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FINANCIAL SUMMARY (UNAUDITED)

Historical Operating Trends
For the 22nd–26th Fiscal Periods

Period	Unit	22nd Period (as of Apr. 30, 2016)	23rd Period (as of Oct. 31, 2016)	24th Period (as of Apr. 30, 2017)	25th Period (as of Oct. 31, 2017)	26th Period (as of Apr. 30, 2018)
Operating revenues	millions of yen	14,362	13,491	15,039	13,901	14,823
(Rental revenues)	millions of yen	12,812	13,429	13,327	13,840	14,222
Operating expenses	millions of yen	8,260	7,703	9,137	8,244	7,974
(Property-related expenses)	millions of yen	6,533	6,754	6,527	6,720	6,977
Operating income	millions of yen	6,102	5,788	5,901	5,657	6,848
Ordinary income	millions of yen	4,816	4,603	4,751	4,590	5,829
Net income (a)	millions of yen	4,815	4,601	4,750	4,588	5,828
Total assets (b)	millions of yen	408,813	413,031	410,166	414,933	422,993
(Period-on-period change)	%	(+0.4)	(+1.0)	(−0.7)	(+1.2)	(+1.9)
Interest-bearing debt (c)	millions of yen	175,100	178,100	174,600	179,600	185,850
(Period-on-period change)	%	(+0.6)	(+1.7)	(−2.0)	(+2.9)	(+3.5)
Unitholders' equity (d)	millions of yen	212,555	212,825	212,986	212,851	213,642
(Period-on-period change)	%	(+0.3)	(+0.1)	(+0.1)	(−0.1)	(+0.4)
Unitholders' capital	millions of yen	206,199	206,199	206,199	206,199	206,199
(Period-on-period change)	%	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Number of investment units issued and outstanding (e)	unit	404,885	404,885	404,885	404,885	404,885
Unitholders' equity per unit (d)/(e)	yen	524,977	525,644	526,041	525,708	527,661
Total distribution (f)	millions of yen	4,335	4,601	4,750	5,061	5,247
Distribution per unit (f)/(e)	yen	10,707	11,365	11,733	12,500	12,960
(Earnings distributed per unit)	yen	10,707	11,365	11,733	12,500	12,960
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.2 (2.4)	1.1 (2.2)	1.2 (2.3)	1.1 (2.2)	1.4 (2.8)
Return on net assets (annualized) (Notes 2 and 3)	%	2.3 (4.6)	2.2 (4.3)	2.2 (4.5)	2.2 (4.3)	2.7 (5.5)
Net assets ratio at end of period (d)/(b)	%	52.0	51.5	51.9	51.3	50.5
(Period-on-period change)	%	(−0.0)	(−0.5)	(+0.4)	(−0.6)	(−0.8)
Interest-bearing debt ratio at end of period (c)/(b)	%	42.8	43.1	42.6	43.3	43.9
(Period-on-period change)	%	(+0.1)	(+0.3)	(−0.6)	(+0.7)	(+0.7)
Payout ratio (Note 4) (f)/(a)	%	90.0	99.9	99.9	110.2	90.0
Other references						
Number of properties	properties	97	99	97	98	97
Total leasable floor area	m ²	457,774.90	462,533.92	459,567.57	456,932.16	466,031.33
Occupancy ratio at end of period	%	96.9	96.9	97.9	99.1	99.0
Depreciation expenses for the period	millions of yen	2,230	2,274	2,288	2,293	2,295
Capital expenditures for the period	millions of yen	1,120	1,165	1,018	953	886
Leasing NOI (Net Operating Income) (Note 5)	millions of yen	8,509	8,949	9,088	9,413	9,539
FFO (Funds From Operation) (Note 6)	millions of yen	6,302	6,877	7,034	7,451	7,574
FFO per unit (Note 7)	yen	15,565	16,985	17,373	18,404	18,708

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 22nd Fiscal Period are calculated based on a period of 182 days, 184 days for the 23rd Fiscal Period, 181 days for the 24th Fiscal Period, 184 days for the 25th Fiscal Period and 181 days for the 26th 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 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)

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, 2018, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Office Investment Corporation as at April 30, 2018, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

July 30, 2018
Tokyo, Japan

BALANCE SHEETS

Kenedix Office Investment Corporation
As of April 30, 2018 and October 31, 2017

	In thousands of yen	
	As of April 30, 2018	As of October 31, 2017
Assets		
Current assets:		
Cash and deposits (Notes 3 and 13)	¥ 13,033,326	¥ 19,917,133
Cash and deposits in trust (Notes 3 and 13)	10,444,809	9,808,743
Operating accounts receivable	308,217	314,766
Prepaid expenses	76,768	110,584
Consumption taxes receivable	166,118	90,895
Other (Note 8)	17,379	15,739
Total current assets	24,046,619	30,257,862
Non-current assets:		
Property, plant and equipment (Notes 4 and 15)		
Buildings	17,943,798	17,814,001
Accumulated depreciation	(5,111,557)	(4,812,998)
Buildings, net	12,832,241	13,001,003
Structures	32,618	32,618
Accumulated depreciation	(12,973)	(12,088)
Structures, net	19,645	20,529
Machinery and equipment	411,649	403,054
Accumulated depreciation	(223,927)	(212,345)
Machinery and equipment, net	187,722	190,709
Tools, furniture and fixtures	83,593	83,593
Accumulated depreciation	(51,767)	(48,941)
Tools, furniture and fixtures, net	31,825	34,651
Land	29,504,025	29,504,025
Buildings in trust (Note 6)	118,523,178	116,597,709
Accumulated depreciation	(26,581,425)	(25,841,684)
Buildings in trust, net	91,941,753	90,756,024
Structures in trust	345,717	373,778
Accumulated depreciation	(162,368)	(175,568)
Structures in trust, net	183,349	198,210
Machinery and equipment in trust	1,592,359	1,752,248
Accumulated depreciation	(719,408)	(843,233)
Machinery and equipment in trust, net	872,951	909,014
Tools, furniture and fixtures in trust	466,546	463,275
Accumulated depreciation	(278,421)	(262,396)
Tools, furniture and fixtures in trust, net	188,125	200,878
Land in trust	259,908,839	246,626,638
Construction in progress in trust	83	1,142
Total property, plant and equipment, net	395,670,563	381,442,828
Intangible assets (Note 4)		
Leasehold right (Note 15)	285,257	285,257
Leasehold right in trust (Note 15)	352,298	353,072
Other	3,501	4,114
Total intangible assets	641,057	642,444
Investments and other assets		
Investment securities (Note 13)	1,090,336	1,096,423
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	122,889	122,889
Long-term prepaid expenses	1,306,980	1,273,614
Other (Notes 13 and 14)	61,101	39,073
Total investments and other assets	2,591,308	2,542,001
Total non-current assets	398,902,929	384,627,273
Deferred assets		
Investment corporation bond issuance costs	44,019	48,526
Total deferred assets	44,019	48,526
Total assets	¥422,993,568	¥414,933,663

See accompanying notes to the financial statements.

In thousands of yen

	As of April 30, 2018	As of October 31, 2017
Liabilities		
Current liabilities:		
Operating accounts payable	¥ 1,453,036	¥ 1,231,349
Short-term loans payable (Notes 5,13 and 14)	6,000,000	6,000,000
Current portion of investment corporation bonds (Notes 5 and 13)	1,800,000	1,800,000
Current portion of long-term loans payable (Notes 5,13 and 14)	17,050,000	18,250,000
Accounts payable-other	291,560	288,179
Accrued expenses	79,639	67,417
Income taxes payable	682	760
Accrued consumption taxes	118,583	153,268
Advances received	2,340,180	2,240,535
Deposits received	2,568	31,647
Total current liabilities	29,136,251	30,063,159
Non-current liabilities:		
Investment corporation bonds (Notes 5 and 13)	6,000,000	6,000,000
Long-term loans payable (Notes 5, 13 and 14)	155,000,000	147,550,000
Tenant leasehold and security deposits	2,050,835	2,026,168
Tenant leasehold and security deposits in trust	17,164,250	16,442,929
Total non-current liabilities	180,215,086	172,019,097
Total liabilities	209,351,337	202,082,256
Net Assets		
Unitholders' equity:		
Unitholders' capital	206,199,945	206,199,945
Units authorized: 2,000,000 units		
Units issued and outstanding: 404,885 units		
As of April 30, 2018, and October 31, 2017, respectively		
Surplus:		
Voluntary retained earnings		
Reserve for reduction entry	1,552,849	2,024,673
Total voluntary retained earnings	1,552,849	2,024,673
Unappropriated retained earnings	5,828,847	4,589,238
Total surplus	7,381,696	6,613,911
Total unitholders' equity	213,581,642	212,813,857
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 13 and 14)	60,587	37,549
Total valuation and translation adjustments	60,587	37,549
Total net assets (Note 9)	213,642,230	212,851,406
Total liabilities and net assets	¥422,993,568	¥414,933,663

STATEMENTS OF INCOME AND RETAINED EARNINGS

Kenedix Office Investment Corporation

For the period from November 1, 2017 to April 30, 2018 and the period from May 1, 2017 to October 31, 2017

	In thousands of yen	
	From November 1, 2017 to April 30, 2018	From May 1, 2017 to October 31, 2017
Operating revenues		
Rent revenue - real estate (Note 11)	¥12,351,730	¥11,845,464
Other lease business revenue (Note 11)	1,870,367	1,995,021
Gain on sale of real estate property (Note 11)	550,142	—
Dividends income	50,882	61,007
Total operating revenues	14,823,123	13,901,494
Operating expenses		
Expenses related to rent business (Note 11)	6,977,998	6,720,726
Loss on sale of real estate property (Note 11)	—	568,160
Asset management fees	802,855	757,285
Directors' compensation	8,400	8,400
Asset custody fees	22,448	22,304
Administrative service fees	55,699	55,160
Audit fees	11,800	11,800
Other operating expenses	95,549	100,257
Total operating expenses	7,974,751	8,244,096
Operating income	6,848,372	5,657,398
Non-operating income		
Interest income	38	35
Dividends and redemption-prescription	481	462
Interest on refund	232	14
Total non-operating income	752	513
Non-operating expenses		
Interest expenses	818,187	829,913
Interest expenses on investment corporation bonds	32,780	40,495
Financing-related expenses	132,774	152,051
Amortization of investment corporation bond issuance costs	4,506	5,072
Amortization of investment unit issuance costs	—	19,277
Other non-operating expenses	30,930	20,973
Total non-operating expenses	1,019,178	1,067,785
Ordinary income	5,829,946	4,590,125
Income before income taxes	5,829,946	4,590,125
Income taxes (Note 8)		
Current	1,101	1,126
Deferred	(3)	5
Total income taxes	1,098	1,131
Net income	5,828,847	4,588,993
Retained earnings brought forward	—	244
Unappropriated retained earnings	¥ 5,828,847	¥ 4,589,238

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

Kenedix Office Investment Corporation

For the period from November 1, 2017 to April 30, 2018 and the period from May 1, 2017 to October 31, 2017

	In thousands of yen						
	Unitholders' equity					Valuation and translation adjustments	
	Surplus					Deferred gains or losses on hedges	Total net assets
	Unitholders' capital	Voluntary retained earnings Reserve for reduction entry	Unappropriated retained earnings	Total surplus	Total unitholders' equity		
Balance as of April 30, 2017	¥206,199,945	¥2,024,673	¥ 4,750,760	¥ 6,775,433	¥212,975,379	¥10,882	¥212,986,261
Changes during the fiscal period							
Dividends of surplus	—	—	(4,750,515)	(4,750,515)	(4,750,515)	—	(4,750,515)
Net income	—	—	4,588,993	4,588,993	4,588,993	—	4,588,993
Net changes of items other than unitholders' equity	—	—	—	—	—	26,667	26,667
Total changes during the fiscal period	—	—	(161,521)	(161,521)	(161,521)	26,667	(134,854)
Balance as of October 31, 2017	¥206,199,945	¥2,024,673	¥ 4,589,238	¥ 6,613,911	¥212,813,857	¥37,549	¥212,851,406
Changes during the fiscal period							
Reversal of reserve for reduction entry	—	(471,824)	471,824	—	—	—	—
Dividends of surplus	—	—	(5,061,062)	(5,061,062)	(5,061,062)	—	(5,061,062)
Net income	—	—	5,828,847	5,828,847	5,828,847	—	5,828,847
Net changes of items other than unitholder's equity	—	—	—	—	—	23,038	23,038
Total changes during the fiscal period	—	(471,824)	1,239,609	767,785	767,785	23,038	790,823
Balance as of April 30, 2018	¥206,199,945	¥1,552,849	¥ 5,828,847	¥ 7,381,696	¥213,581,642	¥60,587	¥213,642,230

See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS

Kenedix Office Investment Corporation

For the period from November 1, 2017 to April 30, 2018 and the period from May 1, 2017 to October 31, 2017

	In thousands of yen	
	From November 1, 2017 to April 30, 2018	From May 1, 2017 to October 31, 2017
Cash flows from operating activities:		
Income before income taxes	¥ 5,829,946	¥ 4,590,125
Depreciation	2,295,920	2,294,401
Amortization of long-term prepaid expenses	132,517	148,301
Interest income	(38)	(35)
Interest expenses	850,967	870,409
Amortization of investment unit issuance costs	—	19,277
Amortization of investment corporation bond issuance costs	4,506	5,072
Decrease (increase) in operating accounts receivable	6,548	14,663
Decrease (increase) in consumption taxes receivable	(75,223)	(90,895)
Decrease (increase) in prepaid expenses	33,815	(35,797)
Increase (decrease) in operating accounts payable	136,298	243,171
Increase (decrease) in accounts payable-other	4,491	26,455
Increase (decrease) in accrued consumption taxes	(34,684)	(444,631)
Increase (decrease) in advances received	99,644	70,473
Increase (decrease) in deposits received	(29,078)	(38,276)
Decrease in net property, plant and equipment held in trust due to sale	9,056,075	5,389,413
Decrease (increase) in long-term prepaid expenses	(165,883)	(193,833)
Other, net	3,823	(13,536)
Subtotal	18,149,649	12,863,759
Interest income received	38	35
Interest expenses paid	(837,734)	(877,086)
Income taxes paid	(766)	(799)
Net cash provided by (used in) operating activities	17,311,186	11,985,908
Cash flows from investing activities:		
Purchases of property, plant and equipment	(101,142)	(102,119)
Purchases of property, plant and equipment in trust	(25,402,604)	(6,225,422)
Repayments of tenant leasehold and security deposits	(14,666)	(112,140)
Proceeds from tenant leasehold and security deposits	29,581	114,414
Repayments of tenant leasehold and security deposits in trust	(553,418)	(664,736)
Proceeds from tenant leasehold and security deposits in trust	1,295,016	669,818
Payments of restricted deposits in trust	(686,767)	—
Proceeds from restricted deposits in trust	45,721	73,936
Net cash provided by (used in) investing activities	(25,388,281)	(6,246,248)
Cash flows from financing activities:		
Increase in short-term loans payable	4,000,000	2,000,000
Decrease in short-term loans payable	(4,000,000)	—
Proceeds from long-term loans payable	15,000,000	15,500,000
Repayments of long-term loans payable	(8,750,000)	(14,000,000)
Proceeds from issuance of investment corporation bonds	—	2,977,416
Redemption of investment corporation bonds	—	(1,500,000)
Dividends paid	(5,061,692)	(4,749,942)
Net cash provided by (used in) financing activities	1,188,307	227,473
Net increase (decrease) in cash and cash equivalents	(6,888,787)	5,967,133
Cash and cash equivalents at the beginning of period	28,635,473	22,668,339
Cash and cash equivalents at the end of period (Note 3)	¥ 21,746,685	¥ 28,635,473

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Kenedix Office Investment Corporation

For the period from November 1, 2017 to April 30, 2018 and the period from May 1, 2017 to October 31, 2017

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Kenedix Office Investment Corporation (“the Investment Corporation”) is a real estate investment corporation whose units are listed on the Tokyo Stock Exchange. The Investment Corporation is engaged in the ownership and operation of selected office buildings and retail properties in Japan, with a focus on mid-sized office buildings in the Tokyo metropolitan area. The Investment Corporation was incorporated on May 6, 2005 as an investment corporation under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. On July 21, 2005, the Investment Corporation was listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange with a total of 75,400 investment units issued and outstanding (Securities Code: 8972). Subsequently, the Investment Corporation raised funds through 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, 2017, the Investment Corporation acquired two office buildings (KDX Sapporo Kitaguchi Building (formerly named the Takeyama White Building): acquisition price of ¥1,800 million, and KDX Shibuya Nanpeidai Building (formerly named the Shibuya 1717 Building): acquisition price of ¥3,500 million) and sold one office building (KDX Shin-Yokohama 381 Building: initial acquisition price of ¥5,800 million (with a disposition price of ¥4,900 million)).

During the period ended April 30, 2018, the Investment Corporation acquired two office buildings (Mitsubishijuko Yokohama Building: acquisition price of ¥14,720 million, and JN Building: acquisition price of ¥9,500 million) and sold one residential property (Residence Charmante Tsukishima: initial acquisition price of ¥5,353 million) and two office buildings (KDX Ikejiri-Oohashi Building: initial acquisition price of ¥2,400 million, and KDX Shin-Yokohama 214 Building: initial acquisition price of ¥2,200 million) with a disposition price of ¥9,730 million.

At the end of the twenty-fifth and twenty-sixth fiscal periods, the Investment Corporation had total unitholders’ capital of ¥206,199 million with 404,885 investment units outstanding, respectively. The Investment Corporation owned a portfolio of 98 properties (consisting of 93 office buildings, one residential property, three central urban retail properties and one other property) and 97 properties (consisting of 95 office buildings, one central urban retail property and one other property) with total acquisition prices of ¥392,968 million and ¥407,235 million at the end of the twenty-fifth and twenty-sixth fiscal periods, respectively. (Note: Due to the change in the Investment Corporation’s management guidelines, the type of the two owned properties has been changed from central urban retail property to office building since December 1, 2017.) The occupancy ratios were approximately 99.1% and 99.0% at the end of the twenty-fifth and twenty-sixth 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.

Certain amounts in the prior fiscal period’s financial statements have been reclassified to conform to the current fiscal period’s presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Securities

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. Concerning silent partnership (*tokumei kumiai*,

“TK”) interests, the method of incorporating the amount of equity equivalent to the portion that corresponds to the net gain or loss of the TK is adopted.

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

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

	From November 1, 2017 to April 30, 2018	From May 1, 2017 to October 31, 2017
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 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.

(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 ¥53,876 thousand and ¥26,264 thousand as of April 30, 2018 and October 31, 2017, respectively. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period to which the installments of such taxes correspond.

(J) Income Taxes

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

(K) Consumption Taxes

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

(L) Derivative Financial Instruments

The Investment Corporation utilizes interest-rate swap and interest-rate cap contracts as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. The Investment Corporation deferred recognition of gains or losses resulting from changes in fair value of interest-rate swap and interest-rate cap contracts because these contracts met the criteria for deferral hedging accounting. However, the Investment Corporation adopted special treatment for interest-rate 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.

(M) Cash and Cash Equivalents

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

(N) Presentation of Amounts

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

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of April 30, 2018 and October 31, 2017.

	In thousands of yen	
	As of April 30, 2018	As of October 31, 2017
Cash and deposits	¥13,033,326	¥19,917,133
Cash and deposits in trust	10,444,809	9,808,743
Restricted deposits in trust (Note)	(1,731,450)	(1,090,403)
Cash and cash equivalents in trust	¥21,746,685	¥28,635,473

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

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

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

Property, plant and equipment and intangible assets consist of the following as of October 31, 2017.

		In thousands of yen							
Type of asset		Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at the end of period	Remarks
						Accumulated depreciation	Depreciation for the period		
Property, plant and equipment	Buildings	¥ 17,752,301	¥ 61,699	¥ —	¥ 17,814,001	¥ 4,812,998	¥ 296,630	¥ 13,001,003	
	Structures	32,618	—	—	32,618	12,088	884	20,529	
	Machinery and equipment	391,289	11,765	—	403,054	212,345	11,183	190,709	
	Tools, furniture and fixtures	78,896	4,697	—	83,593	48,941	2,700	34,651	
	Land	29,504,025	—	—	29,504,025	—	—	29,504,025	
	Subtotal	47,759,132	78,161	—	47,837,294	5,086,374	311,398	42,750,919	
	Buildings in trust	¥118,049,614	¥1,649,573	¥3,101,479	¥116,597,709	¥25,841,684	¥1,900,284	¥ 90,756,024	Notes 1 and 2
	Structures in trust	373,565	1,945	1,732	373,778	175,568	11,143	198,210	
	Machinery and equipment in trust	1,687,226	67,333	2,312	1,752,248	843,233	52,483	909,014	
	Tools, furniture and fixtures in trust	456,418	11,176	4,320	463,275	262,396	17,704	200,878	
	Land in trust	245,227,423	4,564,561	3,165,346	246,626,638	—	—	246,626,638	Notes 1 and 2
	Construction in progress in trust	2,183	—	1,040	1,142	—	—	1,142	
	Subtotal	365,796,432	6,294,590	6,276,230	365,814,792	27,122,883	1,981,616	338,691,908	
	Total property, plant and equipment	413,555,564	6,372,752	6,276,230	413,652,086	32,209,258	2,293,014	381,442,828	
Intangible assets	Leasehold right	¥ 290,050	¥ —	¥ —	¥ 290,050	¥ 4,792	¥ —	¥ 285,257	
	Leasehold right in trust	363,784	—	—	363,784	10,711	774	353,072	
	Other	6,123	—	—	6,123	2,009	612	4,114	
Total intangible assets	659,958	—	—	659,958	17,513	1,386	642,444		
Total	¥414,215,523	¥6,372,752	¥6,276,230	¥414,312,045	¥32,226,772	¥2,294,401	¥382,085,272		

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

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

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

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

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	July 31, 2017	July 31, 2018	0.35%	¥ 1,000,000
	August 31, 2017	August 31, 2018	0.30%	1,000,000
	November 30, 2017	November 30, 2018	0.35%	2,000,000
	January 31, 2018	January 31, 2019	0.31%	500,000
	January 31, 2018	January 31, 2019	0.36%	500,000
	March 30, 2018	March 29, 2019	0.36%	1,000,000
Subtotal				6,000,000
Current portion of long-term loans payable	July 31, 2013	July 31, 2018	0.57%	¥ 500,000
	August 19, 2013	August 19, 2018	0.95%	1,000,000
	August 19, 2013	August 19, 2018	0.95%	1,000,000
	August 19, 2013	August 19, 2018	0.95%	500,000
	August 19, 2013	August 19, 2018	0.95%	500,000
	August 19, 2013	August 19, 2018	0.97%	500,000
	August 30, 2013	August 31, 2018	1.08%	700,000
	August 30, 2013	August 31, 2018	1.08%	500,000
	August 30, 2013	August 31, 2018	1.08%	300,000
	October 31, 2012	October 31, 2018	1.25%	2,500,000
	October 31, 2013	October 31, 2018	0.89%	500,000
	October 31, 2016	October 31, 2018	0.35%	1,000,000
	November 12, 2013	November 12, 2018	0.82%	1,000,000
	November 29, 2013	November 30, 2018	0.84%	200,000
March 28, 2012	March 28, 2019	1.77%	1,400,000	
March 28, 2012	March 28, 2019	1.77%	1,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Current portion of long-term loans payable	March 12, 2014	March 31, 2019	0.78%	¥ 450,000
	March 31, 2014	March 31, 2019	0.76%	2,500,000
	March 30, 2016	March 31, 2019	0.17%	1,000,000
Subtotal				17,050,000
Long-term loans payable	August 30, 2013	August 31, 2020	1.42%	¥ 1,500,000
	September 30, 2013	September 30, 2019	1.06%	1,800,000
	September 30, 2013	September 30, 2019	1.06%	900,000
	November 12, 2013	November 12, 2020	1.07%	2,000,000
	November 12, 2013	November 12, 2020	1.07%	500,000
	November 29, 2013	November 30, 2020	1.12%	1,000,000
	November 29, 2013	November 30, 2020	1.12%	900,000
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2020	0.93%	3,700,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	March 12, 2014	March 12, 2020	0.92%	1,800,000
	March 12, 2014	March 12, 2023	1.36%	1,800,000
	March 20, 2014	March 12, 2020	0.91%	3,000,000
	March 20, 2014	September 20, 2021	1.01%	4,000,000
	March 20, 2014	March 20, 2022	1.20%	3,000,000
	March 20, 2014	March 12, 2023	1.35%	2,000,000
	April 22, 2014	October 31, 2020	0.95%	2,900,000
	July 10, 2014	July 10, 2019	0.64%	500,000
	July 10, 2014	July 10, 2021	0.90%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	500,000
	July 14, 2014	July 31, 2019	0.68%	1,000,000
	July 31, 2014	July 31, 2019	0.62%	1,000,000
	July 31, 2014	July 31, 2020	0.74%	2,700,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	July 31, 2014	July 31, 2022	1.01%	2,200,000
	August 29, 2014	July 31, 2019	0.65%	1,000,000
	September 1, 2014	August 31, 2021	0.89%	800,000
	September 1, 2014	August 31, 2021	0.89%	500,000
	September 3, 2014	August 31, 2022	0.98%	1,000,000
	September 3, 2014	August 31, 2022	0.98%	950,000
	September 22, 2014	September 30, 2020	0.80%	2,700,000
	September 30, 2014	September 30, 2021	0.89%	1,000,000
	October 31, 2014	October 31, 2021	0.80%	3,000,000
	October 31, 2014	October 31, 2023	1.07%	2,000,000
	October 31, 2014	October 31, 2023	1.13%	1,500,000
	October 31, 2014	October 31, 2023	1.07%	1,000,000
	October 31, 2014	October 31, 2024	1.26%	2,000,000
	October 31, 2014	October 31, 2024	1.26%	1,000,000
	January 30, 2015	January 31, 2021	0.71%	1,500,000
	January 30, 2015	January 31, 2025	1.16%	1,500,000
	February 18, 2015	February 28, 2022	0.91%	1,250,000
	February 18, 2015	February 28, 2022	0.91%	350,000
February 18, 2015	February 29, 2024	1.16%	1,700,000	
February 18, 2015	February 28, 2025	1.31%	1,250,000	
February 27, 2015	February 28, 2025	1.15%	2,100,000	
March 12, 2015	February 28, 2025	1.22%	1,000,000	
March 31, 2015	March 31, 2025	1.27%	2,500,000	
April 30, 2015	April 30, 2022	0.83%	2,300,000	
August 31, 2015	August 31, 2022	0.87%	500,000	
August 31, 2015	August 31, 2022	0.87%	500,000	
August 31, 2015	August 31, 2022	0.87%	500,000	
August 31, 2015	August 31, 2022	0.87%	500,000	
August 31, 2015	August 31, 2022	0.87%	500,000	
August 31, 2015	August 31, 2022	0.87%	500,000	
September 30, 2015	September 30, 2024	1.07%	2,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	October 30, 2015	October 31, 2024	0.99%	¥ 1,000,000
	October 30, 2015	October 30, 2025	1.11%	1,500,000
	October 30, 2015	October 30, 2025	1.11%	2,000,000
	October 30, 2015	October 30, 2025	1.11%	2,500,000
	October 30, 2015	October 30, 2025	1.12%	2,500,000
	November 12, 2015	November 30, 2025	1.17%	1,000,000
	January 29, 2016	January 31, 2022	0.59%	2,500,000
	January 29, 2016	January 31, 2022	0.64%	500,000
	January 29, 2016	January 29, 2026	1.07%	2,000,000
	January 29, 2016	January 29, 2026	1.02%	1,800,000
	February 18, 2016	February 18, 2026	1.00%	1,000,000
	February 18, 2016	February 18, 2026	1.00%	500,000
	March 31, 2016	March 31, 2026	0.90%	1,000,000
	April 28, 2016	April 30, 2024	0.65%	2,000,000
	April 28, 2016	April 30, 2026	0.84%	2,000,000
	April 28, 2016	April 30, 2026	0.87%	1,000,000
	July 29, 2016	July 31, 2026	0.61%	1,500,000
	August 2, 2016	July 31, 2026	0.54%	1,000,000
	October 31, 2016	October 31, 2024	0.67%	1,000,000
	October 31, 2016	October 31, 2026	0.88%	2,500,000
	October 31, 2016	October 31, 2026	0.76%	1,000,000
	October 31, 2016	October 31, 2026	0.73%	4,000,000
	October 31, 2016	October 31, 2026	0.83%	1,500,000
	December 12, 2016	November 30, 2026	0.98%	500,000
	December 28, 2016	December 28, 2026	0.95%	1,500,000
	January 16, 2017	January 31, 2027	0.86%	500,000
	January 31, 2017	January 31, 2027	0.85%	700,000
	March 28, 2017	March 31, 2027	0.85%	500,000
	June 30, 2017	June 30, 2027	0.85%	1,500,000
	August 10, 2017	July 28, 2027	0.80%	3,500,000
	August 31, 2017	August 31, 2023	0.54%	1,000,000
	September 21, 2017	March 31, 2024	0.56%	1,000,000
	September 21, 2017	September 30, 2025	0.68%	1,500,000
	September 21, 2017	March 31, 2027	0.73%	1,000,000
	September 21, 2017	September 21, 2027	0.87%	1,000,000
	September 21, 2017	September 30, 2027	0.85%	2,500,000
	October 31, 2017	October 31, 2027	0.81%	2,500,000
	November 13, 2017	November 13, 2027	0.93%	3,000,000
	December 7, 2017	November 30, 2027	0.90%	1,400,000
	December 7, 2017	November 30, 2027	0.82%	1,200,000
	December 7, 2017	November 30, 2027	0.97%	1,000,000
	December 7, 2017	November 30, 2027	0.93%	1,000,000
	December 7, 2017	November 30, 2027	0.87%	1,000,000
	December 7, 2017	November 30, 2027	0.90%	800,000
	December 7, 2017	November 30, 2027	0.87%	600,000
	December 28, 2017	December 28, 2027	0.86%	500,000
	December 28, 2017	December 28, 2025	0.74%	500,000
December 28, 2017	December 28, 2026	0.88%	500,000	
March 12, 2018	March 31, 2028	0.91%	1,500,000	
March 26, 2018	March 31, 2027	0.80%	1,000,000	
March 26, 2018	March 31, 2028	0.90%	1,000,000	
Subtotal				155,000,000
Current portion of investment corporation bonds	September 12, 2013	September 12, 2018	1.00%	¥ 1,800,000
Subtotal				1,800,000
Investment corporation bonds	July 25, 2014	July 25, 2024	1.18%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.90%	1,000,000
	July 19, 2017	July 19, 2022	0.26%	1,000,000
	July 19, 2017	July 16, 2027	0.64%	2,000,000
Subtotal				6,000,000
Total				¥185,850,000

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of October 31, 2017:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	November 30, 2016	November 30, 2017	0.33%	¥ 2,000,000
	December 28, 2016	December 28, 2017	0.33%	500,000
	January 31, 2017	January 31, 2018	0.33%	500,000
	March 31, 2017	March 31, 2018	0.33%	1,000,000
	July 31, 2017	July 31, 2018	0.33%	1,000,000
	August 31, 2017	August 31, 2018	0.28%	1,000,000
Subtotal				6,000,000
Current portion of long-term loans payable	November 12, 2010	November 12, 2017	2.02%	¥ 2,300,000
	December 1, 2010	November 12, 2017	2.21%	700,000
	December 28, 2012	December 28, 2017	1.09%	500,000
	December 28, 2012	December 29, 2017	1.09%	500,000
	January 16, 2017	January 31, 2018	0.28%	500,000
	March 12, 2014	March 12, 2018	0.75%	2,250,000
	March 26, 2013	March 26, 2018	1.04%	1,000,000
	March 26, 2013	March 26, 2018	1.04%	1,000,000
	July 31, 2013	July 31, 2018	0.56%	500,000
	August 19, 2013	August 19, 2018	0.95%	1,000,000
	August 19, 2013	August 19, 2018	0.95%	1,000,000
	August 19, 2013	August 19, 2018	0.95%	500,000
	August 19, 2013	August 19, 2018	0.95%	500,000
	August 19, 2013	August 19, 2018	0.97%	500,000
	August 30, 2013	August 31, 2018	1.08%	700,000
	August 30, 2013	August 31, 2018	1.08%	500,000
	August 30, 2013	August 31, 2018	1.08%	300,000
	October 31, 2012	October 31, 2018	1.25%	2,500,000
	October 31, 2013	October 31, 2018	0.89%	500,000
	October 31, 2016	October 31, 2018	0.33%	1,000,000
Subtotal				18,250,000
Long-term loans payable	March 28, 2012	March 28, 2019	1.77%	¥ 1,400,000
	March 28, 2012	March 28, 2019	1.77%	1,000,000
	August 30, 2013	August 31, 2020	1.42%	1,500,000
	September 30, 2013	September 30, 2019	1.06%	1,800,000
	September 30, 2013	September 30, 2019	1.06%	900,000
	November 12, 2013	November 12, 2018	0.82%	1,000,000
	November 12, 2013	November 12, 2020	1.07%	2,000,000
	November 12, 2013	November 12, 2020	1.07%	500,000
	November 29, 2013	November 30, 2018	0.84%	200,000
	November 29, 2013	November 30, 2020	1.12%	1,000,000
	November 29, 2013	November 30, 2020	1.12%	900,000
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2020	0.93%	3,700,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	March 12, 2014	March 31, 2019	0.78%	450,000
	March 12, 2014	March 12, 2020	0.92%	1,800,000
	March 12, 2014	March 12, 2023	1.36%	1,800,000
	March 20, 2014	March 12, 2020	0.91%	3,000,000
	March 20, 2014	September 20, 2021	1.01%	4,000,000
	March 20, 2014	March 20, 2022	1.20%	3,000,000
	March 20, 2014	March 12, 2023	1.35%	2,000,000
	March 31, 2014	March 31, 2019	0.76%	2,500,000
	April 22, 2014	October 31, 2020	0.95%	2,900,000
	July 10, 2014	July 10, 2019	0.64%	500,000
	July 10, 2014	July 10, 2021	0.90%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	500,000
July 14, 2014	July 31, 2019	0.68%	1,000,000	
July 31, 2014	July 31, 2019	0.62%	1,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	July 31, 2014	July 31, 2020	0.74%	¥ 2,700,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	July 31, 2014	July 31, 2022	1.01%	2,200,000
	August 29, 2014	July 31, 2019	0.65%	1,000,000
	September 1, 2014	August 31, 2021	0.89%	800,000
	September 1, 2014	August 31, 2021	0.89%	500,000
	September 3, 2014	August 31, 2022	0.98%	1,000,000
	September 3, 2014	August 31, 2022	0.98%	950,000
	September 22, 2014	September 30, 2020	0.80%	2,700,000
	September 30, 2014	September 30, 2021	0.89%	1,000,000
	October 31, 2014	October 31, 2021	0.80%	3,000,000
	October 31, 2014	October 31, 2023	1.07%	2,000,000
	October 31, 2014	October 31, 2023	1.13%	1,500,000
	October 31, 2014	October 31, 2023	1.07%	1,000,000
	October 31, 2014	October 31, 2024	1.26%	2,000,000
	October 31, 2014	October 31, 2024	1.26%	1,000,000
	January 30, 2015	January 31, 2021	0.71%	1,500,000
	January 30, 2015	January 31, 2025	1.16%	1,500,000
	February 18, 2015	February 28, 2022	0.91%	1,250,000
	February 18, 2015	February 28, 2022	0.91%	350,000
	February 18, 2015	February 29, 2024	1.16%	1,700,000
	February 18, 2015	February 28, 2025	1.31%	1,250,000
	February 27, 2015	February 28, 2025	1.15%	2,100,000
	March 12, 2015	February 28, 2025	1.22%	1,000,000
	March 31, 2015	March 31, 2025	1.27%	2,500,000
	April 30, 2015	April 30, 2022	0.83%	2,300,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	September 30, 2015	September 30, 2024	1.07%	2,000,000
	October 30, 2015	October 31, 2024	0.99%	1,000,000
	October 30, 2015	October 30, 2025	1.11%	1,500,000
	October 30, 2015	October 30, 2025	1.11%	2,000,000
	October 30, 2015	October 30, 2025	1.11%	2,500,000
	October 30, 2015	October 30, 2025	1.12%	2,500,000
	November 12, 2015	November 30, 2025	1.17%	1,000,000
	January 29, 2016	January 31, 2022	0.59%	2,500,000
	January 29, 2016	January 31, 2022	0.64%	500,000
	January 29, 2016	January 29, 2026	1.07%	2,000,000
	January 29, 2016	January 29, 2026	1.02%	1,800,000
	February 18, 2016	February 18, 2026	1.00%	1,000,000
	February 18, 2016	February 18, 2026	1.00%	500,000
	March 30, 2016	March 31, 2019	0.17%	1,000,000
	March 31, 2016	March 31, 2026	0.90%	1,000,000
	April 28, 2016	April 30, 2024	0.65%	2,000,000
	April 28, 2016	April 30, 2026	0.84%	2,000,000
	April 28, 2016	April 30, 2026	0.87%	1,000,000
	July 29, 2016	July 31, 2026	0.61%	1,500,000
	August 2, 2016	July 31, 2026	0.54%	1,000,000
October 31, 2016	October 31, 2024	0.67%	1,000,000	
October 31, 2016	October 31, 2026	0.88%	2,500,000	
October 31, 2016	October 31, 2026	0.76%	1,000,000	
October 31, 2016	October 31, 2026	0.73%	4,000,000	
October 31, 2016	October 31, 2026	0.83%	1,500,000	
December 12, 2016	November 30, 2026	0.98%	500,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	December 28, 2016	December 28, 2026	0.95%	¥ 1,500,000
	January 16, 2017	January 31, 2027	0.86%	500,000
	January 31, 2017	January 31, 2027	0.85%	700,000
	March 28, 2017	March 31, 2027	0.85%	500,000
	June 30, 2017	June 30, 2027	0.85%	1,500,000
	August 10, 2017	July 28, 2027	0.80%	3,500,000
	August 31, 2017	August 31, 2023	0.54%	1,000,000
	September 21, 2017	March 31, 2024	0.56%	1,000,000
	September 21, 2017	September 30, 2025	0.68%	1,500,000
	September 21, 2017	March 31, 2027	0.73%	1,000,000
	September 21, 2017	September 21, 2027	0.87%	1,000,000
	September 21, 2017	September 30, 2027	0.85%	2,500,000
	October 31, 2017	October 31, 2027	0.81%	2,500,000
Subtotal				147,550,000
Current portion of investment corporation bonds	September 12, 2013	September 12, 2018	1.00%	¥ 1,800,000
Subtotal				1,800,000
Investment corporation bonds	July 25, 2014	July 25, 2024	1.18%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.90%	1,000,000
	July 19, 2017	July 19, 2022	0.26%	1,000,000
	July 19, 2017	July 16, 2027	0.64%	2,000,000
Subtotal				6,000,000
Total				¥179,600,000

6. REDUCTION ENTRY

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

	In thousands of yen	
	As of April 30, 2018	As of October 31, 2017
Buildings in trust	¥26,230	¥26,230

7. PER UNIT INFORMATION

	Yen	
	From November 1, 2017 to April 30, 2018	From May 1, 2017 to October 31, 2017
Net asset value per unit	¥527,661	¥525,708
Net income per unit	¥ 14,396	¥ 11,334
Weighted-average number of units (units)	404,885	404,885

The weighted-average number of units outstanding of 404,885 as of April 30, 2018 and October 31, 2017, 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 ¥5,247 million and ¥5,061 million for the periods ended April 30, 2018 and October 31, 2017, respectively. Therefore, such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.02% for the fiscal periods ended April 30, 2018 and October 31, 2017, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

	From November 1, 2017 to April 30, 2018	From May 1, 2017 to October 31, 2017
Statutory tax rate	31.74%	31.74%
Deductible cash distributions	(28.57)	(35.00)
Reversal of reserve for reduction entry	—	3.26
Provision of reserve for reduction entry	(3.17)	—
Others	0.02	0.02
Effective tax rate	0.02%	0.02%

The significant components of deferred tax assets and liabilities as of April 30, 2018 and October 31, 2017 are as follows:

	In thousands of yen	
	As of April 30, 2018	As of October 31, 2017
Deferred tax assets:		
Enterprise tax payable	¥ 29	¥ 25
Amortization of leasehold right	3,628	3,383
Subtotal	3,657	3,409
Valuation allowance	(3,628)	(3,383)
Total deferred tax assets	¥ 29	¥ 25

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

(A) Parent Company, Major Corporate Unitholders and Other

Twenty-sixth fiscal period (November 1, 2017 to April 30, 2018) and Twenty-fifth fiscal period (May 1, 2017 to October 31, 2017):
Not applicable

(B) Affiliated Companies and Other

Twenty-sixth fiscal period (November 1, 2017 to April 30, 2018) and Twenty-fifth fiscal period (May 1, 2017 to October 31, 2017):
Not applicable

(C) Fellow Subsidiary Companies and Other

Twenty-sixth fiscal period (November 1, 2017 to April 30, 2018) and Twenty-fifth fiscal period (May 1, 2017 to October 31, 2017):
Not applicable

(D) Directors, Major Individual Unitholders and Other

Twenty-sixth fiscal period (November 1, 2017 to April 30, 2018) and Twenty-fifth fiscal period (May 1, 2017 to October 31, 2017):
Not applicable

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

	In thousands of yen	
	From November 1, 2017 to April 30, 2018	From May 1, 2017 to October 31, 2017
Rental and other operating revenues:		
Rent revenue - real estate:		
Rental revenues	¥10,509,225	¥ 9,997,791
Common area charges	1,842,504	1,847,673
Subtotal	12,351,730	11,845,464
Others:		
Parking space rental revenues	513,392	520,035
Utility charge reimbursement	1,054,416	1,176,012
Miscellaneous	302,558	298,973
Subtotal	1,870,367	1,995,021
Total rent revenue - real estate	¥14,222,098	¥13,840,486
Property-related expenses:		
Expenses related to rent business:		
Property management fees and facility management fees	¥ 1,355,289	¥ 1,325,156
Depreciation	2,295,308	2,293,789
Utilities	1,102,668	1,176,914
Taxes	1,148,754	1,141,603
Insurance	19,318	18,785
Repairs and maintenance	767,074	451,239
Trust fees	32,748	33,580
Others	256,837	279,656
Total expenses related to rent business	¥ 6,977,998	¥ 6,720,726
Gain on sale of real estate property:		
Revenue from sale of investment property	¥ 9,730,000	—
Cost of investment property	9,056,075	—
Other sales expenses	123,782	—
Gain on sale of real estate property	¥ 550,142	—
Loss on sale of real estate property:		
Revenue from sale of investment property	—	¥ 4,900,000
Cost of investment property	—	5,419,438
Other sales expenses	—	48,722
Loss on sale of real estate property	—	¥ 568,160

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, 2018 and October 31, 2017 are as follows:

	In thousands of yen	
	As of April 30, 2018	As of October 31, 2017
Due within one year	¥1,446,246	¥ 1,794,970
Due after one year	5,943,183	9,036,969
Total	¥7,389,430	¥10,831,939

13. FINANCIAL INSTRUMENTS

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

(A) Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 10 years following the accounting date. Although a certain portion of said liabilities are subject to interest rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap and interest-rate cap transactions) in order to reduce such risk.

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

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

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

Derivative Transactions

Please refer to Note 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	¥1,090,336

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

*3 Redemption schedule for receivables

	Due within 1 year or less (In thousands of yen)
Cash and deposits	¥13,033,326
Cash and deposits in trust	10,444,809
Total	¥23,478,136

*4 Redemption schedule for loans payable and investment corporation bonds

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

Twenty-fifth fiscal period (from May 1, 2017 to October 31, 2017)

(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 and 6 months following the accounting date. Although a certain portion of said liabilities are subject to interest rate fluctuation risk, the Investment Corporation utilizes derivatives (interest-rate swap and interest-rate cap transactions) in order to reduce such risk.

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

(3) Risk management for financial instruments

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

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

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

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

(B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of October 31, 2017 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
(1) Cash and deposits	¥ 19,917,133	¥ 19,917,133	¥ —
(2) Cash and deposits in trust	9,808,743	9,808,743	—
Subtotal	29,725,877	29,725,877	—
(1) Short-term loans payable	6,000,000	6,000,000	—
(2) Current portion of investment corporation bonds	1,800,000	1,810,728	10,728
(3) Current portion of long-term loans payable	18,250,000	18,283,972	33,972
(4) Investment corporation bonds	6,000,000	6,048,100	48,100
(5) Long-term loans payable	147,550,000	148,148,063	598,063
Subtotal	¥179,600,000	¥180,290,864	¥690,864
Derivative transactions (*)	37,549	37,549	—

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

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

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

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

Derivative Transactions

Please refer to Note 14 "DERIVATIVE TRANSACTIONS."

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

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

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

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,096,423

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	¥19,917,133
Cash and deposits in trust	9,808,743
Total	¥29,725,877

*4 Redemption schedule for loans payable and investment corporation bonds

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥ 6,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	1,800,000	—	—	—	1,000,000	5,000,000
Long-term loans payable	18,250,000	13,750,000	18,600,000	21,300,000	17,050,000	76,850,000
Total	¥26,050,000	¥13,750,000	¥18,600,000	¥21,300,000	¥18,050,000	¥81,850,000

14. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap and interest-rate cap contracts as of April 30, 2018:

(1) Hedge accounting not applied

Not applicable

(2) Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 17,900,000	¥ 17,900,000	¥60,587	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	97,400,000	88,750,000	*	
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term loans payable	500,000	—	*	
Total			¥115,800,000	¥106,650,000	¥60,587	

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

The following summarizes the contracted amount and the fair value of interest-rate swap and interest-rate cap contracts as of October 31, 2017:

(1) Hedge accounting not applied

Not applicable

(2) Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 12,200,000	¥ 12,200,000	¥37,549	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	99,650,000	93,900,000	*	
Special treatment of interest-rate caps	Interest-rate caps transaction	Long-term loans payable	500,000	—	*	
Total			¥112,350,000	¥106,100,000	¥37,549	

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

15. INVESTMENT AND RENTAL PROPERTIES

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

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

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

As of October 31, 2017	Carrying value (In thousands of yen)		As of April 30, 2018	Fair value As of April 30, 2018 (In thousands of yen)
		Net change		
¥382,081,158		¥14,226,960	¥396,308,119	¥442,773,000

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

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

*3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increase/decrease factors were the acquisition of two properties totaling ¥24,692,691 thousand, the sales of three properties totaling ¥9,056,075 thousand and depreciation amounting to ¥2,295,308 thousand.

Income and loss in the fiscal period ended April 30, 2018 for real estate for rental purposes is listed in Note 11 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY."

Twenty-fifth fiscal period (from May 1, 2017 to October 31, 2017)

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:

As of April 30, 2017	Carrying value (In thousands of yen)		As of October 31, 2017	Fair value As of October 31, 2017 (In thousands of yen)
		Net change		
¥383,401,649		¥(1,320,490)	¥382,081,158	¥424,323,000

*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 Residence Charmante Tsukishima that was sold on December 1, 2017 is calculated based on the sale price (¥4,900,000 thousand) in the transaction agreement on October 30, 2017. Those of KDX Ikejiri-Ohashi Building and KDX Shin-Yokohama 214 Building that were sold on December 28, 2017 are calculated based on the anticipated sale price (KDX Ikejiri-Ohashi Building: ¥2,400,000 thousand and KDX Shin-Yokohama 214 Building: ¥2,430,000 thousand) in the transaction agreements on December 14, 2017.

*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 ¥5,405,572 thousand, the sales of one property totaling ¥5,419,438 thousand and depreciation amounting to ¥2,293,789 thousand.

Income and loss in the fiscal period ended October 31, 2017 for real estate for rental purposes is listed in Note 11 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY."

16. SEGMENT AND RELATED INFORMATION

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

(A) Segment Information

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

(B) Related Information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

Twenty-fifth fiscal period (from May 1, 2017 to October 31, 2017)

(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.

17. SIGNIFICANT SUBSEQUENT EVENTS

ISSUANCE OF NEW INVESTMENT UNITS

On May 14, 2018 and May 21, 2018, the Board of Directors of the Investment Corporation resolved to issue new investment units as detailed below. Payments for the issuance of new investment units through public offering and through third-party allotment have been completed on May 28, 2018 and June 15, 2018, respectively. As a result of the issuance of new investment units, the Investment Corporation had total unitholders' capital of ¥220,970,508,345 with 428,510 investment units outstanding as of June 15, 2018.

(Issuance of New Investment Units through Public Offering)	
Issuance of new investment units:	22,500 units
Issue price (Offer price):	¥646,425 per unit
Aggregate issue price (Total offer price):	¥14,544,562,500
Issue amount (Paid-in value):	¥625,209 per unit
Total issue amount (Aggregate paid-in value):	¥14,067,202,500
Payment date:	May 28, 2018

(Issuance of New Investment Units through Third-Party Allotment)	
Issuance of new investment units:	1,125 units
Issue amount (Paid-in value):	¥625,209 per unit
Total issue amount (Aggregate paid-in value):	¥703,360,125
Payment date:	June 15, 2018
Allottee:	Nomura Securities Co., Ltd.

(Use of Proceeds)

The proceeds from the public offering, amounting to ¥14,067,202,500, were allocated as a part of the funds for the acquisition of the property to be acquired, along with the proceeds from the third-party allotment resolved on the same date as the public offering, amounting to ¥703,360,125.

18. DISTRIBUTIONS

	Yen	
	Twenty-sixth fiscal period (From November 1, 2017 to April 30, 2018)	Twenty-fifth fiscal period (From May 1, 2017 to October 31, 2017)
I. Retained earnings at the end of period	¥5,828,847,806	¥4,589,238,332
II. Voluntary reserve (reversal)		
Reversal of reserve for reduction entry	—	¥ 471,824,168
III. Total distributions	¥5,247,309,600	¥5,061,062,500
Distributions per unit	¥ 12,960	¥ 12,500
IV. Voluntary reserve (provision)		
Provision of reserve for reduction entry	¥ 581,538,206	—
V. Retained earnings brought forward to the next period	—	—
Method of calculating distribution amount	<p>In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation has decided that, of the amount remaining after the provision of reserve for reduction entry as stipulated in Article 66-2 of the Act on Special Measures Concerning Taxation is deducted from unappropriated retained earnings, it shall distribute the outstanding ¥5,247,309,600 as profit distribution.</p> <p>In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.</p>	<p>In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation decided to distribute ¥5,061,062,500, the maximum integral multiple amounts of investment units issued and outstanding of 404,885 units, based on the amount of the unappropriated retained earnings added the reversal of reserve for reduction entry.</p> <p>In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.</p>