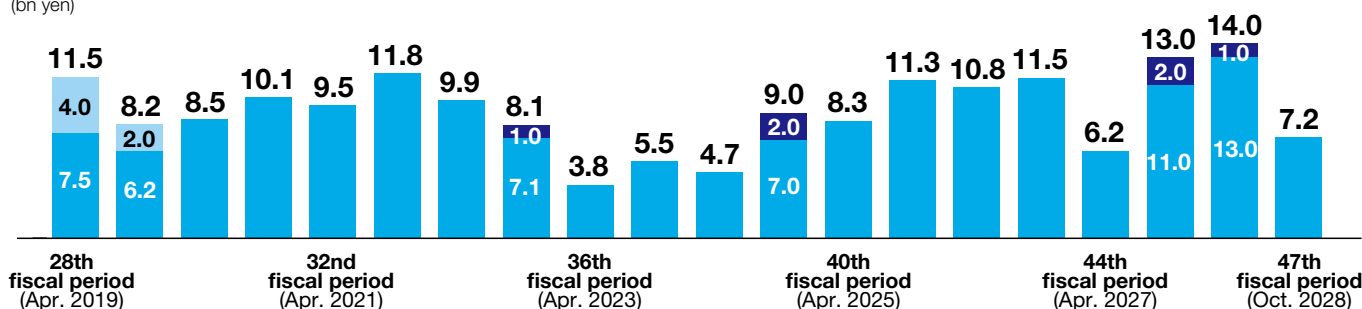
» Maturities of interest-bearing debt

We endeavor to reduce refinancing risk by diversifying strategic repayment maturities.

Balance of interest-bearing debt by maturity (as of October 31, 2018)



(bn yen)



Financial Section

Independent Auditor's Report	17
Balance Sheet	18
Statement of Income and Retained Earnings	20
Statement of Changes in Net Assets	20
Statement of Cash Flows	21
Notes to the Financial Statements	22

Financial Summary (Unaudited)

Historical Operating Trends
For the 23rd–27th Fiscal Periods

Period	Unit	23rd Period (as of Oct. 31, 2016)	24th Period (as of Apr. 30, 2017)	25th Period (as of Oct. 31, 2017)	26th Period (as of Apr. 30, 2018)	27th Period (as of Oct. 31, 2018)
Operating revenues	millions of yen	13,491	15,039	13,901	14,823	15,420
(Rental revenues)	millions of yen	13,429	13,327	13,840	14,222	14,802
Operating expenses	millions of yen	7,703	9,137	8,244	7,974	8,271
(Property-related expenses)	millions of yen	6,754	6,527	6,720	6,977	7,105
Operating income	millions of yen	5,788	5,901	5,657	6,848	7,148
Ordinary income	millions of yen	4,603	4,751	4,590	5,829	6,109
Net income (a)	millions of yen	4,601	4,750	4,588	5,828	6,107
Total assets (b)	millions of yen	413,031	410,166	414,933	422,993	437,221
(Period-on-period change)	%	(+1.0)	(−0.7)	(+1.2)	(+1.9)	(+3.4)
Interest-bearing debt (c)	millions of yen	178,100	174,600	179,600	185,850	183,050
(Period-on-period change)	%	(+1.7)	(−2.0)	(+2.9)	(+3.5)	(−1.5)
Unitholders' equity (d)	millions of yen	212,825	212,986	212,851	213,642	229,313
(Period-on-period change)	%	(+0.1)	(+0.1)	(−0.1)	(+0.4)	(+7.3)
Unitholders' capital	millions of yen	206,199	206,199	206,199	206,199	220,970
(Period-on-period change)	%	(0.0)	(0.0)	(0.0)	(0.0)	(+7.2)
Number of investment units issued and outstanding (e)	unit	404,885	404,885	404,885	404,885	428,510
Unitholders' equity per unit (d)/(e)	yen	525,644	526,041	525,708	527,661	535,141
Total distribution (f)	millions of yen	4,601	4,750	5,061	5,247	5,766
Distribution per unit (f)/(e)	yen	11,365	11,733	12,500	12,960	13,458
(Earnings distributed per unit)	yen	11,365	11,733	12,500	12,960	13,458
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.1 (2.2)	1.2 (2.3)	1.1 (2.2)	1.4 (2.8)	1.4 (2.8)
Return on net assets (annualized) (Notes 2 and 3)	%	2.2 (4.3)	2.2 (4.5)	2.2 (4.3)	2.7 (5.5)	2.8 (5.5)
Net assets ratio at end of period (d)/(b)	%	51.5	51.9	51.3	50.5	52.4
(Period-on-period change)	%	(−0.5)	(+0.4)	(−0.6)	(−0.8)	(+1.9)
Interest-bearing debt ratio at end of period (c)/(b)	%	43.1	42.6	43.3	43.9	41.9
(Period-on-period change)	%	(+0.3)	(−0.6)	(+0.7)	(+0.7)	(−2.1)
Payout ratio (Note 4) (f)/(a)	%	99.9	99.9	110.2	90.0	94.4
Other references						
Number of properties	properties	99	97	98	97	97
Total leasable floor area	m ²	462,533.92	459,567.57	456,932.16	466,031.33	471,041.45
Occupancy ratio at end of period	%	96.9	97.9	99.1	99.0	99.1
Depreciation expenses for the period	millions of yen	2,274	2,288	2,293	2,295	2,358
Capital expenditures for the period	millions of yen	1,165	1,018	953	886	925
Leasing NOI (Net Operating Income) (Note 5)	millions of yen	8,949	9,088	9,413	9,539	10,055
FFO (Funds From Operation) (Note 6)	millions of yen	6,877	7,034	7,451	7,574	7,934
FFO per unit (Note 7)	yen	16,985	17,373	18,404	18,708	18,516

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 23rd Fiscal Period are calculated based on a period of 184 days, 181 days for the 24th Fiscal Period, 184 days for the 25th Fiscal Period, 181 days for the 26th Fiscal Period and 184 days for the 27th 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)

Independent Auditor's Report

The Board of Directors
Kenedix Office Investment Corporation

We have audited the accompanying financial statements of Kenedix Office Investment Corporation, which comprise the balance sheet as at October 31, 2018, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Office Investment Corporation as at October 31, 2018, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

January 30, 2019
Tokyo, Japan

Balance Sheet

Kenedix Office Investment Corporation
As of October 31, 2018

	In thousands of yen	
	As of October 31, 2018	As of April 30, 2018
Assets		
Current assets:		
Cash and deposits (Notes 3 and 14)	¥ 14,050,532	¥ 13,033,326
Cash and deposits in trust (Notes 3 and 14)	10,973,654	10,444,809
Operating accounts receivable	360,261	308,217
Prepaid expenses	111,536	76,768
Consumption taxes receivable	—	166,118
Other	14,606	17,350
Total current assets	25,510,591	24,046,590
Non-current assets:		
Property, plant and equipment (Notes 4 and 16)		
Buildings	17,693,312	17,943,798
Accumulated depreciation	(5,316,656)	(5,111,557)
Buildings, net	12,376,655	12,832,241
Structures	32,618	32,618
Accumulated depreciation	(13,848)	(12,973)
Structures, net	18,770	19,645
Machinery and equipment	421,857	411,649
Accumulated depreciation	(235,745)	(223,927)
Machinery and equipment, net	186,111	187,722
Tools, furniture and fixtures	86,586	83,593
Accumulated depreciation	(54,482)	(51,767)
Tools, furniture and fixtures, net	32,103	31,825
Land	27,520,902	29,504,025
Buildings in trust (Note 7)	122,006,776	118,523,178
Accumulated depreciation	(27,897,343)	(26,581,425)
Buildings in trust, net	94,109,432	91,941,753
Structures in trust	353,520	345,717
Accumulated depreciation	(159,867)	(162,368)
Structures in trust, net	193,653	183,349
Machinery and equipment in trust	1,623,898	1,592,359
Accumulated depreciation	(708,259)	(719,408)
Machinery and equipment in trust, net	915,639	872,951
Tools, furniture and fixtures in trust	476,862	466,546
Accumulated depreciation	(293,197)	(278,421)
Tools, furniture and fixtures in trust, net	183,665	188,125
Land in trust	272,828,051	259,908,839
Construction in progress in trust	2,933	83
Total property, plant and equipment, net	408,367,919	395,670,563
Intangible assets (Note 4)		
Leasehold right (Note 16)	285,257	285,257
Leasehold right in trust (Note 16)	351,524	352,298
Other	2,889	3,501
Total intangible assets	639,671	641,057
Investments and other assets		
Investment securities (Note 14)	1,114,806	1,090,336
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	122,889	122,889
Long-term prepaid expenses	1,256,374	1,306,980
Other (Notes 9, 14, and 15)	113,111	61,130
Total investments and other assets	2,617,181	2,591,336
Total non-current assets	411,624,771	398,902,957
Deferred assets:		
Investment corporation bond issuance costs	39,860	44,019
Investment unit issuance costs	45,855	—
Total deferred assets	85,715	44,019
Total assets	¥437,221,079	¥422,993,568

See accompanying notes to the financial statements.

In thousands of yen

	As of October 31, 2018	As of April 30, 2018
Liabilities		
Current liabilities:		
Operating accounts payable	¥ 1,341,577	¥ 1,453,036
Short-term loans payable (Notes 6 and 14)	6,000,000	6,000,000
Current portion of investment corporation bonds (Notes 6 and 14)	—	1,800,000
Current portion of long-term loans payable (Notes 6, 14 and 15)	13,750,000	17,050,000
Accounts payable-other	775,971	291,560
Accrued expenses	62,766	79,639
Income taxes payable	795	682
Accrued consumption taxes	193,775	118,583
Advances received	2,364,110	2,340,180
Deposits received	2,311	2,568
Total current liabilities	24,491,309	29,136,251
Non-current liabilities:		
Investment corporation bonds (Notes 6 and 14)	6,000,000	6,000,000
Long-term loans payable (Notes 6, 14 and 15)	157,300,000	155,000,000
Tenant leasehold and security deposits	1,953,387	2,050,835
Tenant leasehold and security deposits in trust	18,150,520	17,164,250
Other (Notes 14 and 15)	12,281	—
Total non-current liabilities	183,416,189	180,215,086
Total liabilities	207,907,498	209,351,337
Net Assets		
Unitholders' equity:		
Unitholders' capital	220,970,508	206,199,945
Surplus:		
Voluntary retained earnings		
Reserve for reduction entry	2,134,387	1,552,849
Total voluntary retained earnings	2,134,387	1,552,849
Unappropriated retained earnings	6,107,886	5,828,847
Total surplus	8,242,273	7,381,696
Total unitholders' equity	229,212,781	213,581,642
Valuation and translation adjustments:		
Deferred gains or losses on hedges (Notes 14 and 15)	100,798	60,587
Total valuation and translation adjustments	100,798	60,587
Total net assets (Note 10)	229,313,580	213,642,230
Total liabilities and net assets	¥437,221,079	¥422,993,568

Statement of Income and Retained Earnings

Kenedix Office Investment Corporation
For the period from May 1, 2018 to October 31, 2018

	In thousands of yen	
	From May 1, 2018 to October 31, 2018	From November 1, 2017 to April 30, 2018
Operating revenues		
Rent revenue - real estate (Note 12)	¥12,730,773	¥12,351,730
Other lease business revenue (Note 12)	2,071,972	1,870,367
Gain on sale of real estate properties (Note 12)	532,490	550,142
Dividends income	85,219	50,882
Total operating revenues	15,420,456	14,823,123
Operating expenses		
Expenses related to rent business (Note 12)	7,105,951	6,977,998
Asset management fees	978,238	802,855
Directors' compensation	8,400	8,400
Asset custody fees	22,689	22,448
Administrative service fees	56,337	55,699
Audit fees	11,800	11,800
Other operating expenses	88,304	95,549
Total operating expenses	8,271,721	7,974,751
Operating income	7,148,734	6,848,372
Non-operating income		
Interest income	66	38
Dividends and redemption-prescription	788	481
Interest on refund	330	232
Total non-operating income	1,185	752
Non-operating expenses		
Interest expenses	833,921	818,187
Interest expenses on investment corporation bonds	30,783	32,780
Financing-related expenses	133,349	132,774
Amortization of investment corporation bond issuance costs	4,159	4,506
Amortization of investment unit issuance costs	9,171	—
Other non-operating expenses	29,411	30,930
Total non-operating expenses	1,040,795	1,019,178
Ordinary income	6,109,124	5,829,946
Income before income taxes	6,109,124	5,829,946
Income taxes (Note 9)		
Current	1,240	1,101
Deferred	(2)	(3)
Total income taxes	1,238	1,098
Net income	6,107,886	5,828,847
Unappropriated retained earnings	¥ 6,107,886	¥ 5,828,847

See accompanying notes to the financial statements.

Statement of Changes in Net Assets

Kenedix Office Investment Corporation
For the period from May 1, 2018 to October 31, 2018

	In thousands of yen						
	Unitholders' equity					Valuation and translation adjustments	
	Unitholders' capital	Surplus			Total unitholders' equity	Deferred gains or losses on hedges	Total net assets
		Reserve for reduction entry	Unappropriated retained earnings	Total surplus			
Balance as of October 31, 2017	¥206,199,945	¥2,024,673	¥ 4,589,238	¥ 6,613,911	¥212,813,857	¥ 37,549	¥212,851,406
Changes during the fiscal period							
Reversal of reserve for reduction entry	—	(471,824)	471,824	—	—	—	—
Dividends of surplus	—	—	(5,061,062)	(5,061,062)	(5,061,062)	—	(5,061,062)
Net income	—	—	5,828,847	5,828,847	5,828,847	—	5,828,847
Net changes of items other than unitholders' equity	—	—	—	—	—	23,038	23,038
Total changes during the fiscal period	—	(471,824)	1,239,609	767,785	767,785	23,038	790,823
Balance as of April 30, 2018 (Note 5)	¥206,199,945	¥1,552,849	¥ 5,828,847	¥ 7,381,696	¥213,581,642	¥ 60,587	¥213,642,230
Changes during the fiscal period							
Issuance of new investment units	14,770,562	—	—	—	14,770,562	—	14,770,562
Provision of reserve for reduction entry	—	581,538	(581,538)	—	—	—	—
Dividends of surplus	—	—	(5,247,309)	(5,247,309)	(5,247,309)	—	(5,247,309)
Net income	—	—	6,107,886	6,107,886	6,107,886	—	6,107,886
Net changes of items other than unitholders' equity	—	—	—	—	—	40,211	40,211
Total changes during the fiscal period	14,770,562	581,538	279,038	860,576	15,631,139	40,211	15,671,350
Balance as of October 31, 2018 (Note 5)	¥220,970,508	¥2,134,387	¥ 6,107,886	¥ 8,242,273	¥229,212,781	¥100,798	¥229,313,580

See accompanying notes to the financial statements.

Statement of Cash Flows

Kenedix Office Investment Corporation
For the period from May 1, 2018 to October 31, 2018

	In thousands of yen	
	From May 1, 2018 to October 31, 2018	From November 1, 2017 to April 30, 2018
Cash flows from operating activities:		
Income before income taxes	¥ 6,109,124	¥ 5,829,946
Depreciation	2,358,994	2,295,920
Amortization of long-term prepaid expenses	133,099	132,517
Interest income	(66)	(38)
Interest expenses	864,704	850,967
Amortization of investment unit issuance costs	9,171	—
Amortization of investment corporation bond issuance costs	4,159	4,506
Decrease (increase) in operating accounts receivable	(52,044)	6,548
Decrease (increase) in consumption taxes receivable	166,118	(75,223)
Decrease (increase) in prepaid expenses	(34,767)	33,815
Increase (decrease) in operating accounts payable	(34,206)	136,298
Increase (decrease) in accounts payable-other	322,777	4,491
Increase (decrease) in accrued consumption taxes	75,192	(34,684)
Increase (decrease) in advances received	23,930	99,644
Increase (decrease) in deposits received	(257)	(29,078)
Decrease in property, plant and equipment due to sale	2,230,835	—
Decrease in property, plant and equipment in trust due to sale	4,483,951	9,056,075
Decrease (increase) in long-term prepaid expenses	(82,492)	(165,883)
Other, net	(61,519)	3,823
Subtotal	16,516,704	18,149,649
Interest income received	66	38
Interest expenses paid	(881,064)	(837,734)
Income taxes paid	(692)	(766)
Net cash provided by (used in) operating activities	15,635,014	17,311,186
Cash flows from investing activities:		
Purchases of property, plant and equipment	(150,523)	(101,142)
Purchases of property, plant and equipment in trust	(21,870,082)	(25,402,604)
Repayments of tenant leasehold and security deposits	(140,072)	(14,666)
Proceeds from tenant leasehold and security deposits	55,327	29,581
Repayments of tenant leasehold and security deposits in trust	(213,521)	(553,418)
Proceeds from tenant leasehold and security deposits in trust	1,561,793	1,295,016
Payments of restricted deposits in trust	(13,149)	(686,767)
Proceeds from restricted deposits in trust	2,829	45,721
Net cash provided by (used in) investing activities	(20,767,399)	(25,388,281)
Cash flows from financing activities:		
Increase in short-term loans payable	2,000,000	4,000,000
Decrease in short-term loans payable	(2,000,000)	(4,000,000)
Proceeds from long-term loans payable	8,500,000	15,000,000
Repayments of long-term loans payable	(9,500,000)	(8,750,000)
Redemption of investment corporation bonds	(1,800,000)	—
Proceeds of investment unit issuance	14,715,536	—
Dividends paid	(5,247,420)	(5,061,692)
Net cash provided by (used in) financing activities	6,668,115	1,188,307
Net increase (decrease) in cash and cash equivalents	1,535,730	(6,888,787)
Cash and cash equivalents at the beginning of period	21,746,685	28,635,473
Cash and cash equivalents at the end of period (Note 3)	¥ 23,282,416	¥ 21,746,685

See accompanying notes to the financial statements.

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 office buildings and retail properties in Japan, with a focus on mid-sized office buildings in the Tokyo metropolitan area. The Investment Corporation was incorporated on May 6, 2005 as an investment corporation under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. On July 21, 2005, the Investment Corporation was listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange with a total of 75,400 investment units issued and outstanding (Securities Code: 8972). Subsequently, the Investment Corporation raised funds through 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 April 30, 2018, the Investment Corporation acquired two office buildings (Mitsubishijuku Yokohama Building: acquisition price of ¥14,720 million, and JN Building: acquisition price of ¥9,500 million) and sold one residential property (Residence Charmante Tsukishima: initial acquisition price of ¥5,353 million) and two office buildings (KDX Ikejiri-Oohashi Building: initial acquisition price of ¥2,400 million, and KDX Shin-Yokohama 214 Building: initial acquisition price of ¥2,200 million) with a disposition price of ¥9,730 million.

During the period ended October 31, 2018, the Investment Corporation acquired one office building (CROSS PLACE Hamamatsucho: acquisition price of ¥20,700 million) and sold one office building (KDX Hamamatsucho Dai-2 Building: initial acquisition price of ¥2,200 million) and one central urban retail property (Frame Jinnan-zaka (49.0% of quasi co-ownership interest): initial acquisition price of ¥4,851 million (Note)) with a disposition price of ¥7,297 million.

At the end of the twenty-sixth fiscal period (fiscal period ended April 30, 2018), the Investment Corporation had total unitholders’ capital of ¥206,199 million with 404,885 investment units outstanding. At the end of the twenty-seventh fiscal period (fiscal period ended October 31, 2018), the Investment Corporation had total unitholders’ capital of ¥220,970 million with 428,510 investment units outstanding. The Investment Corporation owned a portfolio of 97 properties (consisting of 95 office buildings, one central urban retail property and one other property) and 97 properties (consisting of 95 office buildings, one central urban retail property and one other property) with total acquisition prices of ¥407,235 million and ¥420,884 million at the end of the twenty-sixth and twenty-seventh fiscal periods, respectively. The occupancy ratios were approximately 99.0% and 99.1% at the end of the twenty-sixth and twenty-seventh fiscal periods, respectively. (Note) The acquisition price is an amount equivalent to 49.0% of quasi co-ownership interest in ¥9,900 million, which is the acquisition price of the entire building initially acquired.

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 May 1, 2018 to October 31, 2018	From November 1, 2017 to April 30, 2018
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 ¥28,631 thousand and ¥53,876 thousand as of October 31, 2018 and April 30, 2018, 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 and interest-rate cap contracts as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. The Investment Corporation deferred recognition of gains or losses resulting from changes in fair value of interest-rate swap and interest-rate cap contracts because these contracts met the criteria for deferral hedging accounting. However, the Investment Corporation adopted special treatment for interest-swap and interest-rate cap contracts if they met the criteria for hedging accounting under this treatment. The hedge effectiveness for the interest-rate swap and interest-rate cap contract 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 of the twenty-seventh and twenty-sixth fiscal periods are rounded down, respectively, 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.

(O) Notes on Changes in Presentation or Classification

As the Investment Corporation started application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the fiscal period under review, changes are made to present deferred tax assets under investments and other assets and deferred tax liabilities under non-current liabilities.

As a result, ¥29 thousand of deferred tax assets which was included in "other" under "current assets" in the balance sheets of the previous fiscal period is included in "other" under "investments and other assets."

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of October 31, 2018 and April 30, 2018.

	In thousands of yen	
	As of October 31, 2018	As of April 30, 2018
Cash and deposits	¥14,050,532	¥13,033,326
Cash and deposits in trust	10,973,654	10,444,809
Restricted deposits in trust (Note)	(1,741,770)	(1,731,450)
Cash and cash equivalents in trust	¥23,282,416	¥21,746,685

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

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets consist of the following as of October 31, 2018.

Type of asset	In thousands of yen								Remarks
	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		
					Accumulated depreciation	Depreciation for the period			
Buildings	¥ 17,943,798	¥ 91,535	¥ 342,022	¥ 17,693,312	¥ 5,316,656	¥ 299,675	¥ 12,376,655	Note 2	
Structures	32,618	—	—	32,618	13,848	875	18,770		
Machinery and equipment	411,649	10,207	—	421,857	235,745	11,818	186,111		
Tools, furniture and fixtures	83,593	3,532	540	86,586	54,482	2,987	32,103		
Land	29,504,025	—	1,983,122	27,520,902	—	—	27,520,902	Note 2	
Subtotal	47,975,686	105,275	2,325,684	45,755,276	5,620,733	315,356	40,134,543		
Property, plant and equipment	Buildings in trust	¥118,523,178	¥ 4,974,504	¥1,490,907	¥122,006,776	¥27,897,343	¥1,962,090	¥ 94,109,432	Notes 1 and 2
	Structures in trust	345,717	23,362	15,559	353,520	159,867	10,615	193,653	
	Machinery and equipment in trust	1,592,359	108,240	76,701	1,623,898	708,259	51,309	915,639	
	Tools, furniture and fixtures in trust	466,546	15,822	5,506	476,862	293,197	18,235	183,665	
	Land in trust	259,908,839	16,539,695	3,620,482	272,828,051	—	—	272,828,051	Notes 1 and 2
	Construction in progress in trust	83	2,850	—	2,933	—	—	2,933	
	Subtotal	380,836,725	21,664,475	5,209,158	397,292,042	29,058,667	2,042,251	368,233,375	
Total property, plant and equipment		428,812,411	21,769,751	7,534,843	443,047,319	34,679,400	2,357,607	408,367,919	
Intangible assets	Leasehold right	¥ 290,050	¥ —	¥ —	¥ 290,050	¥ 4,792	¥ —	¥ 285,257	
	Leasehold right in trust	363,784	—	—	363,784	12,260	774	351,524	
	Other	6,123	—	—	6,123	3,234	612	2,889	
Total intangible assets		659,958	—	—	659,958	20,287	1,386	639,671	
Total		¥429,472,370	¥21,769,751	¥7,534,843	¥443,707,278	¥34,699,687	¥2,358,994	¥409,007,590	

Note 1: The amount of increase during the period is primarily attributable to the acquisition of the one real estate property.

Note 2: The amount of decrease during the period is primarily attributable to the sales of the two real estate properties.

Property, plant and equipment and intangible assets consist of the following as of April 30, 2018.

		In thousands of yen								
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			
Property, plant and equipment	Buildings	¥ 17,814,001	¥ 129,797	¥ —	¥ 17,943,798	¥ 5,111,557	¥ 298,559	¥ 12,832,241		
	Structures	32,618	—	—	32,618	12,973	884	19,645		
	Machinery and equipment	403,054	8,595	—	411,649	223,927	11,581	187,722		
	Tools, furniture and fixtures	83,593	—	—	83,593	51,767	2,826	31,825		
	Land	29,504,025	—	—	29,504,025	—	—	29,504,025		
	Subtotal	47,837,294	138,392	—	47,975,686	5,400,225	313,850	42,575,460		
	Buildings in trust	¥116,597,709	¥ 5,999,351	¥ 4,073,882	¥118,523,178	¥26,581,425	¥1,900,544	¥ 91,941,753	Notes 1 and 2	
	Structures in trust	373,778	2,965	31,026	345,717	162,368	10,607	183,349		
	Machinery and equipment in trust	1,752,248	70,522	230,411	1,592,359	719,408	51,647	872,951		
	Tools, furniture and fixtures in trust	463,275	8,169	4,898	466,546	278,421	17,884	188,125		
	Land in trust	246,626,638	19,360,002	6,077,802	259,908,839	—	—	259,908,839	Notes 1 and 2	
	Construction in progress in trust	1,142	—	1,059	83	—	—	83		
	Subtotal	365,814,792	25,441,011	10,419,079	380,836,725	27,741,622	1,980,683	353,095,102		
	Total property, plant and equipment	413,652,086	25,579,404	10,419,079	428,812,411	33,141,848	2,294,534	395,670,563		
	Intangible assets	Leasehold right	¥ 290,050	¥ —	¥ —	¥ 290,050	¥ 4,792	¥ —	¥ 285,257	
		Leasehold right in trust	363,784	—	—	363,784	11,486	774	352,298	
		Other	6,123	—	—	6,123	2,622	612	3,501	
Total intangible assets	659,958	—	—	659,958	18,900	1,386	641,057			
Total	¥414,312,045	¥25,579,404	¥10,419,079	¥429,472,370	¥33,160,748	¥2,295,920	¥396,311,621			

Note 1: The amount of increase during the period is primarily attributable to the acquisition of the two real estate properties.

Note 2: The amount of decrease during the period is primarily attributable to the sales of the three real estate properties.

5. UNITHOLDERS' EQUITY

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

	From May 1, 2018 to October 31, 2018	From November 1, 2017 to April 30, 2018
Total number of authorized investment units	2,000,000	2,000,000
Total number of investment units issued and outstanding	428,510	404,885

6. 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 October 31, 2018:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	November 30, 2017	November 30, 2018	0.36%	¥ 2,000,000
	January 31, 2018	January 31, 2019	0.31%	500,000
	January 31, 2018	January 31, 2019	0.36%	500,000
	March 30, 2018	March 29, 2019	0.36%	1,000,000
	July 31, 2018	July 31, 2019	0.36%	1,000,000
	August 31, 2018	August 31, 2019	0.32%	1,000,000
Subtotal				6,000,000
Current portion of long-term loans payable	November 12, 2013	November 12, 2018	0.82%	¥ 1,000,000
	November 29, 2013	November 30, 2018	0.84%	200,000
	March 28, 2012	March 28, 2019	1.77%	1,400,000
	March 28, 2012	March 28, 2019	1.77%	1,000,000
	March 12, 2014	March 31, 2019	0.78%	450,000
	March 31, 2014	March 31, 2019	0.76%	2,500,000

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Current portion of long-term loans payable	March 30, 2016	March 31, 2019	0.17%	¥ 1,000,000
	July 10, 2014	July 10, 2019	0.64%	500,000
	July 14, 2014	July 31, 2019	0.68%	1,000,000
	July 31, 2014	July 31, 2019	0.62%	1,000,000
	August 29, 2014	July 31, 2019	0.65%	1,000,000
	September 30, 2013	September 30, 2019	1.06%	1,800,000
	September 30, 2013	September 30, 2019	1.06%	900,000
Subtotal				13,750,000
Long-term loans payable	August 30, 2013	August 31, 2020	1.42%	¥ 1,500,000
	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
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2020	0.93%	3,700,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	March 12, 2014	March 12, 2020	0.92%	1,800,000
	March 12, 2014	March 12, 2023	1.36%	1,800,000
	March 20, 2014	March 12, 2020	0.91%	3,000,000
	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
	April 22, 2014	October 31, 2020	0.95%	2,900,000
	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, 2020	0.74%	2,700,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	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 22, 2014	September 30, 2020	0.80%	2,700,000
	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
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	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	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
	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	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	October 31, 2018	October 31, 2028	0.91%	¥ 1,000,000
	October 31, 2018	October 31, 2028	1.01%	500,000
Subtotal				157,300,000
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
Subtotal				6,000,000
Total				¥183,050,000

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of April 30, 2018:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	July 31, 2017	July 31, 2018	0.35%	¥ 1,000,000
	August 31, 2017	August 31, 2018	0.30%	1,000,000
	November 30, 2017	November 30, 2018	0.35%	2,000,000
	January 31, 2018	January 31, 2019	0.31%	500,000
	January 31, 2018	January 31, 2019	0.36%	500,000
	March 30, 2018	March 29, 2019	0.36%	1,000,000
Subtotal				6,000,000
Current portion of long-term loans payable	July 31, 2013	July 31, 2018	0.57%	¥ 500,000
	August 19, 2013	August 19, 2018	0.95%	1,000,000
	August 19, 2013	August 19, 2018	0.95%	1,000,000
	August 19, 2013	August 19, 2018	0.95%	500,000
	August 19, 2013	August 19, 2018	0.95%	500,000
	August 19, 2013	August 19, 2018	0.97%	500,000
	August 30, 2013	August 31, 2018	1.08%	700,000
	August 30, 2013	August 31, 2018	1.08%	500,000
	August 30, 2013	August 31, 2018	1.08%	300,000
	October 31, 2012	October 31, 2018	1.25%	2,500,000
	October 31, 2013	October 31, 2018	0.89%	500,000
	October 31, 2016	October 31, 2018	0.35%	1,000,000
	November 12, 2013	November 12, 2018	0.82%	1,000,000
	November 29, 2013	November 30, 2018	0.84%	200,000
	March 28, 2012	March 28, 2019	1.77%	1,400,000
	March 28, 2012	March 28, 2019	1.77%	1,000,000
	March 12, 2014	March 31, 2019	0.78%	450,000
March 31, 2014	March 31, 2019	0.76%	2,500,000	
March 30, 2016	March 31, 2019	0.17%	1,000,000	
Subtotal				17,050,000
Long-term loans payable	August 30, 2013	August 31, 2020	1.42%	¥ 1,500,000
	September 30, 2013	September 30, 2019	1.06%	1,800,000
	September 30, 2013	September 30, 2019	1.06%	900,000
	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
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2020	0.93%	3,700,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	March 12, 2014	March 12, 2020	0.92%	1,800,000
	March 12, 2014	March 12, 2023	1.36%	1,800,000
	March 20, 2014	March 12, 2020	0.91%	3,000,000
	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
	April 22, 2014	October 31, 2020	0.95%	2,900,000
July 10, 2014	July 10, 2019	0.64%	500,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	July 10, 2014	July 10, 2021	0.90%	¥ 2,000,000
	July 10, 2014	July 10, 2021	0.90%	500,000
	July 14, 2014	July 31, 2019	0.68%	1,000,000
	July 31, 2014	July 31, 2019	0.62%	1,000,000
	July 31, 2014	July 31, 2020	0.74%	2,700,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	July 31, 2014	July 31, 2022	1.01%	2,200,000
	August 29, 2014	July 31, 2019	0.65%	1,000,000
	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 22, 2014	September 30, 2020	0.80%	2,700,000
	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
	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	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	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
	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, 2027	0.86%	500,000
	December 28, 2017	December 28, 2025	0.74%	500,000
	December 28, 2017	December 28, 2026	0.88%	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
	Subtotal			
Current portion of investment corporation bonds	September 12, 2013	September 12, 2018	1.00%	¥ 1,800,000
Subtotal				1,800,000
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
Subtotal				6,000,000
Total				¥185,850,000

7. REDUCTION ENTRY

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

	In thousands of yen	
	As of October 31, 2018	As of April 30, 2018
Buildings in trust	¥26,230	¥26,230

8. PER UNIT INFORMATION

	Yen	
	From May 1, 2018 to October 31, 2018	From November 1, 2017 to April 30, 2018
Net asset value per unit	¥535,141	¥527,661
Net income per unit	¥ 14,373	¥ 14,396
Weighted-average number of units (units)	424,933	404,885

The weighted-average number of units outstanding of 424,933 and 404,885 as of October 31, 2018 and April 30, 2018, 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.

9. 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 ¥5,766 million and ¥5,247 million for the fiscal periods ended October 31, 2018 and April 30, 2018, 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 October 31, 2018 and April 30, 2018, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

	From May 1, 2018 to October 31, 2018	From November 1, 2017 to April 30, 2018
Statutory tax rate	31.51%	31.74%
Deductible cash distributions	(29.74)	(28.57)
Provision of reserve for reduction entry	(1.76)	(3.17)
Others	0.01	0.02
Effective tax rate	0.02%	0.02%

The significant components of deferred tax assets and liabilities as of October 31, 2018 and April 30, 2018 are as follows:

	In thousands of yen	
	As of October 31, 2018	As of April 30, 2018
Deferred tax assets:		
Enterprise tax payable	¥ 30	¥ 29
Amortization of leasehold right	3,873	3,628
Subtotal	3,904	3,657
Valuation allowance	(3,873)	(3,628)
Total deferred tax assets	¥ 30	¥ 29

10. 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.

11. RELATED-PARTY TRANSACTIONS

(A) Parent Company, Major Corporate Unitholders and Other

Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018) and Twenty-sixth fiscal period (From November 1, 2017 to April 30, 2018):

Not applicable

(B) Affiliated Companies and Other

Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018) and Twenty-sixth fiscal period (From November 1, 2017 to April 30, 2018):

Not applicable

(C) Fellow Subsidiary Companies and Other

Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018) and Twenty-sixth fiscal period (From November 1, 2017 to April 30, 2018):

Not applicable

(D) Directors, Major Individual Unitholders and Other

Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018) and Twenty-sixth fiscal period (From November 1, 2017 to April 30, 2018):

Not applicable

12. 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 May 1, 2018 to October 31, 2018 and from November 1, 2017 to April 30, 2018 consist of the following:

	In thousands of yen	
	From May 1, 2018 to October 31, 2018	From November 1, 2017 to April 30, 2018
Rental and other operating revenues:		
Rent revenue - real estate:		
Rental revenues	¥10,893,102	¥10,509,225
Common area charges	1,837,671	1,842,504
Subtotal	12,730,773	12,351,730
Others:		
Parking space rental revenues	519,171	513,392
Utility charge reimbursement	1,230,853	1,054,416
Miscellaneous	321,947	302,558
Subtotal	2,071,972	1,870,367
Total rent revenue - real estate	¥14,802,746	¥14,222,098
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	¥ 1,378,278	¥ 1,355,289
Depreciation	2,358,382	2,295,308
Utilities	1,241,455	1,102,668
Taxes	1,225,685	1,148,754
Insurance	19,886	19,318
Repairs and maintenance	568,517	767,074
Trust fees	32,791	32,748
Others	280,955	256,837
Total expenses related to rent business	¥ 7,105,951	¥ 6,977,998
Gain on sale of real estate properties:		
Revenue from sale of investment properties	¥ 7,297,000	¥ 9,730,000
Cost of investment properties	6,714,787	9,056,075
Other sales expenses	49,722	123,782
Gain on sale of real estate properties	¥ 532,490	¥ 550,142

13. 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 October 31, 2018 and April 30, 2018 are as follows:

	In thousands of yen	
	As of October 31, 2018	As of April 30, 2018
Due within one year	¥1,621,774	¥1,446,246
Due after one year	5,956,433	5,943,183
Total	¥7,578,208	¥7,389,430

14. FINANCIAL INSTRUMENTS

Twenty-seventh fiscal period (from May 1, 2018 to October 31, 2018)

(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 10 years following the accounting date. Although a certain portion of said liabilities are subject to interest rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap and interest-rate cap transactions) in order to reduce such risk.

Interest-rate swap and interest-rate cap transactions are used as derivative financial instruments. Utilizing interest-rate swap and interest-rate cap transactions, the Investment Corporation fixes its interest expense for long-term 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 and interest-rate cap transactions in order to minimize risk arising from fluctuations in interest rates on funds procured. The Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to investment securities.

(b) Monitoring of liquidity risk (the risk that the Investment Corporation may not be able to meet its obligations on scheduled due dates) associated with procurement of funds

Although loans and other liabilities are subject to liquidity risk, the Investment Corporation reduces such risk by spreading out payment due dates and by using diversified fund procurement methods. Liquidity risk is also managed by such means as regularly checking the balance of cash reserves.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

(B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of October 31, 2018 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
(1) Cash and deposits	¥ 14,050,532	¥ 14,050,532	¥ —
(2) Cash and deposits in trust	10,973,654	10,973,654	—
Subtotal	25,024,186	25,024,186	—
(1) Short-term loans payable	6,000,000	6,000,000	—
(2) Current portion of investment corporation bonds	—	—	—
(3) Current portion of long-term loans payable	13,750,000	13,768,881	18,881
(4) Investment corporation bonds	6,000,000	6,050,100	50,100
(5) Long-term loans payable	157,300,000	157,675,962	375,962
Subtotal	¥183,050,000	¥183,494,943	¥444,943
Derivative transactions (*)	100,798	100,798	—

(*) 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 15 "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	¥1,114,806

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	¥14,050,532
Cash and deposits in trust	10,973,654
Total	¥25,024,186

*4 Redemption schedule for loans payable and investment corporation bonds

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 6,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	—	—	—	1,000,000	—	5,000,000
Long-term loans payable	13,750,000	18,600,000	21,300,000	17,050,000	9,300,000	91,050,000
Total	¥19,750,000	¥18,600,000	¥21,300,000	¥18,050,000	¥9,300,000	¥96,050,000

Twenty-sixth fiscal period (from November 1, 2017 to April 30, 2018)

(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 10 years following the accounting date. Although a certain portion of said liabilities are subject to interest rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap and interest-rate cap transactions) in order to reduce such risk.

Interest-rate swap and interest-rate cap transactions are used as derivative financial instruments. Utilizing interest-rate swap and interest-rate cap transactions, the Investment Corporation fixes its interest expense for long-term 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 and interest-rate cap transactions in order to minimize risk arising from fluctuations in interest rates on funds procured. The Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to investment securities.

(b) Monitoring of liquidity risk (the risk that the Investment Corporation may not be able to meet its obligations on scheduled due dates) associated with procurement of funds

Although loans and other liabilities are subject to liquidity risk, the Investment Corporation reduces such risk by spreading out payment due dates and by using diversified fund procurement methods. Liquidity risk is also managed by such means as regularly checking the balance of cash reserves.

(B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of April 30, 2018 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
(1) Cash and deposits	¥ 13,033,326	¥ 13,033,326	¥ —
(2) Cash and deposits in trust	10,444,809	10,444,809	—
Subtotal	23,478,136	23,478,136	—
(1) Short-term loans payable	6,000,000	6,000,000	—
(2) Current portion of investment corporation bonds	1,800,000	1,804,644	4,644
(3) Current portion of long-term loans payable	17,050,000	17,088,337	38,337
(4) Investment corporation bonds	6,000,000	6,057,000	57,000
(5) Long-term loans payable	155,000,000	155,280,513	280,513
Subtotal	¥185,850,000	¥186,230,495	¥380,495
Derivative transactions (*)	60,587	60,587	—

(*) 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 15 "DERIVATIVE TRANSACTIONS."

(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 Financial instruments for which it is extremely difficult to determine the fair value

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,090,336

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	¥13,033,326
Cash and deposits in trust	10,444,809
Total	¥23,478,136

*4 Redemption schedule for loans payable and investment corporation bonds

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 6,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	1,800,000	—	—	—	1,000,000	5,000,000
Long-term loans payable	17,050,000	14,700,000	19,600,000	21,700,000	10,950,000	88,050,000
Total	¥24,850,000	¥14,700,000	¥19,600,000	¥21,700,000	¥11,950,000	¥93,050,000

15. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap contracts as of October 31, 2018:

(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	¥ 23,900,000	¥ 23,900,000	¥100,798	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	93,900,000	82,550,000	*	
Total			¥117,800,000	¥106,450,000	¥100,798	

(*) 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 and interest-rate cap contracts as of April 30, 2018:

(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	¥ 17,900,000	¥ 17,900,000	¥60,587	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	97,400,000	88,750,000	*	
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term loans payable	500,000	—	*	
Total			¥115,800,000	¥106,650,000	¥60,587	

(*1) Interest-rate swaps and interest-rate caps for which the special treatment is applied are accounted for together with the underlying hedged item. As a result, their fair value is included in the fair value of the hedged long-term loans payable.

16. INVESTMENT AND RENTAL PROPERTIES

Twenty-seventh fiscal period (from May 1, 2018 to October 31, 2018)

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, 2018	Net change	As of October 31, 2018	As of October 31, 2018 (In thousands of yen)
¥396,308,119	¥12,696,581	¥409,004,701	¥465,637,000

*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. Fair value at the end of the fiscal period under review of Frame Jinnan-zaka (51.0% of quasi co-ownership interest) that was sold on November 1, 2018 is calculated based on the sale price (¥5,253,000 thousand) in the transaction agreement on May 14, 2018.

*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 ¥20,841,117 thousand, the sales of two properties totaling ¥6,714,787 thousand and depreciation amounting to ¥2,358,382 thousand.

Income and loss in the fiscal period ended October 31, 2018 for real estate for rental purposes is listed in Note 12 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY."

Twenty-sixth fiscal period (from November 1, 2017 to April 30, 2018)

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, 2017	Net change	As of April 30, 2018	As of April 30, 2018 (In thousands of yen)
¥382,081,158	¥14,226,960	¥396,308,119	¥442,773,000

*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. Fair value at the end of the fiscal period under review of KDX Hamamatsucho Dai-2 Building and Frame Jinnan-zaka (49.0% of quasi co-ownership interest) that were sold on July 2, 2018 and Frame Jinnan-zaka (51.0% of quasi co-ownership interest) that is scheduled to be sold on November 1, 2018 are calculated based on the sale price (¥12,550,000 thousand) in the transaction agreement on May 14, 2018.

*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 ¥24,692,691 thousand, the sales of three properties totaling ¥9,056,075 thousand and depreciation amounting to ¥2,295,308 thousand.

Income and loss in the fiscal period ended April 30, 2018 for real estate for rental purposes is listed in Note 12 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY."

17. SEGMENT AND RELATED INFORMATION

Twenty-seventh fiscal period (from May 1, 2018 to October 31, 2018)

(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-sixth fiscal period (from November 1, 2017 to April 30, 2018)

(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.

18. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

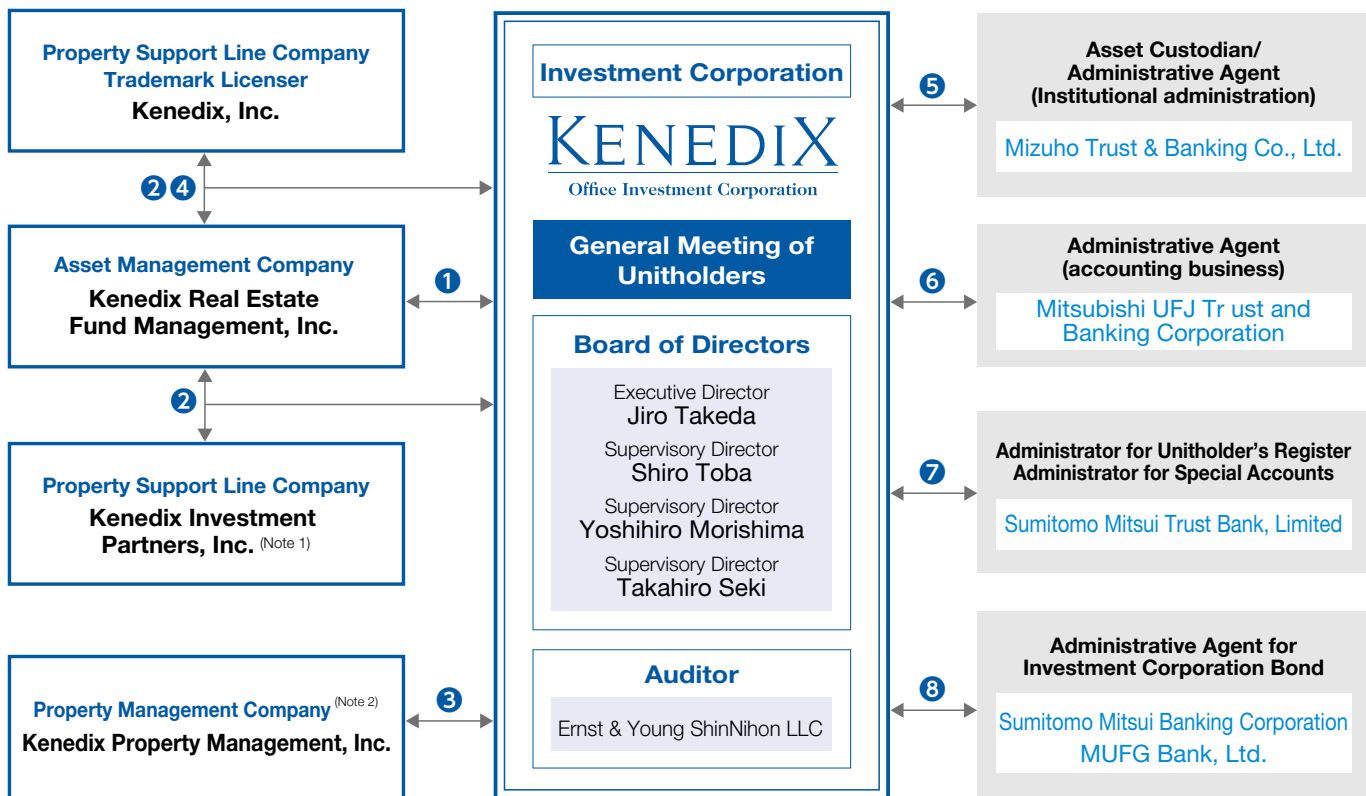
19. DISTRIBUTIONS

Yen

	Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018)	Twenty-sixth fiscal period (From November 1, 2017 to April 30, 2018)
I. Retained earnings at the end of period	¥6,107,886,067	¥5,828,847,806
II. Total distributions	¥5,766,887,580	¥5,247,309,600
Distributions per unit	¥ 13,458	¥ 12,960
III. Voluntary reserve (provision)		
Provision of reserve for reduction entry	¥ 340,998,487	¥ 581,538,206
IV. Retained earnings brought forward to the next period	—	—
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 that, of the amount remaining after the provision of reserve for reduction entry as stipulated in Article 66-2 of the Act on Special Measures Concerning Taxation is deducted from unappropriated retained earnings, it shall distribute the outstanding ¥5,766,887,580 as profit distribution.</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 that, of the amount remaining after the provision of reserve for reduction entry as stipulated in Article 66-2 of the Act on Special Measures Concerning Taxation is deducted from unappropriated retained earnings, it shall distribute the outstanding ¥5,247,309,600 as profit distribution.</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>

Outline of Kenedix Office Investment Corporation (as of November 1, 2018)

Structure of Investment Corporation

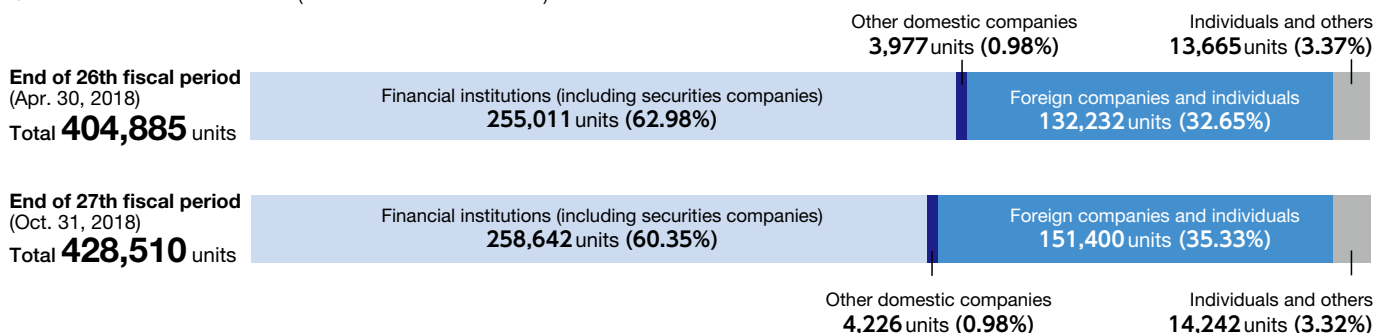


- ① Asset management agreement
- ② Memorandum of Understanding on providing real estate information
- ③ Property management agreement
- ④ Trademark licensing agreement
- ⑤ Asset custodian agreement / Administrative agency agreement (institutional administration)
- ⑥ Administrative agency agreement (accounting business)
- ⑦ Unitholder registry administrator agreement/ Special accounts administration agreement
- ⑧ Financial agency agreement

Note 1: On November 1, 2018, Kenedix Investment Partners, Inc. was added to a party on a property information provision memorandum of understanding.
 Note 2: Several properties are not under the property management of Kenedix Property Management, Inc.

Investment units

Unitholder structure (investment unit basis) (Note)

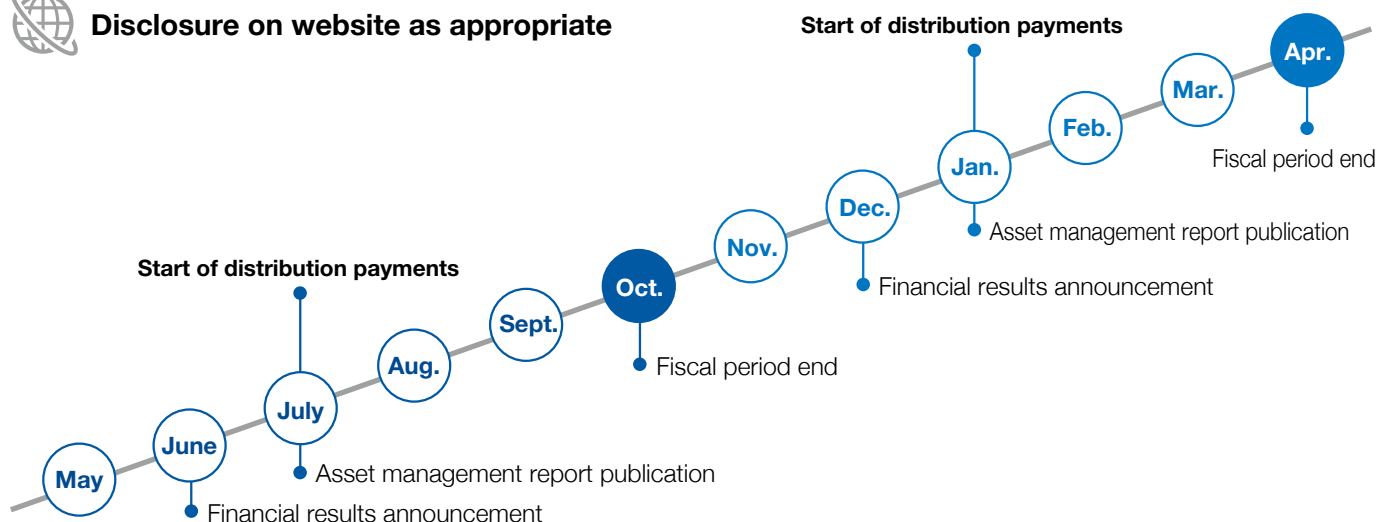


Note: Ratios rounded down to second decimal place.

● IR schedule



Disclosure on website as appropriate



● Unitholder memorandum

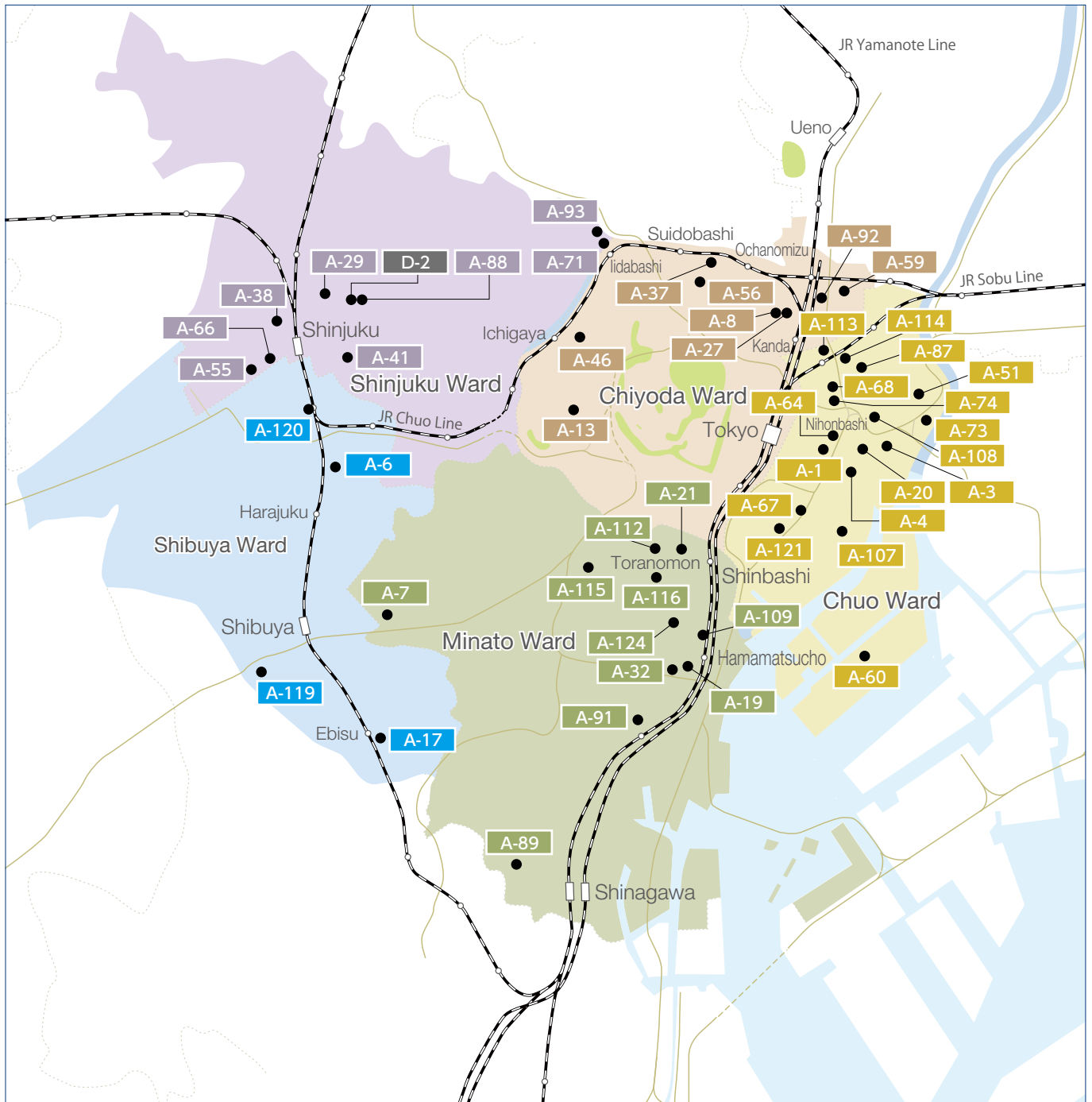
Fiscal period ends	April 30 and October 31
General Meeting of Unitholders	In principal, at least once every two years
Unitholder voting date	Prescribed in Article 16 of the Articles of Incorporation
Distribution payment dates	Ends of April and October (within three months of payment confirmation date)
Listing	Tokyo Stock Exchange (stock code: 8972)
Newspaper for public announcements	Nihon Keizai Shimbun
Unitholder registry and special account administrator	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Postal address and telephone inquiries	Stock Transfer Agency Division Sumitomo Mitsui Trust Bank, Limited 8-4 Izumi 2-chome, Suginami-ku, Tokyo Toll-free tel: 0120 782 031

● Distribution payment

During receipt period	Take your distribution receipt to the head or branch offices of Japan Post Bank, Ltd. or post offices (bank agents).
After receipt period	Specify the receipt method on the back of the distribution receipt and mail it to the Stock Transfer Agency Division of Sumitomo Mitsui Trust Bank, Limited, or receive the distribution at a branch of the bank.
Receiving future dividends	Distributions can be paid by remittances to bank or ordinary postal savings accounts. If transfer designations or other procedures are preferred, you should, in principle, contact the brokerage with which you have an account. If you do not have a brokerage account and have a special account, contact Sumitomo Mitsui Trust Bank, Limited, the institution for managing special accounts.
Exclusions	Under the Articles of Incorporation of the Investment Corporation, you cannot receive distributions after three years have passed since distribution payments start, so please receive them as soon as possible.

Portfolio Map (as of November 1, 2018)

Tokyo metropolitan area (Tokyo central five wards)

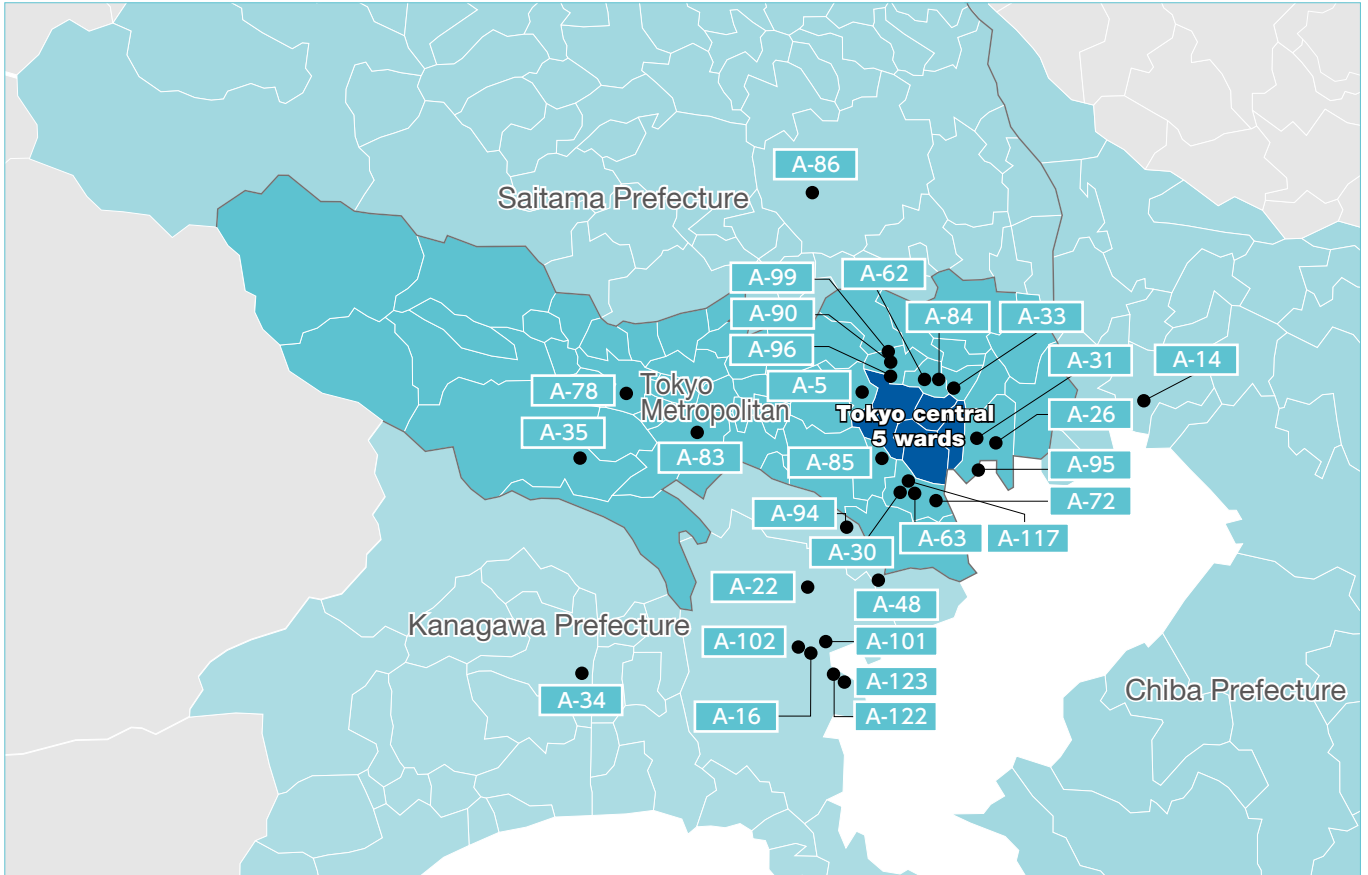




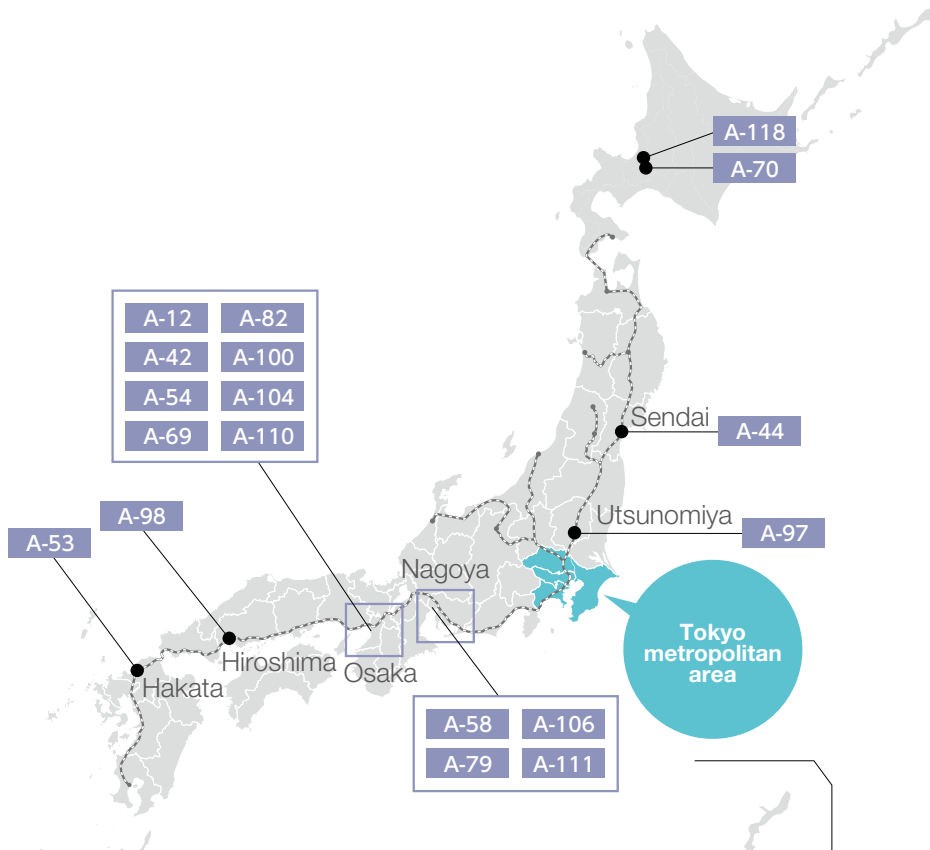
Acquired in the 27th fiscal period

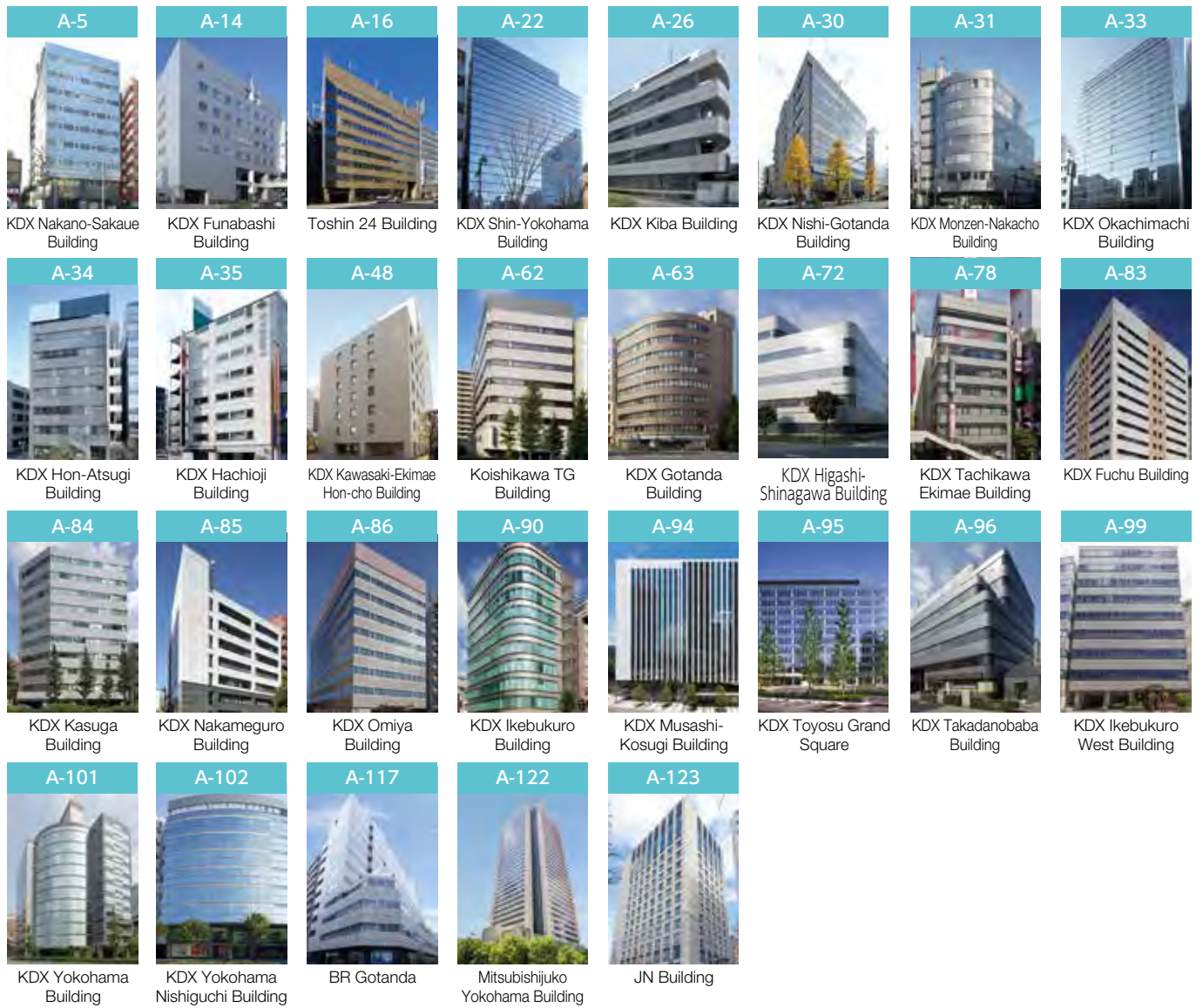
Portfolio Map (as of November 1, 2018)

Tokyo metropolitan area (excluding central five wards)



Other regional areas





- The properties acquired during the 27th fiscal period (Oct. 2018) are marked with a red box.
- The properties sold during the 28th fiscal period (Apr. 2019) are marked with a yellow box.

Office Buildings (Tokyo Metropolitan Area (Tokyo central five wards))

	No.	Property Name	Location	Acquisition Price (mn yen) <small>(Note 1)</small>	Year Built <small>(Note 2)</small>	Occupancy Rate <small>(Note 3)</small>	
Office Building	Tokyo Metropolitan Area (Tokyo central five wards)	A-1	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	Apr. 1974	100.0%
		A-3	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	Jan. 1987	100.0%
		A-4	KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	Jun. 1993	100.0%
		A-20	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	Oct. 1987	100.0%
		A-51	KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	Sep. 1988	100.0%
		A-60	KDX Harumi Building	Chuo-ku, Tokyo	10,250	Feb. 2008	90.7%
		A-64	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	Oct. 2006	100.0%
		A-67	KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	Nov. 1991	100.0%
		A-68	KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	Jan. 1984	88.3%
		A-73	KDX Hakozaki Building	Chuo-ku, Tokyo	2,710	Nov. 1993	100.0%
		A-74	KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	Nov. 2002	100.0%
		A-87	Itopia Nihonbashi SA Building	Chuo-ku, Tokyo	2,200	Jul. 1995	100.0%
		A-107	KDX Ginza East Building	Chuo-ku, Tokyo	3,600	Aug. 1991	100.0%
		A-108	Pentel Building	Chuo-ku, Tokyo	3,350	Nov. 1990	100.0%
		A-113	KDX Shin-Nihonbashi Ekimae Building	Chuo-ku, Tokyo	3,829	May 1992	100.0%
		A-114	KDX Nihonbashi Edo-dori Building	Chuo-ku, Tokyo	1,350	Mar. 1985	100.0%
		A-121	Ginza 4chome Tower	Chuo-ku, Tokyo	9,800	Nov. 2008	98.2%
		A-7	KDX Minami Aoyama Building	Minato-ku, Tokyo	2,270	Nov. 1988	100.0%
		A-19	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	Sep. 1999	100.0%
		A-21	KDX Shinbashi Building	Minato-ku, Tokyo	3,728	Feb. 1992	100.0%
		A-32	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	Jul. 1986	100.0%
		A-89	KDX Takawadai Building	Minato-ku, Tokyo	5,250	Oct. 1985	100.0%
		A-91	KDX Mita Building	Minato-ku, Tokyo	3,180	Mar. 1993	100.0%
		A-109	KDX Hamamatsucho Center Building	Minato-ku, Tokyo	3,950	Dec. 1985	100.0%
		A-112	KDX Toranomom 1chome Building	Minato-ku, Tokyo	15,550	Oct. 2013	100.0%
		A-115	ARK Mori Building	Minato-ku, Tokyo	4,169	Mar. 1986	100.0%
		A-116	KDX Nishi-Shinbashi Building	Minato-ku, Tokyo	8,400	Aug. 1992	100.0%
		A-124	CROSS PLACE Hamamatsucho	Minato-ku, Tokyo	20,700	Feb. 2015	100.0%
		A-8	Kanda Kihara Building	Chiyoda-ku, Tokyo	1,950	May 1993	100.0%
		A-13	KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	May 1994	100.0%
		A-27	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	Mar. 1990	100.0%
		A-37	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	Aug. 1982	100.0%
		A-46	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	Mar. 1988	99.8%
		A-56	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	May 1994	100.0%
		A-59	KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	Mar. 2008	100.0%
		A-92	KDX Akihabara Building	Chiyoda-ku, Tokyo	2,600	Dec. 1973	100.0%
		A-29	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	Jan. 1990	100.0%
		A-38	KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	Oct. 1992	100.0%
		A-41	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	Aug. 1989	100.0%
		A-55	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	Jul. 1990	100.0%
		A-66	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	May 1993	98.3%
A-71	KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	Mar. 1990	100.0%		
A-88	KDX Shinjuku 6-chome Building	Shinjuku-ku, Tokyo	1,900	Mar. 1990	100.0%		
A-93	KDX Iidabashi Square	Shinjuku-ku, Tokyo	4,350	Jan. 1994	100.0%		
A-6	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	Nov. 1985	100.0%		
A-17	KDX Ebisu Building	Shibuya-ku, Tokyo	4,640	Jan. 1992	100.0%		
A-119	KDX Shibuya Nanpeidai Building	Shibuya-ku, Tokyo	3,500	Dec. 2003	100.0%		
A-120	KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	Aug. 1991	100.0%		
Office Buildings (Tokyo Metropolitan Area (Tokyo central five wards)) Subtotal (48 properties)				216,730	—	99.2%	

Office Buildings (Tokyo Metropolitan Area (excluding central five wards))

	No.	Property Name	Location	Acquisition Price (mn yen) <small>(Note 1)</small>	Year Built <small>(Note 2)</small>	Occupancy Rate <small>(Note 3)</small>	
Office Building	Tokyo Metropolitan Area (excluding central five wards)	A-5	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	Aug. 1992	98.2%
		A-14	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	100.0%
		A-16	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	94.1%
		A-22	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	100.0%
		A-26	KDX Kiba Building	Koto-ku, Tokyo	1,580	Oct. 1992	100.0%
		A-30	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	Nov. 1992	100.0%
		A-31	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	Sep. 1986	100.0%
		A-33	KDX Okachimachi Building	Taito-ku, Tokyo	2,000	Jun. 1988	100.0%
		A-34	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May 1995	84.5%
		A-35	KDX Hachioji Building	Hachioji, Tokyo	1,155	Dec. 1985	100.0%

	No.	Property Name	Location	Acquisition Price (mn yen) ^(Note 1)	Year Built ^(Note 2)	Occupancy Rate ^(Note 3)
Office Building	A-48	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	Feb. 1985	100.0%
	A-62	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	Nov. 1989	100.0%
	A-63	KDX Gotanda Building	Shinagawa-ku, Tokyo	2,620	Apr. 1988	100.0%
	A-72	KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	Jan. 1993	100.0%
	A-78	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	Feb. 1990	100.0%
	A-83	KDX Fuchu Building	Fuchu, Tokyo	6,120	Mar. 1996	98.2%
	A-84	KDX Kasuga Building	Bunkyo-ku, Tokyo	2,800	Jun. 1992	100.0%
	A-85	KDX Nakameguro Building	Meguro-ku, Tokyo	1,880	Oct. 1985	100.0%
	A-86	KDX Omiya Building	Saitama, Saitama	2,020	Apr. 1993	100.0%
	A-90	KDX Ikebukuro Building	Toshima-ku, Tokyo	3,900	Mar. 2009	100.0%
	A-94	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	May 2013	100.0%
	A-95	KDX Toyosu Grand Square	Koto-ku, Tokyo	8,666	Apr. 2008	100.0%
	A-96	KDX Takadanobaba Building	Toshima-ku, Tokyo	3,650	Oct. 1988	100.0%
	A-99	KDX Ikebukuro West Building	Toshima-ku, Tokyo	1,934	Jul. 1988	100.0%
	A-101	KDX Yokohama Building	Yokohama, Kanagawa	7,210	Mar. 1994	97.5%
A-102	KDX Yokohama Nishiguchi Building	Yokohama, Kanagawa	2,750	Oct. 1988	100.0%	
A-117	BR Gotanda	Shinagawa-ku, Tokyo	2,200	Sep. 1991	100.0%	
A-122	Mitsubishijuko Yokohama Building	Yokohama, Kanagawa	14,720	Feb. 1994	100.0%	
A-123	JN Building	Yokohama, Kanagawa	9,500	Sep. 2007	100.0%	
Office Buildings (Tokyo Metropolitan Area (excluding central five wards)) Subtotal (29 properties)				118,912	—	99.1%

Office Buildings (Other Regional Areas)

	No.	Property Name	Location	Acquisition Price (mn yen) ^(Note 1)	Year Built ^(Note 2)	Occupancy Rate ^(Note 3)
Office Building	A-12	Portus Center Building	Sakai, Osaka	5,570	Sep. 1993	100.0%
	A-42	KDX Karasuma Building	Kyoto, Kyoto	5,400	Oct. 1982	100.0%
	A-44	KDX Sendai Building	Sendai, Miyagi	2,100	Feb. 1984	100.0%
	A-53	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun. 1973	95.1%
	A-54	KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	100.0%
	A-58	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Apr. 2009	100.0%
	A-69	KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	Jul. 2009	100.0%
	A-70	KDX Sapporo Building	Sapporo, Hokkaido	2,005	Oct. 1989	100.0%
	A-79	KDX Nagoya Ekimae Building	Nagoya, Aichi	7,327	Apr. 1986	100.0%
	A-82	KDX Higashi Umeda Building	Osaka, Osaka	2,770	Jul. 2009	100.0%
	A-97	KDX Utsunomiya Building	Utsunomiya, Tochigi	2,350	Feb. 1999	89.0%
	A-98	KDX Hiroshima Building	Hiroshima, Hiroshima	1,300	Jan. 1990	100.0%
	A-100	Senri Life Science Center Building	Toyonaka, Osaka	13,000	Jun. 1992	99.8%
	A-104	KDX Minami-Honmachi Building	Osaka, Osaka	2,200	Dec. 2009	96.4%
	A-106	KDX Sakura-dori Building	Nagoya, Aichi	5,900	Aug. 1992	100.0%
	A-110	KDX Shin-Osaka Building	Osaka, Osaka	4,550	May 1992	100.0%
	A-111	KDX Nagoya Nichigin-mae Building	Nagoya, Aichi	3,500	Sep. 2006	100.0%
A-118	KDX Sapporo Kitaguchi Building	Sapporo, Hokkaido	1,800	Sep. 1992	100.0%	
Office Buildings (Other Regional Areas) Subtotal (18 properties)				77,312	—	99.0%

Office Buildings Total (95 properties)

412,955 Avg. 22.9 years 99.1%

Central Urban Retail Property and Others

	No.	Property Name	Location	Acquisition Price (mn yen) ^(Note 1)	Year Built ^(Note 2)	Occupancy Rate ^(Note 3)
Central Urban Retail Property	C-1	Frame Jinnan-zaka ^(Note 4)	Shibuya-ku, Tokyo	5,049	Mar. 2005	100.0%
Central Urban Retail Property Subtotal (1 property)				5,049	Avg. 13.5 years	100.0%
Others	D-2	Shinjuku 6chome Building (Land)	Shinjuku-ku, Tokyo	2,880	—	100.0%
Others Subtotal (1 property)				2,880	—	100.0%
Total (97 properties)				420,884	Avg. 22.8 years	99.1%

Category	Investment Security Name	Underlying Asset Name	Underlying Asset Location	Investment Security Price (mn yen) ^(Note 1)	Underlying Asset Year Built
Investment Security	G.K. KRF 43 Silent Partnership Equity Interest ^(Note 5)	Shinjuku Sanei Building	Shinjuku-ku, Tokyo	1,107	Dec. 1979
Investment Security Total (one security)				1,107	

- Note 1: Acquisition price is only the acquisition (investment) price of real estate or trust beneficiary interests in real estate (excluding any expenses, taxes, etc.) acquired by KDO. Figures are truncated to the nearest million yen.
- Note 2: Year built shows the completion date recorded in the real estate register. The average value shown in the subtotal or total section is a weighted-average number calculated based on acquisition price with a base date of October 31, 2018. Figures are truncated to the first decimal place.
- Note 3: Occupancy rate is calculated by dividing leased area as of October 31, 2018 by leasable area and is rounded to the first decimal place. The subtotal and total lines show the figures calculated by dividing the subtotal (total) of the leased area for the property associated with each subtotal and total by the subtotal (total) of the leasable area. For the Pentel Building, this includes the leasable area associated with the land (land interest) specified in the lease agreement. For the Shinjuku 6chome Building (Land), the calculation is based on the leasable area of the land specified in the lease agreement.
- Note 4: Frame Jinnan-zaka was listed as quasi co-ownership of 51.0% as of the end of the 27th fiscal period (Oct. 2018) but was sold as of November 1, 2018.
- Note 5: The said maps and photographs do not include investment securities owned by KDO.

KENEDIX

Office Investment Corporation

www.kdo-reit.com/en/

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The financial statements of KDO have been prepared in accordance with generally accepted accounting principles in Japan (Japanese GAAP), which may materially differ in certain respects from generally accepted accounting principles of other jurisdictions.

This semiannual report contains forward-looking statements. These statements appear in a number of places in this semiannual report and include statements regarding the intent, belief, or current and future expectations of KDO or KFM with respect to its business, financial condition, and results of operations. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance, or achievements, or those of the industries in which we operate, may differ materially from any future results, performance, or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates, and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Accordingly, readers of this document should not interpret the forward-looking statements included herein as predictions or representations of future events or circumstances.

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