

# Financial Section

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## Financial Summary (Unaudited)

Historical Operating Trends  
For the 18th–22nd Fiscal Periods

Period	Unit	18th Period (as of Apr. 30, 2014)	19th Period (as of Oct. 31, 2014)	20th Period (as of Apr. 30, 2015)	21st Period (as of Oct. 31, 2015)	22nd Period (as of Apr. 30, 2016)
Operating revenues	mn yen	10,895	12,928	14,130	13,740	14,362
(Rental revenues)	mn yen	10,330	11,295	12,836	13,226	12,812
Operating expenses	mn yen	6,611	7,899	7,593	7,800	8,260
(Property-related expenses)	mn yen	5,047	5,557	6,377	6,668	6,533
Operating income	mn yen	4,283	5,028	6,537	5,940	6,102
Ordinary income	mn yen	2,887	3,570	5,111	4,565	4,816
Net income (a)	mn yen	2,885	3,569	5,110	4,564	4,815
Total assets (b)	mn yen	355,167	388,169	407,799	407,217	408,813
(Period-on-period change)	%	(+12.1)	(+9.3)	(+5.1)	(-0.1)	(+0.4)
Interest-bearing debt (c)	mn yen	167,746	187,685	174,600	174,100	175,100
(Period-on-period change)	%	(+11.4)	(+11.9)	(-7.0)	(-0.3)	(+0.6)
Unitholders' equity (d)	mn yen	170,109	180,844	211,951	211,914	212,555
(Period-on-period change)	%	(+12.8)	(+6.3)	(+17.2)	(-0.0)	(+0.3)
Unitholders' capital	mn yen	166,261	176,632	206,199	206,199	206,199
(Period-on-period change)	%	(+13.0)	(+6.2)	(+16.7)	(0.0)	(0.0)
Number of investment units issued and outstanding (e)	unit	332,540	355,010	404,885	404,885	404,885
Unitholders' equity per unit (d)/(e)	yen	511,546	509,407	523,484	523,394	524,977
Total distribution (f)	mn yen	3,205	3,571	4,600	4,170	4,335
Distribution per unit (f)/(e)	yen	9,638	10,060	11,363	10,300	10,707
(Earnings distributed per unit)	yen	9,638	10,060	11,363	10,300	10,707
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	0.9 (1.7)	1.0 (1.9)	1.3 (2.6)	1.1 (2.2)	1.2 (2.4)
Return on net assets (annualized) (Notes 2 and 3)	%	1.8 (3.6)	2.0 (4.0)	2.6 (5.2)	2.2 (4.3)	2.3 (4.6)
Net assets ratio at end of period (d)/(b)	%	47.9	46.6	52.0	52.0	52.0
(Period-on-period change)	%	(+0.3)	(-1.3)	(+5.4)	(+0.1)	(-0.0)
Interest-bearing debt ratio at end of period (c)/(b)	%	47.2	48.4	42.8	42.8	42.8
(Period-on-period change)	%	(-0.3)	(+1.1)	(-5.5)	(-0.1)	(+0.1)
Payout ratio (Note 4) (f)/(a)	%	111.0	100.0	90.0	91.3	90.0
<b>Other references</b>						
Number of properties	properties	89	94	97	97	97
Total leasable floor area	m <sup>2</sup>	386,659.01	437,233.24	453,999.44	453,681.06	457,774.90
Occupancy ratio at end of period	%	96.0	95.6	96.5	94.9	96.9
Depreciation expenses for the period	mn yen	1,826	2,022	2,221	2,218	2,230
Capital expenditures for the period	mn yen	711	550	329	469	1,120
Leasing NOI (Net Operating Income) (Note 5)	mn yen	7,109	7,760	8,680	8,775	8,509
FFO (Funds From Operation) (Note 6)	mn yen	5,031	7,116	6,909	6,487	6,302
FFO per unit (Note 7)	yen	15,130	20,045	17,065	16,023	15,565

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 18th Fiscal Period are calculated based on a period of 181 days, 184 days for the 19th Fiscal Period, 181 days for the 20th Fiscal Period, 184 days for the 21st Fiscal Period, 182 days for the 22nd Fiscal Period.

3. Return on net assets = Net income / ((Total net assets at beginning of period + Total net assets at end of period) / 2) × 100

4. Payout ratio is rounded down to the first decimal place.

5. Leasing NOI = Rental revenues – Rental expenses + Depreciation expenses for the period

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

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

8. Where applicable, figures are rounded down to the nearest million.



Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg.  
2-2-3 Uchisaiwai-cho, Chiyoda-ku  
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197  
www.shinnihon.or.jp

## Independent Auditor's Report

The Board of Directors  
Kenedix Office Investment Corporation

We have audited the accompanying financial statements of Kenedix Office Investment Corporation, which comprise the balance sheet as at April 30, 2016, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Office Investment Corporation as at April 30, 2016, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

July 28, 2016  
Tokyo, Japan

# Balance Sheets

Kenedix Office Investment Corporation  
As of April 30, 2016 and October 31, 2015

	In thousands of yen	
	As of April 30, 2016	As of October 31, 2015
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits (Notes 3 and 13)	¥ 20,602,996	¥ 22,587,773
Rental receivables	341,787	338,287
Consumption tax refundable	53,578	—
Other current assets (Note 8)	59,744	97,212
Total current assets	21,058,105	23,023,272
<b>Property and equipment, at cost: (Notes 4 and 15)</b>		
Land	273,049,253	271,537,963
Buildings and structures (Note 6)	136,422,576	132,688,163
Machinery and equipment	2,041,893	1,905,006
Tools, furniture and fixtures	514,082	503,925
Less-accumulated depreciation	(27,295,009)	(25,521,651)
Net property and equipment	384,732,795	381,113,406
<b>Other assets:</b>		
Ground leasehold (Note 15)	352,460	353,234
Investment securities (Note 13)	1,089,761	1,100,235
Corporate bond issuance costs	42,378	34,102
Unit issuance costs	110,641	167,122
Other assets (Note 15)	1,427,315	1,426,091
<b>Total assets</b>	<b>¥408,813,455</b>	<b>¥407,217,462</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade and other payables	¥ 1,170,894	¥ 1,372,165
Short-term debt and current portion of long-term debt (Notes 5 and 13)	22,200,000	33,300,000
Current portion of corporate bonds (Notes 5 and 13)	3,000,000	—
Deposits received	54,160	46,840
Rents received in advance	2,115,825	1,958,661
Other current liabilities	91,257	497,937
Total current liabilities	28,632,136	37,175,603
<b>Non-current liabilities:</b>		
Corporate bonds (Notes 5 and 13)	6,300,000	8,300,000
Long-term debt (Notes 5 and 13)	143,600,000	132,500,000
Leasehold and security deposits received	17,721,596	17,327,076
Other non-current liabilities	4,328	—
Total non-current liabilities	167,625,924	158,127,076
<b>Total liabilities</b>	<b>¥196,258,060</b>	<b>¥195,302,679</b>
<b>Net Assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	206,199,946	206,199,946
Units authorized: 2,000,000 units		
Units issued and outstanding: 404,885 units		
As of April 30, 2016 and October 31, 2015, respectively		
<b>Surplus</b>		
Voluntary retained earnings		
Reserve for reduction entry	1,544,522	1,150,495
Retained earnings	4,815,255	4,564,342
Total surplus	6,359,777	5,714,837
Total unitholders' equity	212,559,723	211,914,783
Valuation and translation adjustments		
Deferred gains or losses on hedges (Note 14)	(4,328)	—
Total valuation and translation adjustments	(4,328)	—
<b>Total net assets (Note 9)</b>	<b>212,555,395</b>	<b>211,914,783</b>
<b>Total liabilities and net assets</b>	<b>¥408,813,455</b>	<b>¥407,217,462</b>

See accompanying notes to the financial statements.

## Statements of Income and Retained Earnings

Kenedix Office Investment Corporation

For the period from November 1, 2015 to April 30, 2016 and the period from May 1, 2015 to October 31, 2015

	In thousands of yen	
	From November 1, 2015 to April 30, 2016	From May 1, 2015 to October 31, 2015
<b>Operating revenues:</b>		
Rental revenues (Note 11)	¥12,812,029	¥13,226,032
Gain on sale of real estate property (Note 11)	1,510,169	461,366
Dividends income	40,015	53,278
Total operating revenues	14,362,213	13,740,676
<b>Operating expenses:</b>		
Property-related expenses (Note 11)	6,533,203	6,668,992
Loss on sale of real estate property (Note 11)	766,005	165,691
Asset management fees	759,990	753,003
Administrative service and custodian fees	78,413	78,538
Other operating expenses	122,520	134,223
Total operating expenses	8,260,131	7,800,447
<b>Operating income</b>	<b>6,102,082</b>	<b>5,940,229</b>
<b>Non-operating expenses:</b>		
Interest expense	993,892	1,058,112
Financing-related expenses	183,756	220,018
Amortization of unit issuance costs	56,481	56,481
Amortization of corporate bond issuance costs	5,263	5,312
Others, net	46,171	34,701
Total non-operating expenses	1,285,563	1,374,624
<b>Ordinary income</b>	<b>4,816,519</b>	<b>4,565,605</b>
Income before income taxes	4,816,519	4,565,605
Income taxes (Note 8)	1,264	1,263
<b>Net income</b>	<b>4,815,255</b>	<b>4,564,342</b>
<b>Retained earnings at the end of period</b>	<b>¥ 4,815,255</b>	<b>¥ 4,564,342</b>

See accompanying notes to the financial statements.

## Statements of Changes in Net Assets

Kenedix Office Investment Corporation

For the period from November 1, 2015 to April 30, 2016 and the period from May 1, 2015 to October 31, 2015

	In thousands of yen						
	Unitholders' equity					Valuation and translation adjustments	Total
	Unitholders' capital	Surplus			Total unitholders' equity		
		Voluntary retained earnings	Retained earnings	Total surplus			
Reserve for reduction entry							
<b>Balance as of April 30, 2015</b>	<b>¥206,199,946</b>	<b>¥640,811</b>	<b>¥5,110,392</b>	<b>¥5,751,203</b>	<b>¥211,951,149</b>	<b>—</b>	<b>¥211,951,149</b>
Changes during the fiscal period							
Provision of reserve for reduction entry	—	509,684	(509,684)	—	—	—	—
Payments of dividends	—	—	(4,600,708)	(4,600,708)	(4,600,708)	—	(4,600,708)
Net income	—	—	4,564,342	4,564,342	4,564,342	—	4,564,342
Total changes during the fiscal period	—	509,684	(546,050)	(36,366)	(36,366)	—	(36,366)
<b>Balance as of October 31, 2015</b>	<b>¥206,199,946</b>	<b>¥1,150,495</b>	<b>¥4,564,342</b>	<b>¥5,714,837</b>	<b>¥211,914,783</b>	<b>—</b>	<b>¥211,914,783</b>
Changes during the fiscal period							
Provision of reserve for reduction entry	—	394,027	(394,027)	—	—	—	—
Payments of dividends	—	—	(4,170,315)	(4,170,315)	(4,170,315)	—	(4,170,315)
Net income	—	—	4,815,255	4,815,255	4,815,255	—	4,815,255
Net changes of items other than unitholder's equity	—	—	—	—	—	(4,328)	(4,328)
Total changes during the fiscal period	—	394,027	250,913	644,940	644,940	(4,328)	640,612
<b>Balance as of April 30, 2016</b>	<b>¥206,199,946</b>	<b>¥1,544,522</b>	<b>¥4,815,255</b>	<b>¥6,359,777</b>	<b>¥212,559,723</b>	<b>¥(4,328)</b>	<b>¥212,555,395</b>

See accompanying notes to the financial statements.

# Statements of Cash Flows

Kenedix Office Investment Corporation

For the period from November 1, 2015 to April 30, 2016 and the period from May 1, 2015 to October 31, 2015

	In thousands of yen	
	From November 1, 2015 to April 30, 2016	From May 1, 2015 to October 31, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before income taxes	¥ 4,816,519	¥ 4,565,605
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,470,695	2,494,805
Interest income	(697)	(738)
Interest expense	993,892	1,058,112
<b>Changes in assets and liabilities:</b>		
Rental receivables	(3,500)	(16,372)
Consumption tax refundable	(53,578)	—
Accrued consumption tax	(407,556)	159,196
Trade and other payables	(203,532)	41,052
Rents received in advance	157,163	(149,339)
Property and equipment due to sale	14,591,896	5,309,142
Others, net	(123,666)	(145,670)
Subtotal	22,237,636	13,315,793
Interest income received	697	738
Cash payments of interest expense	(989,130)	(1,070,731)
Cash payments of income taxes	(869)	(925)
<b>Net cash provided by (used in) operating activities</b>	<b>21,248,334</b>	<b>12,244,875</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(20,403,242)	(9,078,473)
Purchase of intangible assets	(5,913)	—
Proceeds from leasehold and security deposits received	1,851,210	1,100,651
Payments of leasehold and security deposits received	(1,496,099)	(1,180,848)
Payments of restricted bank deposits	(600,262)	(59,130)
Proceeds from restricted bank deposits	—	108,411
<b>Net cash provided by (used in) investing activities</b>	<b>(20,654,306)</b>	<b>(9,109,389)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term debt	1,500,000	1,000,000
Payments of short-term debt	(1,500,000)	(1,500,000)
Proceeds from long-term debt	18,300,000	14,500,000
Payments of long-term debt	(18,300,000)	(14,500,000)
Proceeds from issuance of corporate bonds	990,472	—
Payment of dividends	(4,169,538)	(4,599,589)
<b>Net cash provided by (used in) financing activities</b>	<b>(3,179,066)</b>	<b>(5,099,589)</b>
Net change in cash and cash equivalents	(2,585,038)	(1,964,103)
Cash and cash equivalents at the beginning of period	21,760,581	23,724,684
<b>Cash and cash equivalents at the end of period (Note3)</b>	<b>¥ 19,175,543</b>	<b>¥ 21,760,581</b>

See accompanying notes to the financial statements.

# Notes to Financial Statements

Kenedix Office Investment Corporation

For the period from November 1, 2015 to April 30, 2016 and the period from May 1, 2015 to October 31, 2015

## 1. ORGANIZATION AND BASIS OF PRESENTATION

### ORGANIZATION

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

During the period ended October 31, 2015, the Investment Corporation acquired one office building (Hamamatsucho Center Building: acquisition price of ¥3,950 million) located in the Tokyo Metropolitan Area, one office building (Shin Osaka Center Building: acquisition price of ¥4,550 million) located in Other Regional Areas, and sold Nagoya Nikko Shoken Building (initial acquisition price of ¥4,158 million) and KDX Nogizaka Building (initial acquisition price of ¥1,065 million) (with a total combined disposition price of ¥5,760 million).

During the period ended April 30, 2016, the Investment Corporation acquired one office buildings (Nittochi Toranomom Building: acquisition price of ¥15,550 million) located in the Tokyo Metropolitan Area, one office building (Nichigin-mae KD Building: acquisition price of ¥3,500 million) located in Other Regional Areas, and sold KDX Toranomom Building (initial acquisition price of ¥4,400 million) and Toranomom Toyo Building (initial acquisition price of ¥9,850 million) (with a total combined disposition price of ¥15,420 million).

At the end of the twenty-first and twenty-second fiscal periods, the Investment Corporation had total unitholders' capital of ¥206,200 million with 404,885 investment units outstanding, respectively. The Investment Corporation owned a portfolio of 97 properties (consisting of 92 office buildings, one residential property, three central urban retail properties and one other property) with total acquisition prices of ¥388,371 million and ¥393,171 million at the end of the twenty-first and twenty-second fiscal periods, respectively. The occupancy ratios were approximately 94.9% and 96.9% at the end of the twenty-first and twenty-second 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 AND EQUIPMENT

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

	From November 1, 2015 to April 30, 2016	From May 1, 2015 to October 31, 2015
Buildings and structures	2-49 years	2-49 years
Machinery and equipment	3-17 years	3-17 years
Tools, furniture and fixtures	3-20 years	3-20 years

#### **(C) UNIT ISSUANCE COSTS**

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

#### **(D) CORPORATE BOND ISSUANCE COSTS**

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

#### **(E) ACCOUNTING TREATMENT OF TRUST BENEFICIARY INTERESTS IN REAL ESTATE**

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

#### **(F) GROUND LEASEHOLD**

Fixed term leaseholds on the building and special agreements on building sales are amortized over a contractual period of 48 years and 9 months under the straight-line method.

#### **(G) REVENUE RECOGNITION**

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

#### **(H) TAXES ON PROPERTY AND EQUIPMENT**

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to 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 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 ¥83,802 thousand and ¥13,308 thousand as of April 30, 2016 and October 31, 2015 respectively. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period to which the installments of such taxes correspond.

#### **(I) INCOME TAXES**

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

#### **(J) CONSUMPTION TAXES**

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

#### **(K) DERIVATIVE FINANCIAL INSTRUMENTS**

The Investment Corporation utilizes interest-rate swap and interest-rate cap contracts as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. The Investment Corporation deferred recognition of gains or losses resulting from changes in fair value of interest-rate swap and interest-rate cap contracts because these contracts met the criteria for deferral hedging accounting. However, the Investment Corporation adopted special treatment for interest-swap and interest-rate cap contracts if they met the criteria for hedging accounting under this treatment, whereby the net amount to be paid or received under the interest-rate swap and interest-rate cap contract is added to or deducted from the interest on the assets or liabilities for which the swap and cap contract was executed. The hedge effectiveness for the interest-rate swap and interest-rate cap contract is assessed each fiscal period except for those that meet the criteria of special treatment.

#### **(L) CASH AND CASH EQUIVALENTS**

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

#### **(M) ROUNDING OF AMOUNTS PRESENTED**

Amounts have been truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan, whereas amounts have been rounded to the nearest million in the accompanying financial statements. Totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of April 30, 2016 and: October 31, 2015

	In thousands of yen	
	As of April 30, 2016	As of October 31, 2015
Cash and bank deposits	¥20,602,996	¥22,587,773
Restricted bank deposits (Note)	(1,427,453)	(827,192)
Cash and cash equivalents	¥19,175,543	¥21,760,581

Note: Restricted bank deposits are retained for repayment of tenant leasehold and security deposits.

### 4. SCHEDULE OF PROPERTY AND EQUIPMENT

	In millions of yen					
	As of April 30, 2016			As of October 31, 2015		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥273,049	¥ —	¥273,049	¥271,538	¥ —	¥271,538
Buildings and structures	136,423	26,134	110,289	132,688	24,428	108,260
Machinery and equipment	2,042	895	1,147	1,905	835	1,070
Tools, furniture and fixtures	514	266	248	504	259	245
Total	¥412,028	¥27,295	¥384,733	¥406,635	¥25,522	¥381,113

### 5. SHORT-TERM DEBT, LONG-TERM DEBT AND CORPORATE BONDS

The following summarizes short-term debt, long-term debt and corporate bonds outstanding as of April 30, 2016:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	July 31, 2015	July 31, 2016	0.51%	¥ 1,000
	March 31, 2016	March 31, 2017	0.45%	1,500
Current portion of long-term debt	July 31, 2013	July 29, 2016	0.57%	¥ 1,500
	December 26, 2011	October 31, 2016	1.42%	2,500
	December 26, 2011	October 31, 2016	1.44%	2,500
	December 26, 2011	October 31, 2016	1.44%	2,000
	October 31, 2012	October 31, 2016	1.06%	2,500
	October 31, 2012	October 31, 2016	1.05%	1,500
	November 12, 2015	November 30, 2016	0.49%	2,000
	March 28, 2012	March 28, 2017	1.36%	500
	December 10, 2012	December 12, 2016	0.98%	500
	December 28, 2012	December 28, 2016	1.01%	2,000
	January 15, 2013	January 15, 2017	0.97%	1,000
	January 31, 2014	January 31, 2017	0.67%	1,200
	Subtotal			
Long-term debt	November 12, 2010	November 12, 2017	2.02%	¥ 2,300
	December 1, 2010	November 12, 2017	2.21%	700
	March 28, 2012	March 28, 2019	1.77%	1,400
	March 28, 2012	March 28, 2019	1.77%	1,000
	June 29, 2012	June 30, 2017	1.29%	1,500
	September 21, 2012	September 21, 2017	1.16%	5,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	October 31, 2012	October 31, 2017	1.10%	2,500
	October 31, 2012	October 31, 2018	1.25%	2,500
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500
	March 26, 2013	March 26, 2018	1.04%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	July 31, 2013	July 31, 2018	0.67%	500



Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	August 19, 2013	August 19, 2018	0.95%	¥ 1,000
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	500
	August 19, 2013	August 19, 2018	0.95%	500
	August 19, 2013	August 19, 2018	0.97%	500
	August 30, 2013	August 31, 2018	1.08%	700
	August 30, 2013	August 31, 2018	1.08%	500
	August 30, 2013	August 31, 2018	1.08%	300
	August 30, 2013	August 31, 2020	1.42%	1,500
	September 30, 2013	September 30, 2019	1.06%	1,800
	September 30, 2013	September 30, 2019	1.06%	900
	October 31, 2013	October 31, 2018	0.89%	500
	November 12, 2013	November 12, 2018	0.82%	1,000
	November 12, 2013	November 12, 2020	1.07%	2,000
	November 12, 2013	November 12, 2020	1.07%	500
	November 29, 2013	November 30, 2020	1.12%	1,000
	November 29, 2013	November 30, 2020	1.12%	900
	November 29, 2013	November 30, 2018	0.84%	200
	January 10, 2014	January 31, 2021	1.21%	1,300
	January 31, 2014	January 31, 2021	1.13%	2,300
	January 31, 2014	January 31, 2020	0.93%	3,700
	March 12, 2014	March 12, 2018	0.75%	2,250
	March 12, 2014	March 31, 2019	0.78%	450
	March 12, 2014	March 12, 2020	0.92%	1,800
	March 12, 2014	March 12, 2023	1.36%	1,800
	March 20, 2014	March 12, 2020	0.91%	3,000
	March 20, 2014	September 20, 2021	1.01%	4,000
	March 20, 2014	March 20, 2022	1.20%	3,000
	March 20, 2014	March 12, 2023	1.35%	2,000
	March 31, 2014	March 31, 2019	0.76%	2,500
	April 22, 2014	October 31, 2020	0.95%	2,900
	July 10, 2014	July 10, 2019	0.64%	500
	July 10, 2014	July 10, 2021	0.90%	2,000
	July 10, 2014	July 10, 2021	0.90%	500
	July 14, 2014	July 31, 2019	0.68%	1,000
	July 31, 2014	July 31, 2019	0.62%	1,000
	July 31, 2014	July 31, 2020	0.74%	2,700
	July 31, 2014	October 31, 2020	0.76%	300
	July 31, 2014	July 31, 2022	1.01%	2,200
	August 29, 2014	July 31, 2019	0.65%	1,000
	September 1, 2014	August 31, 2021	0.89%	800
	September 1, 2014	August 31, 2021	0.89%	500
	September 3, 2014	August 31, 2022	0.98%	1,000
	September 3, 2014	August 31, 2022	0.98%	950
	September 22, 2014	September 30, 2020	0.80%	2,700
	September 30, 2014	September 30, 2021	0.89%	1,000
	October 31, 2014	October 31, 2021	0.80%	3,000
	October 31, 2014	October 31, 2023	1.07%	2,000
	October 31, 2014	October 31, 2023	1.13%	1,500
	October 31, 2014	October 31, 2023	1.07%	1,000
	October 31, 2014	October 31, 2024	1.26%	2,000
	October 31, 2014	October 31, 2024	1.26%	1,000
January 30, 2015	January 31, 2021	0.71%	1,500	
January 30, 2015	January 31, 2025	1.16%	1,500	
February 18, 2015	February 28, 2022	0.91%	1,250	
February 18, 2015	February 28, 2022	0.91%	350	
February 18, 2015	February 29, 2024	1.16%	1,700	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)	
Long-term debt	February 18, 2015	February 28, 2025	1.31%	¥ 1,250	
	February 27, 2015	February 28, 2025	1.15%	2,100	
	March 12, 2015	February 28, 2025	1.22%	1,000	
	March 31, 2015	March 31, 2025	1.27%	2,500	
	April 30, 2015	April 30, 2022	0.83%	2,300	
	August 31, 2015	August 31, 2022	0.87%	500	
	August 31, 2015	August 31, 2022	0.87%	500	
	August 31, 2015	August 31, 2022	0.87%	500	
	August 31, 2015	August 31, 2022	0.87%	500	
	August 31, 2015	August 31, 2022	0.87%	500	
	September 30, 2015	September 30, 2024	1.07%	2,000	
	October 30, 2015	October 31, 2024	0.99%	1,000	
	October 30, 2015	October 30, 2025	1.11%	1,500	
	October 30, 2015	October 30, 2025	1.11%	2,000	
	October 30, 2015	October 30, 2025	1.11%	2,500	
	October 30, 2015	October 30, 2025	1.12%	2,500	
	November 12, 2015	November 30, 2025	1.17%	1,000	
	January 29, 2016	January 31, 2022	0.59%	2,500	
	January 29, 2016	January 31, 2022	0.64%	500	
	January 29, 2016	January 29, 2026	1.07%	2,000	
	January 29, 2016	January 29, 2026	1.02%	1,800	
	February 18, 2016	February 18, 2026	1.00%	1,000	
	February 18, 2016	February 18, 2026	1.00%	500	
	March 30, 2016	March 31, 2019	0.17%	1,000	
	March 31, 2016	March 31, 2026	0.90%	1,000	
	April 28, 2016	April 30, 2024	0.65%	2,000	
	April 28, 2016	April 30, 2026	0.84%	2,000	
	April 28, 2016	April 30, 2026	0.87%	1,000	
	Subtotal				143,600
	Current portion of Corporate bonds	March 15, 2007	March 15, 2017	2.37%	¥ 3,000
	Subtotal				3,000
	Corporate bonds	March 8, 2012	September 8, 2017	2.00%	1,500
		September 12, 2013	September 12, 2018	1.00%	1,800
	July 25, 2014	July 25, 2024	1.18%	2,000	
	April 28, 2016	April 28, 2028	0.90%	1,000	
Subtotal				6,300	
Total				¥175,100	

The following summarizes short-term debt, long-term debt and corporate bonds outstanding as of October 31, 2015:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	April 2, 2015	March 31, 2016	0.53%	¥ 1,500
	July 31, 2015	July 31, 2016	0.53%	1,000
Current portion of long-term debt	November 12, 2010	November 12, 2015	1.79%	¥ 1,200
	November 12, 2010	November 12, 2015	1.79%	800
	December 1, 2010	November 12, 2015	1.32%	800
	December 1, 2010	November 12, 2015	1.32%	200
	January 31, 2011	January 29, 2016	1.94%	800
	February 28, 2011	January 29, 2016	1.95%	500
	March 31, 2011	January 29, 2016	1.91%	2,000
	April 28, 2011	January 29, 2016	1.89%	1,000
	January 10, 2012	January 29, 2016	1.27%	2,500
	February 18, 2013	February 18, 2016	0.84%	1,500
	March 31, 2011	March 31, 2016	1.22%	1,000
	May 1, 2006	April 30, 2016	2.73%	5,000
	April 30, 2013	April 30, 2016	0.67%	1,000

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Current portion of long-term debt	July 31, 2013	July 29, 2016	0.57%	¥ 1,500
	December 26, 2011	October 31, 2016	1.44%	2,500
	December 26, 2011	October 31, 2016	1.42%	2,500
	December 26, 2011	October 31, 2016	1.44%	2,000
	October 31, 2012	October 31, 2016	1.06%	2,500
	October 31, 2012	October 31, 2016	1.05%	1,500
Subtotal				33,300
Long-term debt	November 12, 2010	November 12, 2017	2.02%	¥ 2,300
	December 1, 2010	November 12, 2017	2.21%	700
	March 28, 2012	March 28, 2017	1.36%	500
	March 28, 2012	March 28, 2019	1.77%	1,400
	March 28, 2012	March 28, 2019	1.77%	1,000
	June 29, 2012	June 30, 2017	1.29%	1,500
	September 21, 2012	September 21, 2017	1.16%	5,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	October 31, 2012	October 31, 2017	1.10%	2,500
	October 31, 2012	October 31, 2018	1.25%	2,500
	December 10, 2012	December 12, 2016	0.98%	500
	December 28, 2012	December 28, 2016	1.01%	2,000
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500
	January 15, 2013	January 15, 2017	0.97%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	July 31, 2013	July 31, 2018	0.67%	500
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	500
	August 19, 2013	August 19, 2018	0.97%	500
	August 19, 2013	August 19, 2018	0.95%	500
	August 30, 2013	August 31, 2018	1.08%	700
	August 30, 2013	August 31, 2018	1.08%	500
	August 30, 2013	August 31, 2018	1.08%	300
	August 30, 2013	August 31, 2020	1.42%	1,500
	September 30, 2013	September 30, 2019	1.06%	1,800
	September 30, 2013	September 30, 2019	1.06%	900
	October 31, 2013	October 31, 2018	0.89%	500
	November 12, 2013	November 12, 2018	0.82%	1,000
	November 12, 2013	November 12, 2020	1.07%	2,000
	November 12, 2013	November 12, 2020	1.07%	500
	November 29, 2013	November 30, 2018	0.84%	200
	November 29, 2013	November 30, 2020	1.12%	1,000
	November 29, 2013	November 30, 2020	1.12%	900
	January 10, 2014	January 31, 2021	1.21%	1,300
	January 31, 2014	January 31, 2017	0.67%	1,200
	January 31, 2014	January 31, 2020	0.93%	3,700
	January 31, 2014	January 31, 2021	1.13%	2,300
March 12, 2014	March 12, 2018	0.75%	2,250	
March 12, 2014	March 31, 2019	0.78%	450	
March 12, 2014	March 12, 2020	0.92%	1,800	
March 12, 2014	March 12, 2023	1.36%	1,800	
March 20, 2014	March 12, 2020	0.91%	3,000	
March 20, 2014	September 20, 2021	1.01%	4,000	
March 20, 2014	March 20, 2022	1.20%	3,000	
March 20, 2014	March 12, 2023	1.35%	2,000	
March 31, 2014	March 31, 2019	0.76%	2,500	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	April 22, 2014	October 31, 2020	0.95%	¥ 2,900
	July 10, 2014	July 10, 2019	0.64%	500
	July 10, 2014	July 10, 2021	0.90%	2,000
	July 10, 2014	July 10, 2021	0.90%	500
	July 14, 2014	July 31, 2019	0.68%	1,000
	July 31, 2014	July 31, 2019	0.62%	1,000
	July 31, 2014	July 31, 2020	0.74%	2,700
	July 31, 2014	October 31, 2020	0.76%	300
	July 31, 2014	July 31, 2022	1.01%	2,200
	August 29, 2014	July 31, 2019	0.65%	1,000
	September 1, 2014	August 31, 2021	0.89%	800
	September 1, 2014	August 31, 2021	0.89%	500
	September 3, 2014	August 31, 2022	0.98%	1,000
	September 3, 2014	August 31, 2022	0.98%	950
	September 22, 2014	September 30, 2020	0.80%	2,700
	September 30, 2014	September 30, 2021	0.89%	1,000
	October 31, 2014	October 31, 2021	0.80%	3,000
	October 31, 2014	October 31, 2023	1.07%	2,000
	October 31, 2014	October 31, 2023	1.13%	1,500
	October 31, 2014	October 31, 2023	1.07%	1,000
	October 31, 2014	October 31, 2024	1.26%	2,000
	October 31, 2014	October 31, 2024	1.26%	1,000
	January 30, 2015	January 31, 2021	0.71%	1,500
	January 30, 2015	January 31, 2025	1.16%	1,500
	February 18, 2015	February 28, 2022	0.91%	1,250
	February 18, 2015	February 28, 2022	0.91%	350
	February 18, 2015	February 29, 2024	1.16%	1,700
	February 18, 2015	February 28, 2025	1.31%	1,250
	February 27, 2015	February 28, 2025	1.15%	2,100
	March 12, 2015	February 28, 2025	1.22%	1,000
	March 31, 2015	March 31, 2025	1.27%	2,500
	April 30, 2015	April 30, 2022	0.83%	2,300
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	August 31, 2015	August 31, 2022	0.87%	500
	September 30, 2015	September 30, 2024	1.06%	2,000
	October 30, 2015	October 31, 2024	0.99%	1,000
October 30, 2015	October 30, 2025	1.11%	1,500	
October 30, 2015	October 30, 2025	1.11%	2,000	
October 30, 2015	October 30, 2025	1.11%	2,500	
October 30, 2015	October 30, 2025	1.12%	2,500	
Subtotal				132,500
Corporate bonds	March 15, 2007	March 15, 2017	2.37%	¥ 3,000
	March 8, 2012	September 8, 2017	2.00%	1,500
	September 12, 2013	September 12, 2018	1.00%	1,800
	July 25, 2014	July 25, 2024	1.18%	2,000
Subtotal				8,300
Total				¥174,100

## 6. REDUCTION ENTRY

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

	In thousands of yen	
	As of April 30, 2016	As of October 31, 2015
Buildings and structures	¥26,230	¥26,230

## 7. PER UNIT INFORMATION

	Yen	
	From November 1, 2015 to April 30, 2016	From May 1, 2015 to October 31, 2015
Net asset value per unit	¥524,977	¥523,395
Net income per unit	¥ 11,893	¥ 11,273
Weighted average number of units (units)	404,885	404,885

The weighted average number of units outstanding of 404,885 as of April 30, 2016 and October 31, 2015, 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.

## 8. 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 ¥4,335 million (deducting ¥480 million as the provision of reserve for reduction entry) and ¥4,170 million (deducting ¥394 million as the provision of reserve for reduction entry) for the periods ended April 30, 2016, and October 31, 2015. Therefore such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.03% for the fiscal periods ended April 30, 2016 and October 31, 2015. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	From November 1, 2015 to April 30, 2016	From May 1, 2015 to October 31, 2015
Statutory tax rate	32.31%	32.31%
Deductible cash distributions	(29.08)	(29.51)
Provision of reserve for reduction entry	(3.22)	(2.79)
Others	0.02	0.02
Effective tax rate	0.03%	0.03%

The significant components of deferred tax assets and liabilities as of April 30, 2016 and October 31, 2015 were as follows:

	In thousands of yen	
	As of April 30, 2016	As of October 31, 2015
Deferred tax assets:		
Enterprise tax payable	¥ 31	¥ 32
Deferred gains or losses on hedges	1,374	—
Amortization of leasehold rights	2,663	2,460
Subtotal deferred tax assets	4,068	2,492
Valuation allowance	4,037	2,460
Total deferred tax assets	¥ 31	¥ 32

Revision of amount of deferred tax assets and deferred tax liabilities due to change in the tax rate of income taxes

The Act on Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act, etc. (Act No. 13 of 2016) were enacted in the Diet session on March 29, 2016, which include lowering of the tax rate of income taxes, starting from accounting periods starting on or after April 1, 2016. In accordance with this, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities is changed from the previous 32.31% to 31.74%. The impact from the tax rate change is minimal.

## 9. NET ASSETS

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

## 10. RELATED-PARTY TRANSACTIONS

### 1. PARENT COMPANY, CORPORATE UNITHOLDERS' AND OTHER

Twenty-second Fiscal Period (November 1, 2015 to April 30, 2016) and Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015): Not applicable

### 2. AFFILIATED COMPANIES AND OTHER

Twenty-second Fiscal Period (November 1, 2015 to April 30, 2016) and Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015): Not applicable

### 3. FELLOW SUBSIDIARY COMPANIES AND OTHER

Twenty-second Fiscal Period (November 1, 2015 to April 30, 2016) and Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015): Not applicable

### 4. DIRECTORS, INDIVIDUAL UNITHOLDERS' AND OTHER

Twenty-second Fiscal Period (November 1, 2015 to April 30, 2016) and Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015): Not applicable

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

Rental and other operating revenues, property-related expenses, gain and loss on sale of real estate property for the periods from November 1, 2015 to April 30, 2016 and from May 1, 2015 to October 31, 2015 consist of the following:

	In thousands of yen	
	From November 1, 2015 to April 30, 2016	From May 1, 2015 to October 31, 2015
<b>Rental and other operating revenues:</b>		
Rental revenues	¥ 9,117,586	¥ 9,124,877
Common area charges	1,930,493	1,981,677
Subtotal	11,048,079	11,106,554
<b>Others:</b>		
Parking space rental revenues	471,916	472,738
Utility charge reimbursement	990,852	1,131,096
Miscellaneous	301,182	515,644
Subtotal	1,763,950	2,119,478
Total rental and other operating revenues	¥12,812,029	¥13,226,032
<b>Property-related expenses:</b>		
Property management fees and facility management fees	¥ 1,251,483	¥ 1,261,503
Depreciation	2,230,747	2,218,871
Utilities	1,071,935	1,232,969
Taxes	1,112,600	1,097,079
Insurance	17,492	18,325
Repairs and maintenance	451,262	497,904
Trust fees	32,130	52,439
Others	365,554	289,902
Total property-related expenses	¥ 6,533,203	¥ 6,668,992
<b>Gain on sale of real estate property:</b>		
Revenue from sale of investment property	11,470,000	4,800,000
Cost of investment property	9,899,061	4,214,661
Other sales expenses	60,770	123,973
Gain on sale of real estate property	1,510,169	461,366
<b>Loss on sale of real estate property:</b>		
Revenue from sale of investment property	3,950,000	960,000
Cost of investment property	4,692,834	1,094,481
Other sales expenses	23,171	31,210
Loss on sale of real estate property	¥ 766,005	¥ 165,691

## 12. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease terms of generally two years for office buildings and residential properties and with lease terms ranging from two to ten years for retail properties. The future minimum rental revenues under existing non-cancelable operating leases as of April 30, 2016 and October 31, 2015 are as follows:

	In thousands of yen	
	As of April 30, 2016	As of October 31, 2015
Due within one year	¥ 1,486,303	¥ 1,759,328
Due after one year	9,544,086	9,540,266
Total	¥11,030,389	¥11,299,594

## 13. FINANCIAL INSTRUMENTS

Twenty-second Fiscal Period (November 1, 2015 to April 30, 2016)

### (A) OVERVIEW

#### (1) POLICY FOR FINANCIAL INSTRUMENTS

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

#### (2) TYPES OF FINANCIAL INSTRUMENTS AND RELATED RISK

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

Debt and corporate bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 12 years following the accounting date. Although a certain portion of said liabilities are subject to interest rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap and interest-rate cap transactions) in order to reduce such risk.

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

#### (3) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

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

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

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

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

#### (4) SUPPLEMENTARY EXPLANATION OF THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

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

## (B) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial instruments on the balance sheet as of April 30, 2016 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to \*2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
① Cash and bank deposits	¥ 20,602,996	¥ 20,602,996	¥ —
Subtotal	20,602,996	20,602,996	—
① Short-term debt	2,500,000	2,500,000	—
② Corporate bonds (including current portion of corporate bonds)	9,300,000	9,486,050	186,050
③ Long-term debt (including current portion of long-term debt)	163,300,000	165,889,327	2,589,327
Subtotal	¥175,100,000	¥177,875,377	¥2,775,377
Derivative Transactions (*)	(4,328)	(4,328)	—

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

### \*1: METHODS TO DETERMINE THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER MATTERS RELATED TO SECURITIES AND DERIVATIVE TRANSACTIONS

#### ASSETS

##### ① Cash and bank deposits

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

#### LIABILITIES

##### ① Short-term debt

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

##### ② Corporate bonds

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

##### ③ Long-term debt

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

#### DERIVATIVE TRANSACTIONS

Please refer to Note 14 "DERIVATIVE TRANSACTIONS".

### \*2: FINANCIAL INSTRUMENTS FOR WHICH IT IS EXTREMELY DIFFICULT TO DETERMINE THE FAIR VALUE

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,089,761

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

### \*3: REDEMPTION SCHEDULE FOR RECEIVABLES

	Due within 1 year or less (In thousands of yen)
Cash and bank deposits	¥20,602,996
Total	¥20,602,996

### \*4: REDEMPTION SCHEDULE FOR DEBT AND CORPORATE BONDS

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	¥ 2,500,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	3,000,000	1,500,000	1,800,000	—	—	3,000,000
Long-term debt	¥19,700,000	¥19,250,000	¥16,050,000	¥14,700,000	¥19,600,000	¥74,000,000



Twentieth-first Fiscal Period (May 1, 2015 to October 31, 2015)

## (A) OVERVIEW

### (1) POLICY FOR FINANCIAL INSTRUMENTS

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

### (2) TYPES OF FINANCIAL INSTRUMENTS AND RELATED RISK

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

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

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

### (3) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

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

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

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

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

### (4) SUPPLEMENTARY EXPLANATION OF THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

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

## (B) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial instruments on the balance sheet as of October 31, 2015 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to \*2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
① Cash and bank deposits	¥ 22,587,773	¥ 22,587,773	¥ —
Subtotal	22,587,773	22,587,773	—
① Short-term debt	2,500,000	2,500,000	—
② Corporate bonds (including current portion of corporate bonds)	8,300,000	8,474,360	174,360
③ Long-term debt (including current portion of long-term debt)	163,300,000	163,761,383	461,383
Subtotal	¥174,100,000	¥174,735,743	¥635,743
Derivative Transactions (*)	—	—	—

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

**\*1: METHODS TO DETERMINE THE ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER MATTERS RELATED TO SECURITIES AND DERIVATIVE TRANSACTIONS**

**ASSETS**

① Cash and bank deposits

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

**LIABILITIES**

① Short-term debt

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

② Corporate bonds

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

③ Long-term debt

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

**DERIVATIVE TRANSACTIONS**

Please refer to Note 14 "DERIVATIVE TRANSACTIONS".

**\*2: FINANCIAL INSTRUMENTS FOR WHICH IT IS EXTREMELY DIFFICULT TO DETERMINE THE FAIR VALUE**

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,100,235

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

**\*3: REDEMPTION SCHEDULE FOR RECEIVABLES**

	Due within 1 year or less (In thousands of yen)
Cash and bank deposits	¥22,587,773
Total	¥22,587,773

**\*4: REDEMPTION SCHEDULE FOR DEBT AND CORPORATE BONDS**

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	¥ 2,500,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	4,500,000	1,800,000	—	—	2,000,000
Long-term debt	¥30,800,000	¥16,200,000	¥16,750,000	¥12,750,000	¥18,600,000	¥68,200,000

## 14. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap and the interest-rate cap contracts as of April 30, 2016:

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 debt	¥ 1,000,000	¥ 1,000,000	¥(4,328)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	¥109,350,000	¥102,150,000	*	
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term debt	2,000,000	500,000	*	
Total			¥112,350,000	¥103,650,000	¥(4,328)	

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

The following summarizes the contracted amount and the fair value of interest-rate swap and the interest-rate cap contracts as of October 31, 2015:

① Hedge accounting not applied

Not applicable

② Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	¥ 98,050,000	¥92,050,000	*	—
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term debt	3,000,000	500,000	*	—
Total			¥101,050,000	¥92,550,000		

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

## 15. INVESTMENT AND RENTAL PROPERTIES

Twenty-second Fiscal Period (November 1, 2015 to April 30, 2016)

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, 2016 (In thousands of yen)	
As of October 31, 2015	Net change	As of April 30, 2016		
¥381,466,641	¥3,618,614	¥385,085,255	¥402,555,000	

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

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

3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increases and decreases were the acquisition of two properties totaling ¥19,321,019 thousand, the sale of two properties totaling ¥14,591,896 thousand and depreciation amounting to ¥2,230,747 thousand.

Income and loss in the fiscal period ended April 30, 2016 for real estate for rental purposes is listed in Note 11. "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY".

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015)

The Investment Corporation owns real estate for rental purposes mainly in the Tokyo Metropolitan Area for the purpose of generating rental revenues. The carrying value in the balance sheets and corresponding fair value of those properties are as follows:

Carrying value (In thousands of yen)			Fair value As of October 31, 2015 (In thousands of yen)
As of April 30, 2015	Net change	As of October 31, 2015	
¥379,905,814	¥1,560,827	¥381,466,641	¥392,422,000

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

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

3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increases and decreases were the acquisition of two properties totaling ¥8,621,306 thousand, the sale of two properties totaling ¥5,309,142 thousand and depreciation amounting to ¥2,218,871 thousand.

Income and loss in the fiscal period ended October 31, 2015 for real estate for rental purposes is listed in Note 11. "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY".

## 16. SEGMENT AND RELATED INFORMATION

Twenty-second Fiscal Period(November 1, 2015 to April 30, 2016)

### (A) SEGMENT INFORMATION

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

### (B) RELATED INFORMATION

#### (1) INFORMATION ABOUT EACH PRODUCT AND SERVICE

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

#### (2) INFORMATION ABOUT EACH GEOGRAPHIC AREA

##### (a) Net sales

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

##### (b) Property and equipment

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

#### (3) INFORMATION ABOUT EACH MAJOR CUSTOMER

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

Twenty-first Fiscal Period (May 1, 2015 to October 31, 2015)

### (A) SEGMENT INFORMATION

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

### (B) RELATED INFORMATION

#### (1) INFORMATION ABOUT EACH PRODUCT AND SERVICE

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

#### (2) INFORMATION ABOUT EACH GEOGRAPHIC AREA

##### (a) Net sales

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

##### (b) Property and equipment

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

#### (3) INFORMATION ABOUT EACH MAJOR CUSTOMER

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

## 17. SUBSEQUENT EVENTS

Not applicable.