

Financial Section

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Financial Summary (Unaudited)

Historical Operating Trends
For the 24th–28th Fiscal Periods

Period	Unit	24th Period (as of Apr. 30, 2017)	25th Period (as of Oct. 31, 2017)	26th Period (as of Apr. 30, 2018)	27th Period (as of Oct. 31, 2018)	28th Period (as of Apr. 30, 2019)
Operating revenues	millions of yen	15,039	13,901	14,823	15,420	15,212
(Rental revenues)	millions of yen	13,327	13,840	14,222	14,802	14,595
Operating expenses	millions of yen	9,137	8,244	7,974	8,271	8,039
(Property-related expenses)	millions of yen	6,527	6,720	6,977	7,105	6,880
Operating income	millions of yen	5,901	5,657	6,848	7,148	7,172
Ordinary income	millions of yen	4,751	4,590	5,829	6,109	6,179
Net income (a)	millions of yen	4,750	4,588	5,828	6,107	6,178
Total assets (b)	millions of yen	410,166	414,933	422,993	437,221	436,753
(Period-on-period change)	%	(-0.7)	(+1.2)	(+1.9)	(+3.4)	(-0.1)
Interest-bearing debt (c)	millions of yen	174,600	179,600	185,850	183,050	182,050
(Period-on-period change)	%	(-2.0)	(+2.9)	(+3.5)	(-1.5)	(-0.5)
Unitholders' equity (d)	millions of yen	212,986	212,851	213,642	229,313	229,440
(Period-on-period change)	%	(+0.1)	(-0.1)	(+0.4)	(+7.3)	(+0.1)
Unitholders' capital	millions of yen	206,199	206,199	206,199	220,970	220,970
(Period-on-period change)	%	(0.0)	(0.0)	(0.0)	(+7.2)	(0.0)
Number of investment units issued and outstanding (e)	unit	404,885	404,885	404,885	428,510	428,510
Unitholders' equity per unit (d)/(e)	yen	526,041	525,708	527,661	535,141	535,437
Total distribution (f)	millions of yen	4,750	5,061	5,247	5,766	5,878
Distribution per unit (f)/(e)	yen	11,733	12,500	12,960	13,458	13,719
(Earnings distributed per unit)	yen	11,733	12,500	12,960	13,458	13,719
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.2 (2.3)	1.1 (2.2)	1.4 (2.8)	1.4 (2.8)	1.4 (2.9)
Return on net assets (annualized) (Notes 2 and 3)	%	2.2 (4.5)	2.2 (4.3)	2.7 (5.5)	2.8 (5.5)	2.7 (5.4)
Net assets ratio at end of period (d)/(b)	%	51.9	51.3	50.5	52.4	52.5
(Period-on-period change)	%	(+0.4)	(-0.6)	(-0.8)	(+1.9)	(+0.1)
Interest-bearing debt ratio at end of period (c)/(b)	%	42.6	43.3	43.9	41.9	41.7
(Period-on-period change)	%	(-0.6)	(+0.7)	(+0.7)	(-2.1)	(-0.2)
Payout ratio (Note 4) (f)/(a)	%	99.9	110.2	90.0	94.4	95.1
Other references						
Number of properties	properties	97	98	97	97	96
Total leasable floor area	m ²	459,567.57	456,932.16	466,031.33	471,041.45	468,528.20
Occupancy ratio at end of period	%	97.9	99.1	99.0	99.1	99.2
Depreciation expenses for the period	millions of yen	2,288	2,293	2,295	2,358	2,369
Capital expenditures for the period	millions of yen	1,018	953	886	925	1,231
Leasing NOI (Net Operating Income) (Note 5)	millions of yen	9,088	9,413	9,539	10,055	10,084
FFO (Funds From Operation) (Note 6)	millions of yen	7,034	7,451	7,574	7,934	7,983
FFO per unit (Note 7)	yen	17,373	18,404	18,708	18,516	18,630

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 24th Fiscal Period are calculated based on a period of 181 days, 184 days for the 25th Fiscal Period, 181 days for the 26th Fiscal Period, 184 days for the 27th Fiscal Period and 181 days for the 28th Fiscal Period.

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

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

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

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

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

Independent Auditor's Report

The Board of Directors
Kenedix Office Investment Corporation

We have audited the accompanying financial statements of Kenedix Office Investment Corporation, which comprise the balance sheet as at April 30, 2019, 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, 2019, 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, 2019
Tokyo, Japan

Balance Sheet

Kenedix Office Investment Corporation
As of April 30, 2019

	In thousands of yen	
	As of April 30, 2019	As of October 31, 2018
Assets		
Current assets		
Cash and deposits (Notes 3 and 14)	¥ 19,675,112	¥ 14,050,532
Cash and deposits in trust (Notes 3 and 14)	10,959,133	10,973,654
Operating accounts receivable	298,778	360,261
Prepaid expenses	49,708	111,536
Other	6,788	14,606
Total current assets	30,989,522	25,510,591
Non-current assets		
Property, plant and equipment (Notes 4 and 16)		
Buildings	17,776,419	17,693,312
Accumulated depreciation	(5,616,212)	(5,316,656)
Buildings, net	12,160,207	12,376,655
Structures	32,618	32,618
Accumulated depreciation	(14,691)	(13,848)
Structures, net	17,927	18,770
Machinery and equipment	424,662	421,857
Accumulated depreciation	(247,818)	(235,745)
Machinery and equipment, net	176,843	186,111
Tools, furniture and fixtures	93,446	86,586
Accumulated depreciation	(57,649)	(54,482)
Tools, furniture and fixtures, net	35,796	32,103
Land	27,520,902	27,520,902
Buildings in trust (Note 7)	121,511,168	122,006,776
Accumulated depreciation	(29,185,084)	(27,897,343)
Buildings in trust, net	92,326,083	94,109,432
Structures in trust	343,278	353,520
Accumulated depreciation	(157,234)	(159,867)
Structures in trust, net	186,043	193,653
Machinery and equipment in trust	1,604,492	1,623,898
Accumulated depreciation	(691,969)	(708,259)
Machinery and equipment in trust, net	912,523	915,639
Tools, furniture and fixtures in trust	487,000	476,862
Accumulated depreciation	(308,088)	(293,197)
Tools, furniture and fixtures in trust, net	178,912	183,665
Land in trust	269,059,794	272,828,051
Construction in progress in trust	1,511	2,933
Total property, plant and equipment, net	402,576,545	408,367,919
Intangible assets (Note 4)		
Leasehold right (Note 16)	285,257	285,257
Leasehold right in trust (Note 16)	350,749	351,524
Other	2,424	2,889
Total intangible assets	638,431	639,671
Investments and other assets		
Investment securities (Note 14)	1,130,524	1,114,806
Lease and guarantee deposits	10,000	10,000
Lease and guarantee deposits in trust	122,889	122,889
Long-term prepaid expenses	1,178,564	1,256,374
Other (Notes 9, 14, and 15)	19,487	113,111
Total investments and other assets	2,461,465	2,617,181
Total non-current assets	405,676,443	411,624,771
Deferred assets		
Investment corporation bond issuance costs	51,346	39,860
Investment unit issuance costs	36,684	45,855
Total deferred assets	88,031	85,715
Total assets	¥436,753,997	¥437,221,079

See accompanying notes to the financial statements.



In thousands of yen

	As of April 30, 2019	As of October 31, 2018
Liabilities		
Current liabilities		
Operating accounts payable	¥ 1,575,141	¥ 1,341,577
Short-term loans payable (Notes 6 and 14)	4,200,000	6,000,000
Current portion of long-term loans payable (Notes 6, 14 and 15)	16,700,000	13,750,000
Accounts payable-other	529,777	775,971
Accrued expenses	78,660	62,766
Income taxes payable	794	795
Accrued consumption taxes	475,104	193,775
Advances received	2,368,366	2,364,110
Deposits received	3,477	2,311
Total current liabilities	25,931,323	24,491,309
Non-current liabilities		
Investment corporation bonds (Notes 6 and 14)	8,000,000	6,000,000
Long-term loans payable (Notes 6, 14 and 15)	153,150,000	157,300,000
Tenant leasehold and security deposits	1,993,121	1,953,387
Tenant leasehold and security deposits in trust	18,035,523	18,150,520
Other (Notes 14 and 15)	203,786	12,281
Total non-current liabilities	181,382,431	183,416,189
Total liabilities	207,313,754	207,907,498
Net Assets		
Unitholders' equity		
Unitholders' capital	220,970,508	220,970,508
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	2,475,385	2,134,387
Total voluntary retained earnings	2,475,385	2,134,387
Unappropriated retained earnings	6,178,677	6,107,886
Total surplus	8,654,063	8,242,273
Total unitholders' equity	229,624,572	229,212,781
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 14 and 15)	(184,329)	100,798
Total valuation and translation adjustments	(184,329)	100,798
Total net assets (Note 10)	229,440,242	229,313,580
Total liabilities and net assets	¥436,753,997	¥437,221,079

Statement of Income and Retained Earnings

Kenedix Office Investment Corporation

For the period from November 1, 2018 to April 30, 2019

	In thousands of yen	
	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
Operating revenues		
Rent revenue - real estate (Note 12)	¥12,794,187	¥12,730,773
Other lease business revenue (Note 12)	1,801,706	2,071,972
Gain on sale of real estate properties (Note 12)	565,286	532,490
Dividends income	51,088	85,219
Total operating revenues	15,212,268	15,420,456
Operating expenses		
Expenses related to rent business (Note 12)	6,880,478	7,105,951
Asset management fees	967,813	978,238
Directors' compensation	8,400	8,400
Asset custody fees	23,116	22,689
Administrative service fees	57,508	56,337
Audit fees	11,800	11,800
Other operating expenses	90,167	88,304
Total operating expenses	8,039,284	8,271,721
Operating income	7,172,984	7,148,734
Non-operating income		
Interest income	67	66
Dividends and redemption-prescription	664	788
Interest on refund	3	330
Total non-operating income	736	1,185
Non-operating expenses		
Interest expenses	808,013	833,921
Interest expenses on investment corporation bonds	25,392	30,783
Financing-related expenses	124,518	133,349
Amortization of investment corporation bond issuance costs	3,564	4,159
Amortization of investment unit issuance costs	9,171	9,171
Other non-operating expenses	23,143	29,411
Total non-operating expenses	993,803	1,040,795
Ordinary income	6,179,916	6,109,124
Income before income taxes	6,179,916	6,109,124
Income taxes (Note 9)		
Current	1,238	1,240
Deferred	0	(2)
Total income taxes	1,238	1,238
Net income	6,178,677	6,107,886
Unappropriated retained earnings	¥ 6,178,677	¥ 6,107,886

See accompanying notes to the financial statements.

Statement of Changes in Net Assets

Kenedix Office Investment Corporation

For the period from November 1, 2018 to April 30, 2019

	In thousands of yen						
	Unitholders' equity					Valuation and translation adjustments	
	Unitholders' capital	Surplus		Total surplus	Total unitholders' equity	Deferred gains or losses on hedges	Total net assets
Voluntary retained earnings		Unappropriated retained earnings (Note 19)	Reserve for reduction entry				
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
Changes during the fiscal period							
Issuance of new investment units	14,770,562	—	—	—	14,770,562	—	14,770,562
Provision of reserve for reduction entry	—	581,538	(581,538)	—	—	—	—
Dividends of surplus	—	—	(5,247,309)	(5,247,309)	(5,247,309)	—	(5,247,309)
Net income	—	—	6,107,886	6,107,886	6,107,886	—	6,107,886
Net changes of items other than unitholders' equity	—	—	—	—	—	40,211	40,211
Total changes during the fiscal period	14,770,562	581,538	279,038	860,576	15,631,139	40,211	15,671,350
Balance as of October 31, 2018 (Note 5)	¥220,970,508	¥2,134,387	¥ 6,107,886	¥ 8,242,273	¥229,212,781	¥100,798	¥229,313,580
Changes during the fiscal period							
Provision of reserve for reduction entry	—	340,998	(340,998)	—	—	—	—
Dividends of surplus	—	—	(5,766,887)	(5,766,887)	(5,766,887)	—	(5,766,887)
Net income	—	—	6,178,677	6,178,677	6,178,677	—	6,178,677
Net changes of items other than unitholders' equity	—	—	—	—	—	(285,128)	(285,128)
Total changes during the fiscal period	—	340,998	70,791	411,790	411,790	(285,128)	126,662
Balance as of April 30, 2019 (Note 5)	¥220,970,508	¥2,475,385	¥ 6,178,677	¥ 8,654,063	¥229,624,572	¥(184,329)	¥229,440,242

See accompanying notes to the financial statements.

Statement of Cash Flows

Kenedix Office Investment Corporation

For the period from November 1, 2018 to April 30, 2019



	In thousands of yen	
	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
Cash flows from operating activities		
Income before income taxes	¥ 6,179,916	¥ 6,109,124
Depreciation	2,370,002	2,358,994
Amortization of long-term prepaid expenses	124,268	133,099
Interest income	(67)	(66)
Interest expenses	833,406	864,704
Amortization of investment unit issuance costs	9,171	9,171
Amortization of investment corporation bond issuance costs	3,564	4,159
Decrease (increase) in operating accounts receivable	61,483	(52,044)
Decrease (increase) in consumption taxes receivable	—	166,118
Decrease (increase) in prepaid expenses	61,827	(34,767)
Increase (decrease) in operating accounts payable	(159,947)	(34,206)
Increase (decrease) in accounts payable-other	(246,833)	322,777
Increase (decrease) in accrued consumption taxes	281,328	75,192
Increase (decrease) in advances received	4,255	23,930
Increase (decrease) in deposits received	1,186	(257)
Decrease in property, plant and equipment due to sale	—	2,230,835
Decrease in property, plant and equipment in trust due to sale	4,652,797	4,483,951
Decrease (increase) in long-term prepaid expenses	(46,458)	(82,492)
Other, net	(25,452)	(61,519)
Subtotal	14,104,448	16,516,704
Interest income received	67	66
Interest expenses paid	(817,511)	(881,064)
Income taxes paid	(805)	(692)
Net cash provided by (used in) operating activities	13,286,198	15,635,014
Cash flows from investing activities		
Purchases of property, plant and equipment	(91,813)	(150,523)
Purchases of property, plant and equipment in trust	(958,884)	(21,870,082)
Purchases of intangible assets	(155)	—
Repayments of tenant leasehold and security deposits	(46,949)	(140,072)
Proceeds from tenant leasehold and security deposits	86,145	55,327
Repayments of tenant leasehold and security deposits in trust	(560,271)	(213,521)
Proceeds from tenant leasehold and security deposits in trust	676,423	1,561,793
Payments of restricted deposits in trust	(8,705)	(13,149)
Proceeds from restricted deposits in trust	—	2,829
Net cash provided by (used in) investing activities	(904,210)	(20,767,399)
Cash flows from financing activities		
Increase in short-term loans payable	3,200,000	2,000,000
Decrease in short-term loans payable	(5,000,000)	(2,000,000)
Proceeds from long-term loans payable	6,850,000	8,500,000
Repayments of long-term loans payable	(8,050,000)	(9,500,000)
Proceeds from issuance of investment corporation bonds	1,984,949	—
Redemption of investment corporation bonds	—	(1,800,000)
Proceeds of investment unit issuance	—	14,715,536
Dividends paid	(5,765,583)	(5,247,420)
Net cash provided by (used in) financing activities	(6,780,634)	6,668,115
Net increase (decrease) in cash and cash equivalents	5,601,354	1,535,730
Cash and cash equivalents at the beginning of period	23,282,416	21,746,685
Cash and cash equivalents at the end of period (Note 3)	¥ 28,883,770	¥ 23,282,416

See accompanying notes to the financial statements.

Notes to the Financial Statements

Kenedix Office Investment Corporation

For the period from November 1, 2018 to April 30, 2019

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

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

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

During the period ended April 30, 2019, the Investment Corporation sold one central urban retail property (Frame Jinnan-zaka (51.0% of quasi co-ownership interest); initial acquisition price of ¥5,049 million^(***)) with a disposition price of ¥5,253 million.

At the end of the twenty-seventh and twenty-eighth fiscal periods (fiscal periods ended October 31, 2018 and April 30, 2019), the Investment Corporation had total unitholders’ capital

of ¥220,970 million with 428,510 investment units outstanding, respectively. The Investment Corporation owned a portfolio of 97 properties (consisting of 95 office buildings, one central urban retail property and one other property) and 96 properties (consisting of 95 office buildings and one other property) with total acquisition prices of ¥420,884 million and ¥415,835 million at the end of the twenty-seventh and twenty-eighth fiscal periods, respectively. The occupancy ratios were approximately 99.1% and 99.2% at the end of the twenty-seventh and twenty-eighth fiscal periods, respectively.

(*) The property name was changed from “CROSS PLACE Hamamatsucho” to “KDX Hamamatsucho Place” on April 1, 2019.

(**) The acquisition price is an amount equivalent to 49.0% of quasi co-ownership interest in ¥9,900 million, which is the acquisition price of the entire building initially acquired.

(***) The acquisition price is an amount equivalent to 51.0% of quasi co-ownership interest in ¥9,900 million, which is the acquisition price of the entire building initially acquired.

Basis of Presentation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Securities

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

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

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

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

	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
Buildings	2–49 years	2–49 years
Structures	2–45 years	2–45 years
Machinery and equipment	3–17 years	3–17 years
Tools, furniture and fixtures	3–20 years	3–20 years



(C) Intangible Assets (including trust assets)

Intangible assets are amortized by the straight-line method.

Leasehold right: Fixed-term land leasehold is amortized over a contractual period of 48 years and 9 months under the straight-line method.

(D) Long-term Prepaid Expenses

Long-term prepaid expenses are amortized by the straight-line method.

(E) Investment Unit Issuance Costs

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

(F) Investment Corporation Bond Issuance Costs

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

(G) Accounting Treatment of Trust Beneficiary Interests in Real Estate

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

(H) Revenue Recognition

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

(I) Taxes on Property, Plant and Equipment

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to the said period. Under Japanese tax rules, the seller of property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is generally reimbursed by the purchaser for these accrued property-related tax liabilities.

When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through

the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥28,631 thousand as of October 31, 2018. There were no capitalized property-related taxes as of April 30, 2019. 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. 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 are rounded down and ratios are rounded off in the accompanying financial statements.

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of April 30, 2019 and October 31, 2018.

	In thousands of yen	
	As of April 30, 2019	As of October 31, 2018
Cash and deposits	¥19,675,112	¥14,050,532
Cash and deposits in trust	10,959,133	10,973,654
Restricted deposits in trust (Note)	(1,750,475)	(1,741,770)
Cash and cash equivalents in trust	¥28,883,770	¥23,282,416

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, 2019.

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	¥ 17,693,312	¥ 83,107	¥ —	¥ 17,776,419	¥ 5,616,212	¥ 299,555	¥ 12,160,207		
Structures	32,618	—	—	32,618	14,691	842	17,927		
Machinery and equipment	421,857	2,805	—	424,662	247,818	12,072	176,843		
Tools, furniture and fixtures	86,586	6,860	—	93,446	57,649	3,167	35,796		
Land	27,520,902	—	—	27,520,902	—	—	27,520,902		
Subtotal	45,755,276	92,773	—	45,848,050	5,936,372	315,639	39,911,677		
Property, plant and equipment	¥122,006,776	¥1,056,432	¥1,552,040	¥121,511,168	¥29,185,084	¥1,973,293	¥ 92,326,083	Note	
Buildings in trust	353,520	5,952	16,194	343,278	157,234	11,050	186,043		
Structures in trust	1,623,898	60,425	79,831	1,604,492	691,969	50,007	912,523		
Machinery and equipment in trust	476,862	15,869	5,731	487,000	308,088	18,617	178,912		
Tools, furniture and fixtures in trust	272,828,051	—	3,768,257	269,059,794	—	—	269,059,794	Note	
Land in trust	2,933	—	1,421	1,511	—	—	1,511		
Construction in progress in trust	397,292,042	1,138,680	5,423,478	393,007,244	30,342,376	2,052,968	362,664,867		
Subtotal	443,047,319	1,231,453	5,423,478	438,855,294	36,278,749	2,368,608	402,576,545		
Total property, plant and equipment	¥ 290,050	¥ —	¥ —	¥ 290,050	¥ 4,792	¥ —	¥ 285,257		
Intangible assets	363,784	—	—	363,784	13,034	774	350,749		
Leasehold right	6,123	155	—	6,278	3,854	620	2,424		
Leasehold right in trust	659,958	155	—	660,113	21,681	1,394	638,431		
Other	¥443,707,278	¥1,231,608	¥5,423,478	¥439,515,408	¥36,300,430	¥2,370,002	¥403,214,977		
Total intangible assets									
Total									

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

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

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

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

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

5. UNITHOLDERS' EQUITY

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

	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
Total number of authorized investment units	2,000,000	2,000,000
Total number of investment units issued and outstanding	428,510	428,510

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

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of April 30, 2019:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	July 31, 2018	July 31, 2019	0.36%	¥ 1,000,000
	August 31, 2018	August 31, 2019	0.31%	1,000,000
	November 30, 2018	November 30, 2019	0.36%	1,000,000
	November 30, 2018	November 30, 2019	0.31%	200,000
	January 31, 2019	January 31, 2020	0.31%	500,000
	January 31, 2019	January 31, 2020	0.31%	500,000
Subtotal				4,200,000
Current portion of long-term loans payable	July 10, 2014	July 10, 2019	0.64%	¥ 500,000
	July 14, 2014	July 31, 2019	0.68%	1,000,000
	July 31, 2014	July 31, 2019	0.62%	1,000,000
	August 29, 2014	July 31, 2019	0.65%	1,000,000
	September 30, 2013	September 30, 2019	1.06%	1,800,000
	September 30, 2013	September 30, 2019	1.06%	900,000
	November 12, 2018	November 30, 2019	0.31%	500,000

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Current portion of long-term loans payable	January 31, 2014	January 31, 2020	0.93%	¥ 3,700,000
	March 12, 2014	March 12, 2020	0.92%	1,800,000
	March 20, 2014	March 12, 2020	0.91%	3,000,000
	March 29, 2019	March 31, 2020	0.36%	1,000,000
	March 29, 2019	March 31, 2020	0.31%	500,000
Subtotal				16,700,000
Long-term loans payable	August 30, 2013	August 31, 2020	1.42%	¥ 1,500,000
	November 12, 2013	November 12, 2020	1.07%	2,000,000
	November 12, 2013	November 12, 2020	1.07%	500,000
	November 29, 2013	November 30, 2020	1.12%	1,000,000
	November 29, 2013	November 30, 2020	1.12%	900,000
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	March 12, 2014	March 12, 2023	1.36%	1,800,000
	March 20, 2014	September 20, 2021	1.01%	4,000,000
	March 20, 2014	March 20, 2022	1.20%	3,000,000
	March 20, 2014	March 12, 2023	1.35%	2,000,000
	April 22, 2014	October 31, 2020	0.95%	2,900,000
	July 10, 2014	July 10, 2021	0.90%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	500,000
	July 31, 2014	July 31, 2020	0.74%	2,700,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	July 31, 2014	July 31, 2022	1.01%	2,200,000
	September 1, 2014	August 31, 2021	0.89%	800,000
	September 1, 2014	August 31, 2021	0.89%	500,000
	September 3, 2014	August 31, 2022	0.98%	1,000,000
	September 3, 2014	August 31, 2022	0.98%	950,000
	September 22, 2014	September 30, 2020	0.80%	2,700,000
	September 30, 2014	September 30, 2021	0.89%	1,000,000
	October 31, 2014	October 31, 2021	0.80%	3,000,000
	October 31, 2014	October 31, 2023	1.07%	2,000,000
	October 31, 2014	October 31, 2023	1.13%	1,500,000
	October 31, 2014	October 31, 2023	1.07%	1,000,000
	October 31, 2014	October 31, 2024	1.26%	2,000,000
	October 31, 2014	October 31, 2024	1.26%	1,000,000
	January 30, 2015	January 31, 2021	0.71%	1,500,000
	January 30, 2015	January 31, 2025	1.16%	1,500,000
	February 18, 2015	February 28, 2022	0.91%	1,250,000
	February 18, 2015	February 28, 2022	0.91%	350,000
	February 18, 2015	February 29, 2024	1.16%	1,700,000
	February 18, 2015	February 28, 2025	1.31%	1,250,000
	February 27, 2015	February 28, 2025	1.15%	2,100,000
	March 12, 2015	February 28, 2025	1.22%	1,000,000
	March 31, 2015	March 31, 2025	1.27%	2,500,000
	April 30, 2015	April 30, 2022	0.83%	2,300,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	September 30, 2015	September 30, 2024	1.07%	2,000,000
	October 30, 2015	October 31, 2024	0.99%	1,000,000
October 30, 2015	October 30, 2025	1.11%	1,500,000	
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	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	January 29, 2016	January 31, 2022	0.64%	¥ 500,000
	January 29, 2016	January 29, 2026	1.07%	2,000,000
	January 29, 2016	January 29, 2026	1.02%	1,800,000
	February 18, 2016	February 18, 2026	1.00%	1,000,000
	February 18, 2016	February 18, 2026	1.00%	500,000
	March 31, 2016	March 31, 2026	0.90%	1,000,000
	April 28, 2016	April 30, 2024	0.65%	2,000,000
	April 28, 2016	April 30, 2026	0.84%	2,000,000
	April 28, 2016	April 30, 2026	0.87%	1,000,000
	July 29, 2016	July 31, 2026	0.61%	1,500,000
	August 2, 2016	July 31, 2026	0.54%	1,000,000
	October 31, 2016	October 31, 2024	0.67%	1,000,000
	October 31, 2016	October 31, 2026	0.88%	2,500,000
	October 31, 2016	October 31, 2026	0.76%	1,000,000
	October 31, 2016	October 31, 2026	0.73%	4,000,000
	October 31, 2016	October 31, 2026	0.83%	1,500,000
	December 12, 2016	November 30, 2026	0.98%	500,000
	December 28, 2016	December 28, 2026	0.95%	1,500,000
	January 16, 2017	January 31, 2027	0.86%	500,000
	January 31, 2017	January 31, 2027	0.85%	700,000
	March 28, 2017	March 31, 2027	0.85%	500,000
	June 30, 2017	June 30, 2027	0.85%	1,500,000
	August 10, 2017	July 28, 2027	0.80%	3,500,000
	August 31, 2017	August 31, 2023	0.54%	1,000,000
	September 21, 2017	March 31, 2024	0.56%	1,000,000
	September 21, 2017	September 30, 2025	0.68%	1,500,000
	September 21, 2017	March 31, 2027	0.73%	1,000,000
	September 21, 2017	September 21, 2027	0.87%	1,000,000
	September 21, 2017	September 30, 2027	0.85%	2,500,000
	October 31, 2017	October 31, 2027	0.81%	2,500,000
	November 13, 2017	November 13, 2027	0.93%	3,000,000
	December 7, 2017	November 30, 2027	0.90%	1,400,000
	December 7, 2017	November 30, 2027	0.82%	1,200,000
	December 7, 2017	November 30, 2027	0.97%	1,000,000
	December 7, 2017	November 30, 2027	0.94%	1,000,000
	December 7, 2017	November 30, 2027	0.87%	1,000,000
	December 7, 2017	November 30, 2027	0.90%	800,000
	December 7, 2017	November 30, 2027	0.87%	600,000
	December 28, 2017	December 28, 2025	0.74%	500,000
	December 28, 2017	December 28, 2026	0.88%	500,000
	December 28, 2017	December 28, 2027	0.86%	500,000
	March 12, 2018	March 31, 2028	0.91%	1,500,000
	March 26, 2018	March 31, 2027	0.81%	1,000,000
	March 26, 2018	March 31, 2028	0.90%	1,000,000
	July 31, 2018	July 31, 2028	0.99%	500,000
	August 20, 2018	August 31, 2025	0.70%	500,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	500,000
	August 20, 2018	August 31, 2028	0.97%	500,000
August 31, 2018	August 31, 2025	0.70%	500,000	
August 31, 2018	August 31, 2025	0.72%	300,000	
August 31, 2018	August 31, 2028	1.01%	700,000	
October 31, 2018	October 31, 2028	1.01%	1,500,000	
October 31, 2018	October 31, 2028	0.91%	1,000,000	
October 31, 2018	October 31, 2028	1.01%	500,000	
March 28, 2019	March 31, 2029	0.84%	1,400,000	
March 29, 2019	March 31, 2029	0.84%	2,950,000	
Subtotal				153,150,000

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Investment corporation bonds	July 25, 2014	July 25, 2024	1.18%	¥ 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
	February 15, 2019	February 15, 2024	0.39%	2,000,000
Subtotal				8,000,000
Total				¥182,050,000

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of October 31, 2018:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	November 30, 2017	November 30, 2018	0.36%	¥ 2,000,000
	January 31, 2018	January 31, 2019	0.31%	500,000
	January 31, 2018	January 31, 2019	0.36%	500,000
	March 30, 2018	March 29, 2019	0.36%	1,000,000
	July 31, 2018	July 31, 2019	0.36%	1,000,000
	August 31, 2018	August 31, 2019	0.32%	1,000,000
Subtotal				6,000,000
Current portion of long-term loans payable	November 12, 2013	November 12, 2018	0.82%	¥ 1,000,000
	November 29, 2013	November 30, 2018	0.84%	200,000
	March 28, 2012	March 28, 2019	1.77%	1,400,000
	March 28, 2012	March 28, 2019	1.77%	1,000,000
	March 12, 2014	March 31, 2019	0.78%	450,000
	March 31, 2014	March 31, 2019	0.76%	2,500,000
	March 30, 2016	March 31, 2019	0.17%	1,000,000
	July 10, 2014	July 10, 2019	0.64%	500,000
	July 14, 2014	July 31, 2019	0.68%	1,000,000
	July 31, 2014	July 31, 2019	0.62%	1,000,000
	August 29, 2014	July 31, 2019	0.65%	1,000,000
	September 30, 2013	September 30, 2019	1.06%	1,800,000
	September 30, 2013	September 30, 2019	1.06%	900,000
Subtotal				13,750,000
Long-term loans payable	August 30, 2013	August 31, 2020	1.42%	¥ 1,500,000
	November 12, 2013	November 12, 2020	1.07%	2,000,000
	November 12, 2013	November 12, 2020	1.07%	500,000
	November 29, 2013	November 30, 2020	1.12%	1,000,000
	November 29, 2013	November 30, 2020	1.12%	900,000
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2020	0.93%	3,700,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	March 12, 2014	March 12, 2020	0.92%	1,800,000
	March 12, 2014	March 12, 2023	1.36%	1,800,000
	March 20, 2014	March 12, 2020	0.91%	3,000,000
	March 20, 2014	September 20, 2021	1.01%	4,000,000
	March 20, 2014	March 20, 2022	1.20%	3,000,000
	March 20, 2014	March 12, 2023	1.35%	2,000,000
	April 22, 2014	October 31, 2020	0.95%	2,900,000
	July 10, 2014	July 10, 2021	0.90%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	500,000
	July 31, 2014	July 31, 2020	0.74%	2,700,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	July 31, 2014	July 31, 2022	1.01%	2,200,000
	September 1, 2014	August 31, 2021	0.89%	800,000
	September 1, 2014	August 31, 2021	0.89%	500,000
September 3, 2014	August 31, 2022	0.98%	1,000,000	
September 3, 2014	August 31, 2022	0.98%	950,000	
September 22, 2014	September 30, 2020	0.80%	2,700,000	
September 30, 2014	September 30, 2021	0.89%	1,000,000	

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

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	October 31, 2017	October 31, 2027	0.81%	¥ 2,500,000
	November 13, 2017	November 13, 2027	0.93%	3,000,000
	December 7, 2017	November 30, 2027	0.90%	1,400,000
	December 7, 2017	November 30, 2027	0.82%	1,200,000
	December 7, 2017	November 30, 2027	0.97%	1,000,000
	December 7, 2017	November 30, 2027	0.94%	1,000,000
	December 7, 2017	November 30, 2027	0.87%	1,000,000
	December 7, 2017	November 30, 2027	0.90%	800,000
	December 7, 2017	November 30, 2027	0.87%	600,000
	December 28, 2017	December 28, 2025	0.74%	500,000
	December 28, 2017	December 28, 2026	0.88%	500,000
	December 28, 2017	December 28, 2027	0.86%	500,000
	March 12, 2018	March 31, 2028	0.91%	1,500,000
	March 26, 2018	March 31, 2027	0.81%	1,000,000
	March 26, 2018	March 31, 2028	0.90%	1,000,000
	July 31, 2018	July 31, 2028	0.99%	500,000
	August 20, 2018	August 31, 2025	0.70%	500,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	500,000
	August 20, 2018	August 31, 2028	0.97%	500,000
	August 31, 2018	August 31, 2025	0.70%	500,000
	August 31, 2018	August 31, 2025	0.72%	300,000
	August 31, 2018	August 31, 2028	1.01%	700,000
	October 31, 2018	October 31, 2028	1.01%	1,500,000
October 31, 2018	October 31, 2028	0.91%	1,000,000	
October 31, 2018	October 31, 2028	1.01%	500,000	
Subtotal				157,300,000
Investment corporation bonds	July 25, 2014	July 25, 2024	1.18%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.90%	1,000,000
	July 19, 2017	July 19, 2022	0.26%	1,000,000
	July 19, 2017	July 16, 2027	0.64%	2,000,000
Subtotal				6,000,000
Total				¥183,050,000

7. REDUCTION ENTRY

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

	In thousands of yen	
	As of April 30, 2019	As of October 31, 2018
Buildings in trust	¥26,230	¥26,230

8. PER UNIT INFORMATION

	Yen	
	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
Net asset value per unit	¥535,437	¥535,141
Net income per unit	¥ 14,418	¥ 14,373
Weighted-average number of units (units)	428,510	424,933

The weighted-average number of units outstanding of 428,510 and 424,933 as of April 30, 2019 and October 31, 2018, respectively, was used for the computation of the amount of net income per unit. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

9. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement that it currently distribute in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate

income taxes. The Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥5,878 million and ¥5,766 million for the fiscal periods ended April 30, 2019 and October 31, 2018, respectively. Therefore, such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.02% for the fiscal periods ended April 30, 2019 and October 31, 2018, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
Statutory tax rate	31.51%	31.51%
Deductible cash distributions	(29.97)	(29.74)
Provision of reserve for reduction entry	(1.53)	(1.76)
Others	0.01	0.01
Effective tax rate	0.02%	0.02%

The significant components of deferred tax assets and liabilities as of April 30, 2019 and October 31, 2018 are as follows:

	In thousands of yen	
	As of April 30, 2019	As of October 31, 2018
Deferred tax assets		
Enterprise tax payable	¥ 30	¥ 30
Amortization of leasehold right	4,117	3,873
Deferred gains or losses on hedges	64,376	—
Subtotal	68,524	3,904
Valuation allowance	(68,493)	(3,873)
Total deferred tax assets	¥ 30	¥ 30

10. NET ASSETS

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

11. RELATED-PARTY TRANSACTIONS

(A) Parent Company, Major Corporate Unitholders and Other

Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019) and Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018):

Not applicable

(B) Affiliated Companies and Other

Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019) and Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018):

Not applicable

(C) Fellow Subsidiary Companies and Other

Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019) and Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018):

Not applicable

(D) Directors, Major Individual Unitholders and Other

Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019) and Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018):

Not applicable

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

Rent revenue - real estate, expenses related to rent business, and gain and loss on sale of real estate property for the fiscal periods from November 1, 2018 to April 30, 2019 and from May 1, 2018 to October 31, 2018 consist of the following:

	In thousands of yen	
	From November 1, 2018 to April 30, 2019	From May 1, 2018 to October 31, 2018
Rental and other operating revenues		
Rent revenue - real estate		
Rental revenues	¥10,984,209	¥10,893,102
Common area charges	1,809,977	1,837,671
Subtotal	12,794,187	12,730,773
Others:		
Parking space rental revenues	509,859	519,171
Utility charge reimbursement	1,030,420	1,230,853
Miscellaneous	261,426	321,947
Subtotal	1,801,706	2,071,972
Total rent revenue - real estate	¥14,595,893	¥14,802,746
Property-related expenses		
Expenses related to rent business		
Property management fees and facility management fees	¥ 1,382,522	¥ 1,378,278
Utilities	1,121,738	1,241,455
Taxes	1,224,581	1,225,685
Repairs and maintenance	403,049	568,517
Insurance	20,149	19,886
Trust fees	32,642	32,791
Others	326,404	280,955
Depreciation	2,369,390	2,358,382
Total expenses related to rent business	¥ 6,880,478	¥ 7,105,951
Gain on sale of real estate properties		
Revenue from sale of investment properties	¥ 5,253,000	¥ 7,297,000
Cost of investment properties	4,652,797	6,714,787
Other sales expenses	34,915	49,722
Gain on sale of real estate properties	¥ 565,286	¥ 532,490

13. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease terms of generally two years for office buildings. The future minimum rental revenues under existing non-cancelable operating leases as of April 30, 2019 and October 31, 2018 are as follows:

	In thousands of yen	
	As of April 30, 2019	As of October 31, 2018
Due within one year	¥2,210,585	¥1,621,774
Due after one year	6,719,211	5,956,433
Total	¥8,929,796	¥7,578,208

14. FINANCIAL INSTRUMENTS

Twenty-eighth fiscal period (from November 1, 2018 to April 30, 2019)

(A) Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

(B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of April 30, 2019 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	¥ 19,675,112	¥ 19,675,112	¥ —
(2) Cash and deposits in trust	10,959,133	10,959,133	—
Subtotal	30,634,246	30,634,246	—
(1) Short-term loans payable	4,200,000	4,200,000	—
(2) Current portion of investment corporation bonds	—	—	—
(3) Current portion of long-term loans payable	16,700,000	16,737,975	37,975
(4) Investment corporation bonds	8,000,000	8,096,200	96,200
(5) Long-term loans payable	153,150,000	155,121,843	1,971,843
Subtotal	¥182,050,000	¥184,156,018	¥2,106,018
Derivative transactions (*)	(184,329)	(184,329)	—

(*) 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.

(3) Risk management for financial instruments

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

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

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

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

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

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

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

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

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

Derivative Transactions

Please refer to Note 15 "DERIVATIVE TRANSACTIONS."

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

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,130,524

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	¥19,675,112
Cash and deposits in trust	10,959,133
Total	¥30,634,246

*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	¥ 4,200,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	—	—	—	1,000,000	2,000,000	5,000,000
Long-term loans payable	16,700,000	19,600,000	21,700,000	10,950,000	10,200,000	90,700,000
Total	¥20,900,000	¥19,600,000	¥21,700,000	¥11,950,000	¥12,200,000	¥95,700,000

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

(A) Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

(3) Risk management for financial instruments

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

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

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

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

(B) Estimated Fair Value of Financial Instruments

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

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

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

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

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

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

Derivative Transactions

Please refer to Note 15 "DERIVATIVE TRANSACTIONS."

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

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

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

Classification	Carrying value (In thousands of yen)
Investment securities	¥1,114,806

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

*3 Redemption schedule for receivables

	Due within 1 year or less (In thousands of yen)
Cash and deposits	¥14,050,532
Cash and deposits in trust	10,973,654
Total	¥25,024,186

*4 Redemption schedule for loans payable and investment corporation bonds

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

15. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap contracts as of April 30, 2019:

(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	¥ 28,250,000	¥ 28,250,000	¥(184,329)	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	88,750,000	74,050,000	*	
Total			¥117,000,000	¥102,300,000	¥(184,329)	

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

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

(1) Hedge accounting not applied

Not applicable

(2) Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 23,900,000	¥ 23,900,000	¥100,798	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	93,900,000	82,550,000	*	
Total			¥117,800,000	¥106,450,000	¥100,798	

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

16. INVESTMENT AND RENTAL PROPERTIES

Twenty-eighth fiscal period (from November 1, 2018 to April 30, 2019)

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, 2018	Net change	As of April 30, 2019	As of April 30, 2019 (In thousands of yen)
¥409,004,701	¥(5,792,000)	¥403,212,700	¥474,257,000

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

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

*3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal decrease factors were the sales of one property totaling ¥4,652,797 thousand and depreciation amounting to ¥2,369,390 thousand.

Income and loss in the fiscal period ended April 30, 2019 for real estate for rental purposes is listed in Note 12 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY."

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

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

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

Carrying value (In thousands of yen)			Fair value
As of April 30, 2018	Net change	As of October 31, 2018	As of October 31, 2018 (In thousands of yen)
¥396,308,119	¥12,696,581	¥409,004,701	¥465,637,000

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

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

*3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increase/decrease factors were the acquisition of one property totaling ¥20,841,117 thousand, the sales of two properties totaling ¥6,714,787 thousand and depreciation amounting to ¥2,358,382 thousand.

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

17. SEGMENT AND RELATED INFORMATION

Twenty-eighth fiscal period (from November 1, 2018 to April 30, 2019)

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

(A) Segment Information

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

(B) Related Information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

18. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

19. DISTRIBUTIONS

Yen

	Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019)	Twenty-seventh fiscal period (From May 1, 2018 to October 31, 2018)
I. Retained earnings at the end of period	¥6,178,677,968	¥6,107,886,067
II. Total distributions	¥5,878,728,690	¥5,766,887,580
Distributions per unit	¥ 13,719	¥ 13,458
III. Voluntary reserve (provision)		
Provision of reserve for reduction entry	¥ 299,949,278	¥ 340,998,487
IV. Retained earnings brought forward to the next period	¥ —	¥ —
Method of calculating distribution amount	<p>In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation has decided that, of the amount remaining after the provision of reserve for reduction entry as stipulated in Article 66-2 of the Act on Special Measures Concerning Taxation is deducted from unappropriated retained earnings, it shall distribute the outstanding ¥5,878,728,690 as profit distribution.</p> <p>In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.</p>	<p>In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation has decided that, of the amount remaining after the provision of reserve for reduction entry as stipulated in Article 66-2 of the Act on Special Measures Concerning Taxation is deducted from unappropriated retained earnings, it shall distribute the outstanding ¥5,766,887,580 as profit distribution.</p> <p>In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.</p>