

# Financial Summary (Unaudited)

Historical Operating Trends  
For the 27th-31st Fiscal Periods

Period	Unit	27th Period (as of Oct. 31, 2018)	28th Period (as of Apr. 30, 2019)	29th Period (as of Oct. 31, 2019)	30th Period (as of Apr. 30, 2020)	31st Period (as of Oct. 31, 2020)
Operating revenues	millions of yen	15,420	15,212	15,027	15,272	<b>16,714</b>
(Rental revenues)	millions of yen	14,802	14,595	14,959	15,215	<b>15,583</b>
Operating expenses	millions of yen	8,271	8,039	8,199	8,132	<b>8,380</b>
(Property-related expenses)	millions of yen	7,105	6,880	7,092	7,008	<b>7,086</b>
Operating income	millions of yen	7,148	7,172	6,828	7,140	<b>8,334</b>
Ordinary income	millions of yen	6,109	6,179	5,845	6,177	<b>7,311</b>
Net income (a)	millions of yen	6,107	6,178	5,844	6,175	<b>7,310</b>
Total assets (b) (Period-on-period change)	millions of yen %	437,221 (+3.4)	436,753 (-0.1)	439,773 (+0.7)	447,707 (+1.8)	<b>459,719 (+2.7)</b>
Interest-bearing debt (c) (Period-on-period change)	millions of yen %	183,050 (-1.5)	182,050 (-0.5)	185,050 (+1.6)	192,050 (+3.8)	<b>201,750 (+5.1)</b>
Unitholders' equity (d) (Period-on-period change)	millions of yen %	229,313 (+7.3)	229,440 (+0.1)	229,276 (-0.1)	229,589 (+0.1)	<b>230,665 (+0.5)</b>
Unitholders' capital (Period-on-period change)	millions of yen %	220,970 (+7.2)	220,970 (0.0)	220,970 (0.0)	220,970 (0.0)	<b>220,970 (0.0)</b>
Number of investment units issued and outstanding (e)	unit	428,510	428,510	428,510	428,510	<b>428,510</b>
Unitholders' equity per unit (d)/(e)	yen	535,141	535,437	535,054	535,786	<b>538,295</b>
Total distribution (f)	millions of yen	5,766	5,878	5,844	6,175	<b>6,592</b>
Distribution per unit (f)/(e)	yen	13,458	13,719	13,639	14,412	<b>15,384</b>
(Earnings distributed per unit)	yen	13,458	13,719	13,639	14,412	<b>15,384</b>
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.4 (2.8)	1.4 (2.9)	1.3 (2.6)	1.4 (2.8)	<b>1.6 (3.2)</b>
Return on net assets (annualized) (Notes 2 and 3)	%	2.8 (5.5)	2.7 (5.4)	2.5 (5.1)	2.7 (5.4)	<b>3.2 (6.3)</b>
Net assets ratio at end of period (d)/(b) (Period-on-period change)	%	52.4 (+1.9)	52.5 (+0.1)	52.1 (-0.4)	51.3 (-0.9)	<b>50.2 (-1.1)</b>
Interest-bearing debt ratio at end of period (c)/(b) (Period-on-period change)	%	41.9 (-2.1)	41.7 (-0.2)	42.1 (+0.4)	42.9 (+0.8)	<b>43.9 (+1.0)</b>
Payout ratio (Note 4) (f)/(a)	%	94.4	95.1	99.9	99.9	<b>90.1</b>
Other references						
Number of properties	properties	97	96	97	99	<b>98</b>
Total leasable floor area	m <sup>2</sup>	471,041.45	468,528.20	480,328.18	488,127.53	<b>488,010.71</b>
Occupancy rate at end of period	%	99.1	99.2	99.5	99.5	<b>98.1</b>
Depreciation expenses for the period	millions of yen	2,358	2,369	2,419	2,470	<b>2,523</b>
Capital expenditures for the period	millions of yen	925	1,231	1,426	1,485	<b>1,251</b>
Leasing NOI (Net Operating Income) (Note 5)	millions of yen	10,055	10,084	10,287	10,676	<b>11,019</b>
FFO (Funds From Operation) (Note 6)	millions of yen	7,934	7,983	8,265	8,646	<b>8,776</b>
FFO per unit (Note 7)	yen	18,516	18,630	19,287	20,178	<b>20,480</b>

- 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 27th Fiscal Period are calculated based on a period of 184 days, 181 days for the 28th Fiscal Period, 184 days for the 29th Fiscal Period, 182 days for the 30th Fiscal Period, and 184 days for the 31st 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)

# Kenedix Office Investment Corporation

## Balance Sheet

As of October 31, 2020

	As of October 31, 2020		As of April 30, 2020	
	In thousands of yen			
<b>Assets</b>				
<b>Current assets</b>				
Cash and deposits (Notes 4 and 16)	¥	16,128,897	¥	14,699,777
Cash and deposits in trust (Notes 4 and 16)		12,042,095		11,470,987
Operating accounts receivable		336,234		277,457
Prepaid expenses		109,949		74,600
Other		13,766		12,394
<b>Total current assets</b>		<b>28,630,942</b>		<b>26,535,218</b>
<b>Non-current assets</b>				
Property, plant and equipment (Notes 5 and 18)				
Buildings				
Buildings		17,975,653		17,951,815
Accumulated depreciation		(6,526,749)		(6,221,158)
Buildings, net		11,448,903		11,730,656
Structures				
Structures		43,564		43,564
Accumulated depreciation		(17,805)		(16,589)
Structures, net		25,759		26,974
Machinery and equipment				
Machinery and equipment		435,359		432,209
Accumulated depreciation		(284,721)		(272,362)
Machinery and equipment, net		150,638		159,847
Tools, furniture and fixtures				
Tools, furniture and fixtures		99,918		96,841
Accumulated depreciation		(68,421)		(64,691)
Tools, furniture and fixtures, net		31,496		32,150
Land				
Land		27,520,902		27,520,902
Buildings in trust (Note 8)				
Buildings in trust		128,754,352		126,874,865
Accumulated depreciation		(35,161,391)		(33,269,306)
Buildings in trust, net		93,592,960		93,605,558
Structures in trust				
Structures in trust		379,369		362,902
Accumulated depreciation		(191,656)		(179,886)
Structures in trust, net		187,712		183,016
Machinery and equipment in trust				
Machinery and equipment in trust		1,876,485		1,741,678
Accumulated depreciation		(850,091)		(796,661)
Machinery and equipment in trust, net		1,026,394		945,017
Tools, furniture and fixtures in trust				
Tools, furniture and fixtures in trust		561,026		528,530
Accumulated depreciation		(365,732)		(346,706)
Tools, furniture and fixtures in trust, net		195,294		181,824
Land in trust				
Land in trust		293,726,525		283,648,781
Construction in progress in trust				
Construction in progress in trust		6,150		–
<b>Total property, plant and equipment, net</b>		<b>427,912,737</b>		<b>418,034,728</b>
<b>Intangible assets (Note 5)</b>				
Leasehold right (Note 18)				
Leasehold right (Note 18)		285,257		285,257
Leasehold right in trust (Note 18)				
Leasehold right in trust (Note 18)		348,426		349,201
Other		540		1,168
<b>Total intangible assets</b>		<b>634,225</b>		<b>635,627</b>
<b>Investments and other assets</b>				
Investment securities (Note 16)				
Investment securities (Note 16)		1,137,526		1,127,724
Lease and guarantee deposits				
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust				
Lease and guarantee deposits in trust		122,889		122,889
Long-term prepaid expenses				
Long-term prepaid expenses		1,183,120		1,150,151
Other (Notes 11, 16 and 17)		21,676		20,501
<b>Total investments and other assets</b>		<b>2,475,213</b>		<b>2,431,266</b>
<b>Total non-current assets</b>		<b>431,022,176</b>		<b>421,101,622</b>
<b>Deferred assets</b>				
Investment corporation bond issuance costs				
Investment corporation bond issuance costs		57,394		51,840
Investment unit issuance costs				
Investment unit issuance costs		9,171		18,342
<b>Total deferred assets</b>		<b>66,565</b>		<b>70,182</b>
<b>Total assets</b>	¥	<b>459,719,684</b>	¥	<b>447,707,022</b>

	As of October 31, 2020		As of April 30, 2020	
	In thousands of yen			
<b>Liabilities</b>				
<b>Current liabilities</b>				
Operating accounts payable	¥	1,496,596	¥	829,804
Short-term loans payable (Notes 7 and 16)		12,500,000		9,500,000
Current portion of long-term loans payable (Notes 7,16 and 17)		23,000,000		22,300,000
Accounts payable–other		679,554		486,379
Accrued expenses		79,227		71,983
Income taxes payable		756		825
Accrued consumption taxes		304,821		378,113
Advances received		2,678,412		2,821,477
Deposits received		3,799		7,225
<b>Total current liabilities</b>		<b>40,743,168</b>		<b>36,395,810</b>
<b>Non-current liabilities</b>				
Investment corporation bonds (Notes 7 and 16)		11,000,000		10,000,000
Long-term loans payable (Notes 7, 16 and 17)		155,250,000		150,250,000
Tenant leasehold and security deposits		2,007,851		2,005,687
Tenant leasehold and security deposits in trust		19,640,709		19,113,024
Other (Notes 16 and 17)		412,880		352,748
<b>Total non-current liabilities</b>		<b>188,311,441</b>		<b>181,721,460</b>
<b>Total liabilities</b>		<b>229,054,609</b>		<b>218,117,270</b>
<b>Net Assets</b>				
<b>Unitholders' equity</b>				
Unitholders' capital		220,970,508		220,970,508
<b>Surplus</b>				
<b>Voluntary retained earnings</b>				
Reserve for reduction entry		2,775,335		2,775,335
<b>Total voluntary retained earnings</b>		<b>2,775,335</b>		<b>2,775,335</b>
<b>Unappropriated retained earnings</b>		<b>7,310,459</b>		<b>6,175,926</b>
<b>Total surplus</b>		<b>10,085,794</b>		<b>8,951,261</b>
<b>Total unitholders' equity</b>		<b>231,056,303</b>		<b>229,921,769</b>
<b>Valuation and translation adjustments</b>				
Deferred gains or losses on hedges (Notes 16 and 17)		(391,228)		(332,017)
<b>Total valuation and translation adjustments</b>		<b>(391,228)</b>		<b>(332,017)</b>
<b>Total net assets (Note 12)</b>		<b>230,665,074</b>		<b>229,589,752</b>
<b>Total liabilities and net assets</b>	¥	<b>459,719,684</b>	¥	<b>447,707,022</b>

See accompanying notes to the financial statements.

# Kenedix Office Investment Corporation

## Statement of Income and Retained Earnings

For the period from May 1, 2020 to October 31, 2020

	From May 1, 2020 to October 31, 2020	From November 1, 2019 to April 30, 2020
In thousands of yen		
Operating revenues		
Rent revenue – real estate (Note 14)	¥ 13,757,065	¥ 13,429,120
Other lease business revenue (Note 14)	1,826,092	1,785,979
Gain on sale of real estate properties (Note 14)	1,057,790	–
Dividends income	73,522	57,600
<b>Total operating revenues</b>	<b>16,714,470</b>	<b>15,272,699</b>
Operating expenses		
Expenses related to rent business (Note 14)	7,086,783	7,008,903
Asset management fees	1,110,211	929,882
Directors' compensation	8,400	8,400
Asset custody fees	23,431	23,193
Administrative service fees	58,207	57,595
Audit fees	12,800	12,800
Other operating expenses	80,234	91,860
<b>Total operating expenses</b>	<b>8,380,067</b>	<b>8,132,635</b>
<b>Operating income</b>	<b>8,334,402</b>	<b>7,140,064</b>
Non-operating income		
Interest income	69	68
Gain on forfeiture of unclaimed dividends	309	353
Interest on refund	3	109
<b>Total non-operating income</b>	<b>382</b>	<b>531</b>
Non-operating expenses		
Interest expenses	805,749	792,200
Interest expenses on investment corporation bonds	30,712	29,038
Financing-related expenses	128,471	125,667
Amortization of investment corporation bond issuance costs	5,551	4,963
Amortization of investment unit issuance costs	9,171	9,171
Other non-operating expenses	43,783	2,352
<b>Total non-operating expenses</b>	<b>1,023,438</b>	<b>963,393</b>
<b>Ordinary income</b>	<b>7,311,346</b>	<b>6,177,202</b>
<b>Income before income taxes</b>	<b>7,311,346</b>	<b>6,177,202</b>
Income taxes (Note 11)		
Current	1,115	1,332
Deferred	11	(4)
<b>Total income taxes</b>	<b>1,126</b>	<b>1,328</b>
<b>Net income</b>	<b>7,310,219</b>	<b>6,175,873</b>
Retained earnings brought forward	240	52
<b>Unappropriated retained earnings</b>	<b>¥ 7,310,459</b>	<b>¥ 6,175,926</b>

See accompanying notes to the financial statements.

# Kenedix Office Investment Corporation

## Statement of Changes in Net Assets

For the period from May 1, 2020 to October 31, 2020

	Unitholders' equity (Note 6)						Valuation and translation adjustments	Total net assets
	Surplus					Total unitholders' equity	Deferred gains or losses on hedges	
	Unitholders' capital	Reserve for reduction entry	Voluntary retained earnings	Unappropriated retained earnings (Note 21)	Total surplus			
In thousands of yen								
Balance as of October 31, 2019	¥ 220,970,508	¥ 2,775,335	¥ 5,844,500	¥ 8,619,835	¥ 229,590,343	¥ (314,241)	¥ 229,276,102	
Changes during the fiscal period								
Dividends of surplus	-	-	(5,844,447)	(5,844,447)	(5,844,447)	-	(5,844,447)	
Net income	-	-	6,175,873	6,175,873	6,175,873	-	6,175,873	
Net changes of items other than unitholders' equity	-	-	-	-	-	(17,776)	(17,776)	
Total changes during the fiscal period	-	-	331,425	331,425	331,425	(17,776)	313,649	
Balance as of April 30, 2020	¥ 220,970,508	¥ 2,775,335	¥ 6,175,926	¥ 8,951,261	¥ 229,921,769	¥ (332,017)	¥ 229,589,752	
Changes during the fiscal period								
Dividends of surplus	-	-	(6,175,686)	(6,175,686)	(6,175,686)	-	(6,175,686)	
Net income	-	-	7,310,219	7,310,219	7,310,219	-	7,310,219	
Net changes of items other than unitholders' equity	-	-	-	-	-	(59,211)	(59,211)	
Total changes during the fiscal period	-	-	1,134,533	1,134,533	1,134,533	(59,211)	1,075,322	
Balance as of October 31, 2020	¥ 220,970,508	¥ 2,775,335	¥ 7,310,459	¥ 10,085,794	¥ 231,056,303	¥ (391,228)	¥ 230,665,074	

See accompanying notes to the financial statements.

## Kenedix Office Investment Corporation Statement of Cash Flows

For the period from May 1, 2020 to October 31, 2020

	From May 1, 2020 to October 31, 2020	From November 1, 2019 to April 30, 2020
	In thousands of yen	
Cash flows from operating activities		
Income before income taxes	¥ 7,311,346	¥ 6,177,202
Depreciation	2,523,749	2,470,882
Amortization of long-term prepaid expenses	118,931	117,317
Interest income	(69)	(68)
Interest expenses	836,461	821,239
Amortization of investment unit issuance costs	9,171	9,171
Amortization of investment corporation bond issuance costs	5,551	4,963
Decrease (increase) in operating accounts receivable	(58,776)	83,749
Decrease (increase) in consumption taxes receivable	–	61,789
Decrease (increase) in prepaid expenses	(35,348)	35,176
Increase (decrease) in operating accounts payable	287,784	(194,273)
Increase (decrease) in accounts payable–other	189,242	10,954
Increase (decrease) in accrued consumption taxes	(73,292)	245,758
Increase (decrease) in advances received	(143,064)	256,430
Increase (decrease) in deposits received	(3,426)	(9,087)
Decrease in property, plant and equipment in trust due to sale	5,287,017	–
Decrease (increase) in long-term prepaid expenses	(151,900)	(35,245)
Other, net	(14,249)	1,953
Subtotal	16,089,127	10,057,914
Interest income received	69	68
Interest expenses paid	(829,217)	(819,195)
Income taxes paid	(835)	(812)
Net cash provided by (used in) operating activities	15,259,143	9,237,974
Cash flows from investing activities		
Purchases of property, plant and equipment	(28,038)	(143,355)
Purchases of property, plant and equipment in trust	(17,408,155)	(9,814,320)
Repayments of tenant leasehold and security deposits	(111,848)	(28,690)
Proceeds from tenant leasehold and security deposits	99,089	29,040
Repayments of tenant leasehold and security deposits in trust	(623,681)	(317,128)
Proceeds from tenant leasehold and security deposits in trust	1,296,269	675,899
Payments of restricted deposits in trust	–	(74,775)
Proceeds from restricted deposits in trust	89,059	21,551
Net cash provided by (used in) investing activities	(16,687,305)	(9,651,778)
Cash flows from financing activities		
Proceeds from short-term loans payable	4,000,000	9,500,000
Repayments of short-term loans payable	(1,000,000)	(2,200,000)
Proceeds from long-term loans payable	16,800,000	8,200,000
Repayments of long-term loans payable	(11,100,000)	(10,500,000)
Proceeds from issuance of investment corporation bonds	992,122	1,990,031
Dividends paid	(6,174,673)	(5,844,312)
Net cash provided by (used in) financing activities	3,517,449	1,145,719
Net increase (decrease) in cash and cash equivalents	2,089,287	731,914
Cash and cash equivalents at the beginning of period	24,344,686	23,612,771
Cash and cash equivalents at the end of period (Note 4)	¥ 26,433,973	¥ 24,344,686

See accompanying notes to the financial statements.

# Kenedix Office Investment Corporation

## Notes to the Financial Statements

For the period from May 1, 2020 to October 31, 2020

### 1. ORGANIZATION AND BASIS OF PRESENTATION

#### Organization

Kenedix Office Investment Corporation (“the Investment Corporation”) is a real estate investment corporation whose units are listed on the Tokyo Stock Exchange. The Investment Corporation is engaged in the ownership and operation of selected mainly office buildings in Japan, with a focus on mid-sized office buildings in the Tokyo metropolitan area. The Investment Corporation was incorporated on May 6, 2005 as an investment corporation under the Law Concerning Investment Trusts and Investment Corporations of Japan, or “the Investment Trust Law.” On July 21, 2005, the Investment Corporation was listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange with a total of 75,400 investment units issued and outstanding (Securities Code: 8972). Subsequently, the Investment Corporation raised funds through eight public offerings. Pursuant to the Investment Trust Law, the Investment Corporation is externally managed by a registered asset management company, Kenedix Real Estate Fund Management, Inc. (“the Asset Management Company”), a subsidiary of Kenedix, Inc. (“Kenedix”). In concert with the Asset Management Company, the Investment Corporation strives to maximize cash distribution to investors by securing stable earnings and sustainable investment growth. To this end, the Investment Corporation adopts a dynamic and flexible investment stance that accurately reflects its environment and market trends, and endeavors to ensure a timely response to each and every opportunity.

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

During the period ended October 31, 2020, the Investment Corporation acquired one office building (Shinbashi M-SQUARE Bright: acquisition price of ¥16,300 million) and sold two office buildings (KDX Nihonbashi Honcho Building: initial acquisition price of ¥4,000 million, and KDX Nihonbashi Edo-dori Building: initial acquisition price of ¥1,350 million) with a disposition price of ¥6,550 million.

At the end of the thirtieth and thirty-first fiscal periods (fiscal periods ended April 30, 2020 and October 31, 2020), the Investment Corporation had total unitholders’ capital of ¥220,970 million with 428,510 investment units outstanding, respectively. The Investment Corporation owned a portfolio of 99 properties (consisting of 98 office buildings and one other property) and 98 properties (consisting of 97 office buildings and one other property) with total acquisition prices of ¥432,835 million and ¥443,785 million at the end of the thirtieth and thirty-first fiscal periods, respectively. The occupancy ratios were approximately 99.5% and 98.1% at the end of the thirtieth and thirty-first fiscal periods, respectively.

#### Basis of Presentation

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (A) Securities

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. Concerning silent partnership (*tokumei kumiai*, “TK”) interests, the method of incorporating the amount of equity equivalent to the portion that corresponds to the net gain or loss of the TK is adopted.

### (B) Property, Plant and Equipment (including trust assets)

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

	From May 1, 2020 to October 31, 2020	From November 1, 2019 to April 30, 2020
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 ¥38,663 thousand and ¥35,360 thousand as of October 31, 2020 and April 30, 2020, respectively. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period to which the installments of such taxes correspond.

(J) Income Taxes

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

(K) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Non-deductible consumption taxes applicable to the acquisition of assets are included in the cost of acquisition for each asset.

(L) Derivative Financial Instruments

The Investment Corporation utilizes interest-rate swap contracts as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. The Investment Corporation deferred recognition of gains or losses resulting from changes in fair value of interest-rate swap contracts because these contracts met the criteria for deferral hedging accounting. However, the Investment Corporation adopted special treatment for interest-rate swap contracts if they met the criteria for hedging accounting under this treatment. The hedge effectiveness for the interest-rate swap contracts is assessed each fiscal period except for those that meet the criteria of special treatment.

(M) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits placed with banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of purchase.

(N) Presentation of Amounts

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

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

### 3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

#### (1) Overview

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

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

#### (2) Scheduled date of application

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

#### (3) Impact of applying the accounting standards

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

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

#### (1) Overview

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

#### (2) Scheduled date of application

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

#### (3) Impact of applying the accounting standards

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

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

(1) Overview

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

(2) Scheduled date of application

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

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

(1) Overview

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

(2) Scheduled date of application

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

#### 4. CASH AND CASH EQUIVALENTS

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

	As of October 31, 2020	As of April 30, 2020
	In thousands of yen	
Cash and deposits	¥ 16,128,897	¥ 14,699,777
Cash and deposits in trust	12,042,095	11,470,987
Restricted deposits in trust (Note)	(1,737,018)	(1,826,078)
Cash and cash equivalents in trust	¥ 26,433,973	¥ 24,344,686

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

## 5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets consist of the following as of October 31, 2020.

Type of asset	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at the end of period	Remarks	
					Accumulated depreciation	Depreciation for the period			
(in thousands of yen)									
Buildings	¥ 17,951,815	¥ 23,838	¥ –	¥ 17,975,653	¥ 6,526,749	¥ 305,591	¥ 11,448,903		
Structures	43,564	–	–	43,564	17,805	1,215	25,759		
Machinery and equipment	432,209	3,150	–	435,359	284,721	12,359	150,638		
Tools, furniture and fixtures	96,841	3,077	–	99,918	68,421	3,730	31,496		
Land	27,520,902	–	–	27,520,902	–	–	27,520,902		
Subtotal	46,045,333	30,065	–	46,075,399	6,897,698	322,896	39,177,700		
Property, plant and equipment	Buildings in trust	¥ 126,874,865	¥ 2,682,955	¥ 803,468	¥ 128,754,352	¥ 35,161,391	¥ 2,109,983	¥ 93,592,960	Notes 1 and 2
	Structures in trust	362,902	16,466	–	379,369	191,656	11,770	187,712	
	Machinery and equipment in trust	1,741,678	140,227	5,421	1,876,485	850,091	56,086	1,026,394	
	Tools, furniture and fixtures in trust	528,530	37,006	4,510	561,026	365,732	21,610	195,294	
	Land in trust	283,648,781	14,774,582	4,696,837	293,726,525	–	–	293,726,525	Notes 1 and 2
	Construction in progress in trust	–	6,150	–	6,150	–	–	6,150	
	Subtotal	413,156,757	17,657,388	5,510,237	425,303,909	36,568,871	2,199,450	388,735,037	
Total property, plant and equipment	459,202,091	17,687,453	5,510,237	471,379,308	43,466,570	2,522,346	427,912,737		
Intangible assets	Leasehold right	¥ 290,050	¥ –	¥ –	¥ 290,050	¥ 4,792	¥ –	¥ 285,257	
	Leasehold right in trust	363,784	–	–	363,784	15,357	774	348,426	
	Other	6,278	–	–	6,278	5,738	627	540	
Total intangible assets	660,113	–	–	660,113	25,888	1,402	634,225		
Total	¥ 459,862,205	¥ 17,687,453	¥ 5,510,237	¥ 472,039,421	¥ 43,492,458	¥ 2,523,749	¥ 428,546,962		

Note1: The amount of increase during the period is primarily attributable to the acquisition of the one real estate property.

Note2: 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, 2020.

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

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

## 6. UNITHOLDERS' EQUITY

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

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

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

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of October 31, 2020:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	January 31, 2020	January 31, 2021	0.319%	¥ 500,000
	January 31, 2020	January 31, 2021	0.319%	500,000
	January 31, 2020	January 31, 2021	0.259%	4,200,000
	January 31, 2020	January 31, 2021	0.259%	800,000
	March 12, 2020	February 28, 2021	0.359%	2,000,000
	March 31, 2020	March 31, 2021	0.309%	500,000
	June 30, 2020	June 30, 2021	0.359%	1,000,000
	June 30, 2020	June 30, 2021	0.309%	1,000,000
	June 30, 2020	June 30, 2021	0.309%	1,000,000
	August 31, 2020	August 31, 2021	0.315%	1,000,000
<b>Subtotal</b>				<b>12,500,000</b>
Current portion of long-term loans payable	November 12, 2013	November 12, 2020	1.074%	¥ 2,000,000
	November 12, 2013	November 12, 2020	1.074%	500,000
	November 29, 2013	November 30, 2020	1.122%	1,000,000
	November 29, 2013	November 30, 2020	1.122%	900,000
	November 29, 2019	November 30, 2020	0.359%	1,000,000
	November 29, 2019	November 30, 2020	0.309%	500,000
	November 29, 2019	November 30, 2020	0.319%	200,000
	January 10, 2014	January 31, 2021	1.205%	1,300,000
	January 31, 2014	January 31, 2021	1.130%	2,300,000
	January 30, 2015	January 31, 2021	0.710%	1,500,000
	July 10, 2014	July 10, 2021	0.903%	2,000,000
	July 10, 2014	July 10, 2021	0.903%	500,000
	September 1, 2014	August 31, 2021	0.885%	800,000
	September 1, 2014	August 31, 2021	0.885%	500,000
	March 20, 2014	September 20, 2021	1.013%	4,000,000
	September 30, 2014	September 30, 2021	0.893%	1,000,000
	October 31, 2014	October 31, 2021	0.802%	3,000,000
<b>Subtotal</b>				<b>23,000,000</b>
Long-term loans payable	March 12, 2014	March 12, 2023	1.358%	¥ 1,800,000
	March 20, 2014	March 20, 2022	1.199%	3,000,000
	March 20, 2014	March 12, 2023	1.349%	2,000,000
	July 31, 2014	July 31, 2022	1.014%	2,200,000
	September 3, 2014	August 31, 2022	0.979%	1,000,000
	September 3, 2014	August 31, 2022	0.979%	950,000
	October 31, 2014	October 31, 2023	1.071%	2,000,000
	October 31, 2014	October 31, 2023	1.126%	1,500,000
	October 31, 2014	October 31, 2023	1.071%	1,000,000
	October 31, 2014	October 31, 2024	1.257%	2,000,000
	October 31, 2014	October 31, 2024	1.259%	1,000,000
	January 30, 2015	January 31, 2025	1.161%	1,500,000
	February 18, 2015	February 28, 2022	0.907%	1,250,000
	February 18, 2015	February 28, 2022	0.907%	350,000
	February 18, 2015	February 29, 2024	1.157%	1,700,000
	February 18, 2015	February 28, 2025	1.314%	1,250,000
	February 27, 2015	February 28, 2025	1.153%	2,100,000
	March 12, 2015	February 28, 2025	1.218%	1,000,000
	March 31, 2015	March 31, 2025	1.266%	2,500,000

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	April 30, 2015	April 30, 2022	0.825%	¥ 2,300,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	September 30, 2015	September 30, 2024	1.065%	2,000,000
	October 30, 2015	October 31, 2024	0.989%	1,000,000
	October 30, 2015	October 30, 2025	1.114%	1,500,000
	October 30, 2015	October 30, 2025	1.114%	2,000,000
	October 30, 2015	October 30, 2025	1.114%	2,500,000
	October 30, 2015	October 30, 2025	1.121%	2,500,000
	November 12, 2015	November 30, 2025	1.173%	1,000,000
	January 29, 2016	January 31, 2022	0.590%	2,500,000
	January 29, 2016	January 31, 2022	0.640%	500,000
	January 29, 2016	January 29, 2026	1.074%	2,000,000
	January 29, 2016	January 29, 2026	1.024%	1,800,000
	February 18, 2016	February 18, 2026	0.998%	1,000,000
	February 18, 2016	February 18, 2026	0.998%	500,000
	March 31, 2016	March 31, 2026	0.898%	1,000,000
	April 28, 2016	April 30, 2024	0.654%	2,000,000
	April 28, 2016	April 30, 2026	0.835%	2,000,000
	April 28, 2016	April 30, 2026	0.865%	1,000,000
	July 29, 2016	July 31, 2026	0.613%	1,500,000
	August 2, 2016	July 31, 2026	0.544%	1,000,000
	October 31, 2016	October 31, 2024	0.668%	1,000,000
	October 31, 2016	October 31, 2026	0.876%	2,500,000
	October 31, 2016	October 31, 2026	0.760%	1,000,000
	October 31, 2016	October 31, 2026	0.734%	4,000,000
	October 31, 2016	October 31, 2026	0.826%	1,500,000
	December 12, 2016	November 30, 2026	0.982%	500,000
	December 28, 2016	December 28, 2026	0.950%	1,500,000
	January 16, 2017	January 31, 2027	0.860%	500,000
	January 31, 2017	January 31, 2027	0.853%	700,000
	March 28, 2017	March 31, 2027	0.850%	500,000
	June 30, 2017	June 30, 2027	0.849%	1,500,000
	August 10, 2017	July 28, 2027	0.800%	3,500,000
	August 31, 2017	August 31, 2023	0.544%	1,000,000
	September 21, 2017	March 31, 2024	0.555%	1,000,000
	September 21, 2017	September 30, 2025	0.680%	1,500,000
	September 21, 2017	March 31, 2027	0.732%	1,000,000
September 21, 2017	September 21, 2027	0.873%	1,000,000	
September 21, 2017	September 30, 2027	0.851%	2,500,000	
October 31, 2017	October 31, 2027	0.810%	2,500,000	
November 13, 2017	November 13, 2027	0.931%	3,000,000	
December 7, 2017	November 30, 2027	0.899%	1,400,000	
December 7, 2017	November 30, 2027	0.820%	1,200,000	
December 7, 2017	November 30, 2027	0.969%	1,000,000	
December 7, 2017	November 30, 2027	0.939%	1,000,000	
December 7, 2017	November 30, 2027	0.869%	1,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	December 7, 2017	November 30, 2027	0.899%	¥ 800,000
	December 7, 2017	November 30, 2027	0.869%	600,000
	December 28, 2017	December 28, 2025	0.744%	500,000
	December 28, 2017	December 28, 2026	0.878%	500,000
	December 28, 2017	December 28, 2027	0.864%	500,000
	March 12, 2018	March 31, 2028	0.914%	1,500,000
	March 26, 2018	March 31, 2027	0.808%	1,000,000
	March 26, 2018	March 31, 2028	0.902%	1,000,000
	July 31, 2018	July 31, 2028	0.988%	500,000
	August 20, 2018	August 31, 2025	0.696%	500,000
	August 20, 2018	August 31, 2028	1.003%	1,000,000
	August 20, 2018	August 31, 2028	1.003%	1,000,000
	August 20, 2018	August 31, 2028	1.003%	500,000
	August 20, 2018	August 31, 2028	0.966%	500,000
	August 31, 2018	August 31, 2025	0.700%	500,000
	August 31, 2018	August 31, 2025	0.723%	300,000
	August 31, 2018	August 31, 2028	1.012%	700,000
	October 31, 2018	October 31, 2028	1.013%	1,500,000
	October 31, 2018	October 31, 2028	0.910%	1,000,000
	October 31, 2018	October 31, 2028	1.013%	500,000
	March 28, 2019	March 31, 2029	0.838%	1,400,000
	March 29, 2019	March 31, 2029	0.839%	2,950,000
	June 14, 2019	June 30, 2023	0.246%	500,000
	June 14, 2019	December 28, 2026	0.517%	500,000
	June 14, 2019	April 30, 2027	0.605%	1,000,000
	June 14, 2019	March 31, 2029	0.725%	1,000,000
	July 10, 2019	July 31, 2023	0.230%	500,000
	July 31, 2019	July 31, 2022	0.291%	1,000,000
	July 31, 2019	July 31, 2023	0.295%	1,000,000
	July 31, 2019	April 30, 2027	0.554%	1,000,000
	July 31, 2019	April 30, 2027	0.554%	1,000,000
	September 30, 2019	September 30, 2026	0.489%	1,000,000
	September 30, 2019	March 31, 2027	0.531%	900,000
	September 30, 2019	March 31, 2027	0.425%	800,000
	January 31, 2020	January 31, 2025	0.406%	700,000
	January 31, 2020	January 31, 2027	0.526%	1,500,000
	January 31, 2020	January 31, 2029	0.675%	1,500,000
	March 12, 2020	February 28, 2026	0.361%	1,800,000
	March 31, 2020	March 31, 2028	0.642%	1,000,000
	June 30, 2020	June 30, 2028	0.646%	2,000,000
June 30, 2020	June 30, 2028	0.646%	2,000,000	
June 30, 2020	June 30, 2028	0.646%	700,000	
June 30, 2020	June 30, 2028	0.510%	2,000,000	
July 31, 2020	July 31, 2028	0.636%	2,700,000	
August 31, 2020	August 31, 2030	0.705%	1,500,000	
September 30, 2020	September 30, 2025	0.396%	1,000,000	
September 30, 2020	September 30, 2027	0.511%	1,000,000	
September 30, 2020	September 30, 2030	0.738%	700,000	
October 30, 2020	April 30, 2027	0.542%	1,400,000	
October 30, 2020	October 31, 2030	0.803%	1,500,000	
October 30, 2020	October 31, 2030	0.803%	300,000	
<b>Subtotal</b>				<b>155,250,000</b>
Investment corporation bonds	July 25, 2014	July 25, 2024	1.180%	¥ 2,000,000



Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Investment corporation bonds	April 28, 2016	April 28, 2028	0.900%	¥ 1,000,000
	July 19, 2017	July 19, 2022	0.260%	1,000,000
	July 19, 2017	July 16, 2027	0.640%	2,000,000
	February 15, 2019	February 15, 2024	0.390%	2,000,000
	January 30, 2020	January 30, 2025	0.250%	2,000,000
	October 20, 2020	October 18, 2030	0.610%	1,000,000
<b>Subtotal</b>				<b>11,000,000</b>
<b>Total</b>				<b>¥ 201,750,000</b>

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

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	January 31, 2020	January 31, 2021	0.318%	¥ 500,000
	January 31, 2020	January 31, 2021	0.318%	500,000
	January 31, 2020	January 31, 2021	0.273%	4,200,000
	January 31, 2020	January 31, 2021	0.273%	800,000
	March 12, 2020	February 28, 2021	0.376%	3,000,000
	March 31, 2020	March 31, 2021	0.330%	500,000
<b>Subtotal</b>				<b>9,500,000</b>
Current portion of long-term loans payable	July 31, 2014	July 31, 2020	0.736%	¥ 2,700,000
	August 30, 2013	August 31, 2020	1.420%	1,500,000
	August 30, 2019	August 31, 2020	0.268%	1,000,000
	September 22, 2014	September 30, 2020	0.798%	2,700,000
	April 22, 2014	October 31, 2020	0.954%	2,900,000
	July 31, 2014	October 31, 2020	0.756%	300,000
	November 12, 2013	November 12, 2020	1.074%	2,000,000
	November 12, 2013	November 12, 2020	1.074%	500,000
	November 29, 2013	November 30, 2020	1.122%	1,000,000
	November 29, 2013	November 30, 2020	1.122%	900,000
	November 29, 2019	November 30, 2020	0.371%	1,000,000
	November 29, 2019	November 30, 2020	0.321%	500,000
	November 29, 2019	November 30, 2020	0.318%	200,000
	January 10, 2014	January 31, 2021	1.205%	1,300,000
	January 31, 2014	January 31, 2021	1.130%	2,300,000
January 30, 2015	January 31, 2021	0.710%	1,500,000	
<b>Subtotal</b>				<b>22,300,000</b>
Long-term loans payable	March 12, 2014	March 12, 2023	1.358%	¥ 1,800,000
	March 20, 2014	September 20, 2021	1.013%	4,000,000
	March 20, 2014	March 20, 2022	1.199%	3,000,000
	March 20, 2014	March 12, 2023	1.349%	2,000,000
	July 10, 2014	July 10, 2021	0.903%	2,000,000
	July 10, 2014	July 10, 2021	0.903%	500,000
	July 31, 2014	July 31, 2022	1.014%	2,200,000
	September 1, 2014	August 31, 2021	0.885%	800,000
	September 1, 2014	August 31, 2021	0.885%	500,000
	September 3, 2014	August 31, 2022	0.979%	1,000,000
	September 3, 2014	August 31, 2022	0.979%	950,000
	September 30, 2014	September 30, 2021	0.893%	1,000,000
	October 31, 2014	October 31, 2021	0.802%	3,000,000

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	October 31, 2014	October 31, 2023	1.071%	¥ 2,000,000
	October 31, 2014	October 31, 2023	1.126%	1,500,000
	October 31, 2014	October 31, 2023	1.071%	1,000,000
	October 31, 2014	October 31, 2024	1.257%	2,000,000
	October 31, 2014	October 31, 2024	1.259%	1,000,000
	January 30, 2015	January 31, 2025	1.161%	1,500,000
	February 18, 2015	February 28, 2022	0.907%	1,250,000
	February 18, 2015	February 28, 2022	0.907%	350,000
	February 18, 2015	February 29, 2024	1.157%	1,700,000
	February 18, 2015	February 28, 2025	1.314%	1,250,000
	February 27, 2015	February 28, 2025	1.153%	2,100,000
	March 12, 2015	February 28, 2025	1.218%	1,000,000
	March 31, 2015	March 31, 2025	1.266%	2,500,000
	April 30, 2015	April 30, 2022	0.825%	2,300,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	September 30, 2015	September 30, 2024	1.065%	2,000,000
	October 30, 2015	October 31, 2024	0.989%	1,000,000
	October 30, 2015	October 30, 2025	1.114%	1,500,000
	October 30, 2015	October 30, 2025	1.114%	2,000,000
	October 30, 2015	October 30, 2025	1.114%	2,500,000
	October 30, 2015	October 30, 2025	1.121%	2,500,000
	November 12, 2015	November 30, 2025	1.173%	1,000,000
	January 29, 2016	January 31, 2022	0.590%	2,500,000
	January 29, 2016	January 31, 2022	0.640%	500,000
	January 29, 2016	January 29, 2026	1.074%	2,000,000
	January 29, 2016	January 29, 2026	1.024%	1,800,000
	February 18, 2016	February 18, 2026	0.998%	1,000,000
	February 18, 2016	February 18, 2026	0.998%	500,000
	March 31, 2016	March 31, 2026	0.898%	1,000,000
	April 28, 2016	April 30, 2024	0.654%	2,000,000
	April 28, 2016	April 30, 2026	0.835%	2,000,000
	April 28, 2016	April 30, 2026	0.865%	1,000,000
	July 29, 2016	July 31, 2026	0.613%	1,500,000
	August 2, 2016	July 31, 2026	0.544%	1,000,000
	October 31, 2016	October 31, 2024	0.668%	1,000,000
	October 31, 2016	October 31, 2026	0.876%	2,500,000
	October 31, 2016	October 31, 2026	0.760%	1,000,000
	October 31, 2016	October 31, 2026	0.734%	4,000,000
	October 31, 2016	October 31, 2026	0.826%	1,500,000
	December 12, 2016	November 30, 2026	0.982%	500,000
	December 28, 2016	December 28, 2026	0.950%	1,500,000
	January 16, 2017	January 31, 2027	0.860%	500,000
	January 31, 2017	January 31, 2027	0.853%	700,000
	March 28, 2017	March 31, 2027	0.850%	500,000
	June 30, 2017	June 30, 2027	0.849%	1,500,000
August 10, 2017	July 28, 2027	0.800%	3,500,000	
August 31, 2017	August 31, 2023	0.544%	1,000,000	
September 21, 2017	March 31, 2024	0.555%	1,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	September 21, 2017	September 30, 2025	0.680%	¥ 1,500,000
	September 21, 2017	March 31, 2027	0.732%	1,000,000
	September 21, 2017	September 21, 2027	0.873%	1,000,000
	September 21, 2017	September 30, 2027	0.851%	2,500,000
	October 31, 2017	October 31, 2027	0.810%	2,500,000
	November 13, 2017	November 13, 2027	0.931%	3,000,000
	December 7, 2017	November 30, 2027	0.899%	1,400,000
	December 7, 2017	November 30, 2027	0.820%	1,200,000
	December 7, 2017	November 30, 2027	0.969%	1,000,000
	December 7, 2017	November 30, 2027	0.939%	1,000,000
	December 7, 2017	November 30, 2027	0.869%	1,000,000
	December 7, 2017	November 30, 2027	0.899%	800,000
	December 7, 2017	November 30, 2027	0.869%	600,000
	December 28, 2017	December 28, 2025	0.744%	500,000
	December 28, 2017	December 28, 2026	0.878%	500,000
	December 28, 2017	December 28, 2027	0.864%	500,000
	March 12, 2018	March 31, 2028	0.914%	1,500,000
	March 26, 2018	March 31, 2027	0.808%	1,000,000
	March 26, 2018	March 31, 2028	0.902%	1,000,000
	July 31, 2018	July 31, 2028	0.988%	500,000
	August 20, 2018	August 31, 2025	0.696%	500,000
	August 20, 2018	August 31, 2028	1.003%	1,000,000
	August 20, 2018	August 31, 2028	1.003%	1,000,000
	August 20, 2018	August 31, 2028	1.003%	500,000
	August 20, 2018	August 31, 2028	0.966%	500,000
	August 31, 2018	August 31, 2025	0.700%	500,000
	August 31, 2018	August 31, 2025	0.723%	300,000
	August 31, 2018	August 31, 2028	1.012%	700,000
	October 31, 2018	October 31, 2028	1.013%	1,500,000
	October 31, 2018	October 31, 2028	0.910%	1,000,000
	October 31, 2018	October 31, 2028	1.013%	500,000
	March 28, 2019	March 31, 2029	0.838%	1,400,000
	March 29, 2019	March 31, 2029	0.839%	2,950,000
	June 14, 2019	June 30, 2023	0.246%	500,000
	June 14, 2019	December 28, 2026	0.517%	500,000
	June 14, 2019	April 30, 2027	0.605%	1,000,000
	June 14, 2019	March 31, 2029	0.725%	1,000,000
	July 10, 2019	July 31, 2023	0.230%	500,000
	July 31, 2019	July 31, 2022	0.291%	1,000,000
	July 31, 2019	July 31, 2023	0.295%	1,000,000
	July 31, 2019	April 30, 2027	0.554%	1,000,000
	July 31, 2019	April 30, 2027	0.554%	1,000,000
	September 30, 2019	September 30, 2026	0.489%	1,000,000
September 30, 2019	March 31, 2027	0.531%	900,000	
September 30, 2019	March 31, 2027	0.425%	800,000	
January 31, 2020	January 31, 2025	0.406%	700,000	
January 31, 2020	January 31, 2027	0.526%	1,500,000	
January 31, 2020	January 31, 2029	0.675%	1,500,000	
March 12, 2020	February 28, 2026	0.361%	1,800,000	
March 31, 2020	March 31, 2028	0.642%	1,000,000	
<b>Subtotal</b>				<b>150,250,000</b>

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Investment corporation bonds	July 25, 2014	July 25, 2024	1.180%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.900%	1,000,000
	July 19, 2017	July 19, 2022	0.260%	1,000,000
	July 19, 2017	July 16, 2027	0.640%	2,000,000
	February 15, 2019	February 15, 2024	0.390%	2,000,000
	January 30, 2020	January 30, 2025	0.250%	2,000,000
<b>Subtotal</b>				<b>10,000,000</b>
<b>Total</b>				<b>¥ 192,050,000</b>

## 8. REDUCTION ENTRY

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

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

## 9. COMMITMENT LINE AGREEMENT

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

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

## 10. PER UNIT INFORMATION

	From May 1, 2020 to October 31, 2020	From November 1, 2019 to April 30, 2020
	Yen	
Net asset value per unit	¥ 538,295	¥ 535,786
Net income per unit	¥ 17,059	¥ 14,412
Weighted-average number of units (units)	428,510	428,510

The weighted-average number of units outstanding of 428,510 as of October 31, 2020 and April 30, 2020, respectively, was used for the computation of the amount of net income per unit. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

## 11. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement that it currently distribute in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. The Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥6,592 million and ¥6,175 million for the fiscal periods ended October 31, 2020 and April 30, 2020, 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, 2020 and April 30, 2020, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

	From May 1, 2020 to October 31, 2020	From November 1, 2019 to April 30, 2020
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(28.37)	(31.45)
Provision of reserve for reduction entry	(3.09)	–
Others	0.01	0.01
Effective tax rate	0.02%	0.02%

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

	As of October 31, 2020	As of April 30, 2020
In thousands of yen		
Deferred tax assets		
Enterprise tax payable	¥ 24	¥ 36
Amortization of leasehold right	4,831	4,587
Deferred gains or losses on hedges	129,892	110,974
Subtotal	134,748	115,598
Valuation allowance	(134,723)	(115,562)
Total deferred tax assets	¥ 24	¥ 36

## 12. NET ASSETS

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

## 13. RELATED-PARTY TRANSACTIONS

(1) Parent Company, Major Corporate Unitholders and Other

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

: Not applicable

(2) Affiliated Companies and Other

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

: Not applicable

(3) Fellow Subsidiary Companies and Other

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

: Not applicable

(4) Directors, Major Individual Unitholders and Other

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

: Not applicable

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

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

	From May 1, 2020 to October 31, 2020	From November 1, 2019 to April 30, 2020
In thousands of yen		
Rental and other operating revenues		
Rent revenue – real estate		
Rental revenues	¥ 12,051,161	¥ 11,698,824
Common area charges	1,705,904	1,730,295
Subtotal	13,757,065	13,429,120
Others:		
Parking space rental revenues	507,703	510,017
Utility charge reimbursement	1,085,419	981,703
Miscellaneous	232,969	294,258
Subtotal	1,826,092	1,785,979
Total rent revenue – real estate	¥ 15,583,157	¥ 15,215,099
Property-related expenses		
Expenses related to rent business		
Property management fees and facility management fees	¥ 1,436,668	¥ 1,440,554
Utilities	1,039,948	1,020,457
Taxes	1,316,730	1,283,557
Repairs and maintenance	441,103	474,879
Insurance	19,286	18,656
Trust fees	40,734	33,416
Others	269,173	267,111
Depreciation	2,523,136	2,470,270
Total expenses related to rent business	¥ 7,086,783	¥ 7,008,903
Gain on sale of real estate properties		
KDX Nihonbashi Honcho Building		
Revenue from sale of investment properties	¥ 5,000,000	¥ —
Cost of investment properties	3,905,680	—
Other sales expenses	154,834	—
Gain on sale of real estate properties	¥ 939,484	¥ —
KDX Nihonbashi Edo-dori Building		
Revenue from sale of investment properties	¥ 1,550,000	¥ —
Cost of investment properties	1,381,337	—
Other sales expenses	50,356	—
Gain on sale of real estate properties	¥ 118,305	¥ —

## 15. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease terms of generally two years for office buildings. The future minimum rental revenues under existing non-cancelable operating leases as of October 31, 2020 and April 30, 2020 are as follows:

	As of October 31, 2020	As of April 30, 2020
	In thousands of yen	
Due within one year	¥ 3,168,087	¥ 2,673,596
Due after one year	8,183,583	8,393,119
Total	¥ 11,351,671	¥ 11,066,716

## 16. FINANCIAL INSTRUMENTS

Thirty-first fiscal period (From May 1, 2020 to October 31, 2020)

### (A) Overview

#### (1) Policy for financial instruments

The Investment Corporation procures essential funds for acquiring properties and undertaking the repayment of loans primarily through bank loans and the issuance of investment corporation bonds and new investment units. The Investment Corporation uses derivatives for the purpose of hedging its exposure to changes in interest rates and does not enter into derivatives for speculative or trading purposes. Management of surplus funds is undertaken in a prudent manner that considers fully such factors as safety, liquidity, interest-rate conditions and cash flows.

#### (2) Types of financial instruments and related risk

Investment securities, which are Japanese silent partnership (*tokumei kumiai*, “TK”) interests, are exposed to credit risk of the issuer and risk of fluctuation of value of its property.

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

Interest-rate swap transactions are used as derivative financial instruments. Utilizing interest-rate swap transactions, the Investment Corporation fixes its interest expense for long-term loans payable bearing interest at a variable rate. With regard to hedge accounting methods, hedging instruments and hedged items, hedge policy, and the assessment of the effectiveness of hedging activities, please see Note 2(L) “Derivative Financial Instruments.”

#### (3) Risk management for financial instruments

##### (a) Monitoring of market risk (the risks arising from fluctuations in interest rates and others)

The Investment Corporation uses interest-rate swap transactions in order to minimize risk arising from fluctuations in interest rates on funds procured. The Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to investment securities.

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

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

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

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value. Moreover, the contract amounts, etc. of derivative transactions in “(B) Estimated Fair Value of Financial Instruments” do not indicate the market risk of derivative transactions.

## (B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of October 31, 2020 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to \*2 below).

	Carrying value	Estimated fair value	Difference
In thousands of yen			
(1) Cash and deposits	¥ 16,128,897	¥ 16,128,897	¥ –
(2) Cash and deposits in trust	12,042,095	12,042,095	–
Subtotal	28,170,992	28,170,992	–
(1) Short-term loans payable	12,500,000	12,500,000	–
(2) Current portion of investment corporation bonds	–	–	–
(3) Current portion of long-term loans payable	23,000,000	23,057,531	57,531
(4) Investment corporation bonds	11,000,000	11,011,000	11,000
(5) Long-term loans payable	155,250,000	156,906,399	1,656,399
Subtotal	¥ 201,750,000	¥ 203,474,930	¥ 1,724,930
Derivative transactions(*)	(391,228)	(391,228)	–

(\*)The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parentheses representing the net liability position.

\*1 Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

### Assets

(1) Cash and deposits and (2) Cash and deposits in trust

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

### Liabilities

(1) Short-term loans payable

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

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

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

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

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

### Derivative Transactions

Please refer to Note 17 “DERIVATIVE TRANSACTIONS.”

\*2 Financial instruments for which it is extremely difficult to determine the fair value

Classification	Carrying value (In thousands of yen)
Investment securities	¥ 1,137,526

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	¥ 16,128,897
Cash and deposits in trust	12,042,095
<b>Total</b>	<b>¥ 28,170,992</b>

\*4 Redemption schedule for loans payable and investment corporation bonds

	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
In thousands of yen						
Short-term loans payable	¥ 12,500,000	¥ –	¥ –	¥ –	¥ –	¥ –
Investment corporation bonds	–	1,000,000	–	4,000,000	2,000,000	4,000,000
Long-term loans payable	23,000,000	18,050,000	11,300,000	11,700,000	21,350,000	92,850,000
<b>Total</b>	<b>¥ 35,500,000</b>	<b>¥ 19,050,000</b>	<b>¥ 11,300,000</b>	<b>¥ 15,700,000</b>	<b>¥ 23,350,000</b>	<b>¥ 96,850,000</b>

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

**(A) Overview**

**(1) Policy for financial instruments**

The Investment Corporation procures essential funds for acquiring properties and undertaking the repayment of loans primarily through bank loans and the issuance of investment corporation bonds and new investment units. The Investment Corporation uses derivatives for the purpose of hedging its exposure to changes in interest rates and does not enter into derivatives for speculative or trading purposes. Management of surplus funds is undertaken in a prudent manner that considers fully such factors as safety, liquidity, interest-rate conditions and cash flows.

**(2) Types of financial instruments and related risk**

Investment securities, which are Japanese silent partnership (*tokumei kumiai*, “TK”) interests, are exposed to credit risk of the issuer and risk of fluctuation of value of its property.

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 9 years following the accounting date. Although a certain portion of said liabilities are subject to interest-rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap transactions) in order to reduce such risk.

Interest-rate swap transactions are used as derivative financial instruments. Utilizing interest-rate swap transactions, the Investment Corporation fixes its interest expense for long-term loans payable bearing interest at a variable rate. With regard to hedge accounting methods, hedging instruments and hedged items, hedge policy, and the assessment of the effectiveness of hedging activities, please see Note 2(L) “Derivative Financial Instruments.”

**(3) Risk management for financial instruments**

**(a) Monitoring of market risk (the risks arising from fluctuations in interest rates and others)**

The Investment Corporation uses interest-rate swap transactions in order to minimize risk arising from fluctuations in interest rates on funds procured. The Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to investment securities.

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

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

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

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

assumptions and factors could result in a different fair value. Moreover, the contract amounts, etc. of derivative transactions in “(B) Estimated Fair Value of Financial Instruments” do not indicate the market risk of derivative transactions.

### (B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of April 30, 2020 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to \*2 below).

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

(\*)The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parentheses representing the net liability position.

\*1 Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

#### Assets

(1) Cash and deposits and (2) Cash and deposits in trust

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

#### Liabilities

(1) Short-term loans payable

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

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

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

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

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

#### Derivative Transactions

Please refer to Note 17 “DERIVATIVE TRANSACTIONS.”

\*2 Financial instruments for which it is extremely difficult to determine the fair value

Classification	Carrying value (In thousands of yen)
Investment securities	¥ 1,127,724

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above TK interests are not included in the preceding table.

\*3 Redemption schedule for receivables

	Due within 1 year or less (In thousands of yen)
Cash and deposits	¥ 14,699,777
Cash and deposits in trust	11,470,987
<b>Total</b>	<b>¥ 26,170,764</b>

\*4 Redemption schedule for loans payable and investment corporation bonds

	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
In thousands of yen						
Short-term loans payable	¥ 9,500,000	¥ –	¥ –	¥ –	¥ –	¥ –
Investment corporation bonds	–	–	1,000,000	2,000,000	4,000,000	3,000,000
Long-term loans payable	22,300,000	21,700,000	11,950,000	12,200,000	16,050,000	88,350,000
<b>Total</b>	<b>¥ 31,800,000</b>	<b>¥ 21,700,000</b>	<b>¥ 12,950,000</b>	<b>¥ 14,200,000</b>	<b>¥ 20,050,000</b>	<b>¥ 91,350,000</b>

## 17. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap contracts as of October 31, 2020:

(1) Hedge accounting not applied  
Not applicable

(2) Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen) Maturing after 1 year		Fair value (In thousands of yen)	Calculation method for applicable fair value
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 55,950,000	¥ 55,950,000	¥ (391,228)	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	65,450,000	44,150,000	*	
<b>Total</b>			<b>¥ 121,400,000</b>	<b>¥ 100,100,000</b>	<b>¥ (391,228)</b>	

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

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

(1) Hedge accounting not applied  
Not applicable

(2) Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen) Maturing after 1 year		Fair value (In thousands of yen)	Calculation method for applicable fair value
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 43,650,000	¥ 42,650,000	¥ (332,017)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	74,050,000	55,950,000	*	
Total			¥ 117,700,000	¥ 98,600,000	¥ (332,017)	

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

## 18. INVESTMENT AND RENTAL PROPERTIES

Thirty-first fiscal period (From May 1, 2020 to October 31, 2020)

The Investment Corporation owns real estate for rental purposes mainly in the Tokyo metropolitan area for the purpose of generating rental revenues.

The carrying value in the balance sheets and corresponding fair value of those properties are as follows:

Carrying value (In thousands of yen)			Fair value
As of April 30, 2020	Net change	As of October 31, 2020	As of October 31, 2020 (In thousands of yen)
¥ 418,669,303	¥ 9,877,219	¥ 428,546,523	¥ 520,792,000

\*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 Shin-Nihonbashi Building that was sold on November 2, 2020 is calculated based on the sale price (¥3,200,000 thousand) in the transaction agreement on June 26, 2020.

\*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 ¥16,430,044 thousand, the sales of two properties totaling ¥5,287,017 thousand and depreciation amounting to ¥2,523,136 thousand.

Income and loss in the fiscal period ended October 31, 2020 for real estate for rental purposes is listed in Note 14 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY."

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

The Investment Corporation owns real estate for rental purposes mainly in the Tokyo metropolitan area for the purpose of generating rental revenues.

The carrying value in the balance sheets and corresponding fair value of those properties are as follows:

Carrying value (In thousands of yen)			Fair value
As of October 31, 2019	Net change	As of April 30, 2020	As of April 30, 2020 (In thousands of yen)
¥ 411,259,731	¥ 7,409,572	¥ 418,669,303	¥ 506,912,000

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

\*2: Fair value at the end of the fiscal period is the appraisal value determined by outside appraisers.

\*3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increase/decrease factors were the acquisition of two properties totaling ¥8,394,455 thousand and depreciation amounting to ¥2,470,270 thousand.

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

## 19. SEGMENT AND RELATED INFORMATION

Thirty-first fiscal period (From May 1, 2020 to October 31, 2020)

### (A) Segment Information

Disclosure is omitted because the real estate leasing business is the Investment Corporation’s sole business and it has no reportable segment subject to disclosure.

### (B) Related Information

#### (1) Information about each product and service

Disclosure is omitted because net sales to external customers for a single product/service category account for over 90% of the operating revenues on the statement of income and retained earnings.

#### (2) Information about each geographic area

##### (a) Net sales

Disclosure is omitted because net sales to external customers in Japan account for over 90% of the operating revenues on the statement of income and retained earnings.

##### (b) Property, plant and equipment

Disclosure is omitted because the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment on the balance sheet.

#### (3) Information about each major customer

Disclosure is omitted because net sales to a single external customer account for less than 10% of the operating revenues on the statement of income and retained earnings.

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

### (A) Segment Information

Disclosure is omitted because the real estate leasing business is the Investment Corporation’s sole business and it has no reportable segment subject to disclosure.

### (B) Related Information

#### (1) Information about each product and service

Disclosure is omitted because net sales to external customers for a single product/service category account for over 90% of the operating revenues on the statement of income and retained earnings.

(2) Information about each geographic area

(a) Net sales

Disclosure is omitted because net sales to external customers in Japan account for over 90% of the operating revenues on the statement of income and retained earnings.

(b) Property, plant and equipment

Disclosure is omitted because the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information about each major customer

Disclosure is omitted because net sales to a single external customer account for less than 10% of the operating revenues on the statement of income and retained earnings.

## **20. SIGNIFICANT SUBSEQUENT EVENTS**

Not applicable

## 21. DISTRIBUTIONS

	Thirty-first fiscal period (From May 1, 2020 to October 31, 2020)	Thirtieth fiscal period (From November 1, 2019 to April 30, 2020)
	(Yen)	(Yen)
I. Retained earnings at the end of period	¥ 7,310,459,769	¥ 6,175,926,413
II. Total distributions	¥ 6,592,197,840	¥ 6,175,686,120
Distributions per unit	¥ 15,384	¥ 14,412
III. Voluntary reserve (provision)		
Provision of reserve for reduction entry	¥718,261,929	¥ -
IV. Retained earnings brought forward to the next period	¥ -	¥ 240,293

### Method of calculating distribution amount

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 ¥6,592,197,840 as profit distribution.

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.

In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation has decided to distribute ¥6,175,686,120, the maximum integral multiple amount of investment units issued and outstanding of 428,510 units, up to the amount of unappropriated retained earnings for the fiscal period under review.

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.

## Independent Auditor's Report

The Board of Directors  
Kenedix Office Investment Corporation

### Opinion

We have audited the accompanying financial statements of Kenedix Office Investment Corporation (the Company), which comprise the balance sheet as at October 31, 2020, and the statement of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Responsibilities of Management and Supervisory Director for the Financial Statements

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

January 28, 2021

向井 誠 

Makoto Mukai  
Designated Engagement Partner  
Certified Public Accountant

吉田 雅彦 

Masahiko Yoshida  
Designated Engagement Partner  
Certified Public Accountant