

Financial Summary (Unaudited)

Historical Operating Trends
For the 29th-33rd Fiscal Periods

Period	Unit	29th Period (Oct. 2019)	30th Period (Apr. 2020)	31st Period (Oct. 2020)	32nd Period (Apr. 2021)	33rd Period (Oct. 2021)
Operating revenues	millions of yen	15,027	15,272	16,714	16,301	15,028
(Rental revenues)	millions of yen	14,959	15,215	15,583	15,119	14,981
Operating expenses	millions of yen	8,199	8,132	8,380	8,310	8,170
(Property-related expenses)	millions of yen	7,092	7,008	7,086	6,880	7,054
Operating income	millions of yen	6,828	7,140	8,334	7,990	6,857
Ordinary income	millions of yen	5,845	6,177	7,311	7,017	5,911
Net income (a)	millions of yen	5,844	6,175	7,310	7,016	5,909
Total assets (b)	millions of yen	439,773	447,707	459,719	457,505	456,327
(Period-on-period change)	%	(+0.7)	(+1.8)	(+2.7)	(-0.5)	(-0.3)
Interest-bearing debt (c)	millions of yen	185,050	192,050	201,750	198,750	198,750
(Period-on-period change)	%	(+1.6)	(+3.8)	(+5.1)	(-1.5)	(0.0)
Unitholders' equity (d)	millions of yen	229,276	229,589	230,665	230,981	230,544
(Period-on-period change)	%	(-0.1)	(+0.1)	(+0.5)	(+0.1)	(-0.2)
Unitholders' capital	millions of yen	220,970	220,970	220,970	220,970	220,970
(Period-on-period change)	%	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Number of investment units issued and outstanding (e)	unit	428,510	428,510	428,510	428,510	428,510
Unitholders' equity per unit (d)/(e)	yen	535,054	535,786	538,295	539,034	538,015
Total distribution (f)	millions of yen	5,844	6,175	6,592	6,592	5,999
Distribution per unit (f)/(e)	yen	13,639	14,412	15,384	15,384	14,000
(Earnings distributed per unit)	yen	13,639	14,412	15,384	15,384	14,000
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized)*1,2	%	1.3(2.6)	1.4(2.8)	1.6(3.2)	1.5(3.1)	1.3(2.6)
Return on net assets (annualized)*2,3	%	2.5(5.1)	2.7(5.4)	3.2(6.3)	3.0(6.1)	2.6(5.1)
Net assets ratio at end of period (d)/(b)	%	52.1	51.3	50.2	50.5	50.5
(Period-on-period change)	%	(-0.4)	(-0.9)	(-1.1)	(+0.3)	(+0.0)
Interest-bearing debt ratio at end of period (c)/(b)	%	42.1	42.9	43.9	43.4	43.6
(Period-on-period change)	%	(+0.4)	(+0.8)	(+1.0)	(-0.4)	(+0.1)
Payout ratio*4 (f)/(a)	%	99.9	99.9	90.1	93.9	101.5
Other references						
Number of properties	properties	97	99	98	96	96
Total leasable floor area	m ²	480,328.18	488,127.53	488,010.71	482,299.10	482,247.31
Occupancy rate at end of period	%	99.5	99.5	98.1	96.7	97.6
Depreciation expenses for the period	millions of yen	2,419	2,470	2,523	2,548	2,567
Capital expenditures for the period	millions of yen	1,426	1,485	1,251	1,420	988
Leasing NOI (Net Operating Income)*5	millions of yen	10,287	10,676	11,019	10,787	10,495
FFO (Funds from Operation)*6	millions of yen	8,265	8,646	8,776	8,635	8,477
FFO per unit*7	yen	19,287	20,178	20,480	20,153	19,782

*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 29th Fiscal Period are calculated based on a period of 184 days, 182 days for the 30th Fiscal Period, 184 days for the 31st Fiscal Period, 181 days for the 32nd Fiscal Period, and 184 days for the 33rd Fiscal Period.

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

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

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

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

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

Kenedix Office Investment Corporation

Balance Sheet

As of October 31, 2021

	As of October 31, 2021		As of April 30, 2021	
	In thousands of yen			
Assets				
Current assets				
Cash and deposits (Notes 4)	¥	19,273,842	¥	18,455,256
Cash and deposits in trust (Notes 4)		11,434,175		11,859,877
Operating accounts receivable		286,109		255,807
Prepaid expenses		109,784		70,834
Other		8,478		10,879
Total current assets		31,112,390		30,652,654
Non-current assets				
Property, plant and equipment (Notes 5 and 19)				
Buildings		18,103,290		18,026,779
Accumulated depreciation		(7,140,580)		(6,832,965)
Buildings, net		10,962,709		11,193,814
Structures		44,224		43,564
Accumulated depreciation		(20,238)		(19,020)
Structures, net		23,985		24,543
Machinery and equipment		452,189		442,289
Accumulated depreciation		(309,897)		(297,207)
Machinery and equipment, net		142,292		145,082
Tools, furniture and fixtures		101,522		100,902
Accumulated depreciation		(76,005)		(72,220)
Tools, furniture and fixtures, net		25,516		28,681
Land		27,520,902		27,520,902
Buildings in trust (Note 8)		128,595,353		127,845,813
Accumulated depreciation		(38,615,129)		(36,476,702)
Buildings in trust, net		89,980,223		91,369,111
Structures in trust		391,649		386,893
Accumulated depreciation		(212,382)		(199,805)
Structures in trust, net		179,266		187,087
Machinery and equipment in trust		2,003,777		1,930,865
Accumulated depreciation		(917,306)		(855,126)
Machinery and equipment in trust, net		1,086,471		1,075,738
Tools, furniture and fixtures in trust		723,095		649,345
Accumulated depreciation		(406,805)		(378,890)
Tools, furniture and fixtures in trust, net		316,289		270,454
Land in trust		291,876,758		291,876,758
Construction in progress in trust		5,300		12,750
Total property, plant and equipment, net		422,119,717		423,704,925
Intangible assets (Note 5)				
Leasehold right (Note 19)		285,257		285,257
Leasehold right in trust (Note 19)		346,877		347,652
Other		98		137
Total intangible assets		632,233		633,047
Investments and other assets				
Investment securities (Note 16)		1,138,386		1,134,996
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		122,889		122,889
Long-term prepaid expenses		1,103,037		1,182,675
Other (Notes 11, 16 and 17)		30,454		12,662
Total investments and other assets		2,404,768		2,463,223
Total non-current assets		425,156,719		426,801,196
Deferred assets				
Investment corporation bond issuance costs		58,503		51,419
Total deferred assets		58,503		51,419
Total assets	¥	456,327,613	¥	457,505,270

	As of October 31, 2021	As of April 30, 2021
	In thousands of yen	
Liabilities		
Current liabilities		
Operating accounts payable	¥ 1,642,689	¥ 1,658,337
Short-term loans payable (Notes 7)	10,600,000	6,800,000
Current portion of investment corporation bonds(Notes 7 and 16)	1,000,000	–
Current portion of long-term loans payable (Notes 7,16 and 17)	18,550,000	21,700,000
Accounts payable–other	465,668	594,832
Accrued expenses	87,958	76,731
Income taxes payable	776	813
Accrued consumption taxes	268,140	476,580
Advances received	2,601,486	2,851,496
Deposits received	2,744	12,260
Other (Notes 16 and 17)	111	–
Total current liabilities	35,219,575	34,171,052
Non-current liabilities		
Investment corporation bonds (Notes 7 and 16)	12,000,000	11,000,000
Long-term loans payable (Notes 7, 16 and 17)	156,600,000	159,250,000
Tenant leasehold and security deposits	2,128,145	2,065,341
Tenant leasehold and security deposits in trust	19,551,492	19,525,890
Other (Notes 16 and 17)	283,539	511,308
Total non-current liabilities	190,563,178	192,352,540
Total liabilities	225,782,754	226,523,593
Net Assets		
Unitholders' equity		
Unitholders' capital	220,970,508	220,970,508
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	3,917,542	3,493,596
Total voluntary retained earnings	3,917,542	3,493,596
Unappropriated retained earnings	5,910,032	7,016,251
Total surplus	9,827,574	10,509,848
Total unitholders' equity	230,798,082	231,480,356
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 16 and 17)	(253,223)	(498,680)
Total valuation and translation adjustments	(253,223)	(498,680)
Total net assets (Note 12)	230,544,859	230,981,676
Total liabilities and net assets	¥ 456,327,613	¥ 457,505,270

See accompanying notes to the financial statements.

Kenedix Office Investment Corporation

Statement of Income and Retained Earnings

For the period from May 1, 2021 to October 31, 2021

	From May 1, 2021 to October 31, 2021	From November 1, 2020 to April 30, 2021
In thousands of yen		
Operating revenues		
Rent revenue – real estate (Note 14)	¥ 13,261,580	¥ 13,508,875
Other lease business revenue (Note 14)	1,720,308	1,610,737
Gain on sale of real estate properties (Note 14)	—	1,128,423
Dividends income	46,860	53,089
Total operating revenues	15,028,749	16,301,126
Operating expenses		
Expenses related to rent business (Note 14)	7,054,078	6,880,711
Loss on sale of real estate properties (Note 14)	—	198,923
Asset management fees	930,027	1,044,945
Directors' compensation	8,400	8,400
Asset custody fees	23,687	23,742
Administrative service fees	59,004	59,231
Audit fees	12,800	12,800
Other operating expenses	82,769	81,527
Total operating expenses	8,170,767	8,310,282
Operating income	6,857,981	7,990,843
Non-operating income		
Interest income	45	49
Gain on forfeiture of unclaimed dividends	371	398
Interest on refund	7	4
Total non-operating income	424	453
Non-operating expenses		
Interest expenses	775,597	776,153
Interest expenses on investment corporation bonds	34,594	33,249
Financing-related expenses	128,022	125,161
Amortization of investment corporation bond issuance costs	6,802	5,975
Amortization of investment unit issuance costs	—	9,171
Other non-operating expenses	2,277	24,044
Total non-operating expenses	947,294	973,755
Ordinary income	5,911,112	7,017,541
Income before income taxes	5,911,112	7,017,541
Income taxes (Note 11)		
Current	1,181	1,299
Deferred	6	(9)
Total income taxes	1,188	1,290
Net income	5,909,924	7,016,251
Retained earnings brought forward	108	—
Unappropriated retained earnings	¥ 5,910,032	¥ 7,016,251

See accompanying notes to the financial statements.

Kenedix Office Investment Corporation

Statement of Changes in Net Assets

For the period from May 1, 2021 to October 31, 2021

	Unitholders' equity (Note 6)						Valuation and translation adjustments	Total net assets
	Surplus					Total unitholders' equity	Deferred gains or losses on hedges	
	Unitholders' capital	Reserve for reduction entry	Voluntary retained earnings	Unappropriated retained earnings (Note 22)	Total surplus			
In thousands of yen								
Balance as of October 31, 2020	¥ 220,970,508	¥ 2,775,335	¥ 7,310,459	¥ 10,085,794	¥ 231,056,303	¥ (391,228)	¥ 230,665,074	
Changes during the fiscal period								
Provision of reserve for reduction entry	-	718,261	(718,261)	-	-	-	-	
Dividends of surplus	-	-	(6,592,197)	(6,592,197)	(6,592,197)	-	(6,592,197)	
Net income	-	-	7,016,251	7,016,251	7,016,251	-	7,016,251	
Net changes of items other than unitholders' equity	-	-	-	-	-	(107,451)	(107,451)	
Total changes during the fiscal period	-	718,261	(294,208)	424,053	424,053	(107,451)	316,601	
Balance as of April 30, 2021	¥ 220,970,508	¥ 3,493,596	¥ 7,016,251	¥ 10,509,848	¥ 231,480,356	¥ (498,680)	¥ 230,981,676	
Changes during the fiscal period								
Provision of reserve for reduction entry	-	423,945	(423,945)	-	-	-	-	
Dividends of surplus	-	-	(6,592,197)	(6,592,197)	(6,592,197)	-	(6,592,197)	
Net income	-	-	5,909,924	5,909,924	5,909,924	-	5,909,924	
Net changes of items other than unitholders' equity	-	-	-	-	-	245,456	245,456	
Total changes during the fiscal period	-	423,945	(1,106,218)	(682,273)	(682,273)	245,456	(436,817)	
Balance as of October 31, 2021	¥ 220,970,508	¥ 3,917,542	¥ 5,910,032	¥ 9,827,574	¥ 230,798,082	¥ (253,223)	¥ 230,544,859	

See accompanying notes to the financial statements.

Kenedix Office Investment Corporation

Statement of Cash Flows

For the period from May 1, 2021 to October 31, 2021

	From May 1, 2021 to October 31, 2021	From November 1, 2020 to April 30, 2021
	In thousands of yen	
Cash flows from operating activities		
Income before income taxes	¥ 5,911,112	¥ 7,017,541
Depreciation	2,567,220	2,549,244
Amortization of long-term prepaid expenses	118,773	116,505
Interest income	(45)	(49)
Interest expenses	810,191	809,403
Amortization of investment unit issuance costs	-	9,171
Amortization of investment corporation bond issuance costs	6,802	5,975
Decrease (increase) in operating accounts receivable	(30,301)	80,426
Decrease (increase) in prepaid expenses	(38,950)	39,114
Increase (decrease) in operating accounts payable	241,808	(290,597)
Increase (decrease) in accounts payable—other	(129,720)	(80,554)
Increase (decrease) in accrued consumption taxes	(208,440)	171,759
Increase (decrease) in advances received	(250,010)	173,084
Increase (decrease) in deposits received	(9,620)	8,460
Decrease in property, plant and equipment in trust due to sale	-	3,086,836
Decrease (increase) in long-term prepaid expenses	(39,136)	(116,060)
Other, net	(26,736)	(15,521)
Subtotal	8,922,947	13,564,741
Interest income received	45	49
Interest expenses paid	(798,964)	(811,899)
Income taxes paid	(820)	(764)
Net cash provided by (used in) operating activities	8,123,207	12,752,128
Cash flows from investing activities		
Purchases of property, plant and equipment	(76,560)	(45,815)
Purchases of property, plant and equipment in trust	(1,062,136)	(1,168,428)
Purchase of intangible assets	-	(27)
Repayments of tenant leasehold and security deposits	(247,466)	(28,160)
Proceeds from tenant leasehold and security deposits	222,552	181,075
Repayments of tenant leasehold and security deposits in trust	(809,827)	(954,679)
Proceeds from tenant leasehold and security deposits in trust	848,272	1,004,016
Payments of restricted deposits in trust	(12,137)	(20,285)
Proceeds from restricted deposits in trust	-	9,631
Net cash provided by (used in) investing activities	(1,137,304)	(1,022,674)
Cash flows from financing activities		
Proceeds from short-term loans payable	7,300,000	5,800,000
Repayments of short-term loans payable	(3,500,000)	(11,500,000)
Proceeds from long-term loans payable	6,000,000	13,900,000
Repayments of long-term loans payable	(11,800,000)	(11,200,000)
Proceeds from issuance of investment corporation bonds	1,986,113	-
Payments of investment corporation bond issuance costs	-	(3,228)
Dividends paid	(6,591,270)	(6,592,738)
Net cash provided by (used in) financing activities	(6,605,157)	(9,595,966)
Net increase (decrease) in cash and cash equivalents	380,746	2,133,486
Cash and cash equivalents at the beginning of period	28,567,460	26,433,973
Cash and cash equivalents at the end of period (Note 4)	¥ 28,948,207	¥ 28,567,460

See accompanying notes to the financial statements.

Kenedix Office Investment Corporation

Notes to the Financial Statements

For the period from May 1, 2021 to October 31, 2021

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

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

During the period ended April 30, 2021, the Investment Corporation sold two office buildings (KDX Shin-Nihonbashi Building: initial acquisition price of ¥2,300 million and KDX Hon-Atsugi Building: initial acquisition price of ¥1,305 million) with a disposition price of ¥4,135 million.

During the period ended October 31, 2021, the Investment Corporation did not acquire or sell any new assets.

At the end of the thirty- second and thirty- third fiscal periods (fiscal periods ended April 30, 2021 and October 31, 2021), 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 96 properties (consisting of 95 office buildings and one other property) with total acquisition prices of ¥440,180 million at the end of the thirty-second and thirty-third fiscal periods, respectively. The occupancy ratios were approximately 96.7% and 97.6% at the end of the thirty-second and thirty-third fiscal periods, respectively.

Basis of Presentation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Securities

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

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

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

	From May 1, 2021 to October 31, 2021	From November 1, 2020 to April 30, 2021
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. There were no capitalized property-related taxes as of April 30, 2021 and October 31, 2021, 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) Accounting for revenues□□

The main content of the performance obligation regarding the revenue from contracts with the customers of the Investment Corporation and the normal point of time when satisfying the said performance obligation (normal point of time when recognizing revenue) are as follows.

1. Sale of real estate property

For the revenue from sale of real estate, etc., revenue is recorded when the buyer who is a customer gains control of the real estate by performing the obligation of handover stipulated in the contract for real estate sales.

2. Utility charge reimbursements

For utility charge reimbursement, revenue is recorded in accordance with the supply of electricity, tap water, etc. to the lessee who is a customer based on the lease agreement of real estate, etc. and the content of agreement incidental to it.

Of the utility charge reimbursement, for those that are determined to fall under the category of an agent by the Investment Corporation, the net amount obtained by deducting the amount paid to other related parties supplying electricity, gas, etc. from the amount received as the fee of electricity, gas, etc. is recognized as revenue.

(K) 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.

(L) 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.

(M) Derivative Financial Instruments

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

(N) 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.

(O) 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. CHANGES IN ACCOUNTING POLICIES

(A) Application of Accounting Standard for Revenue Recognition

The Investment Corporation applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 31, 2020. “the Revenue Recognition Accounting Standard”), etc. from the beginning of the current calculation period, and recognize revenue based on the amount which is expected to be received in exchange for the promised goods and services when the control of such goods and services is transferred to customers. This has minimal impact on the financial statement for the current calculation period.

Moreover, in accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, the notes “related to revenue recognition” for the previous calculation period are not indicated.

(B) Application of Accounting Standard for Fair Value Measurement, Etc.

The Investment Corporation applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019. “the Fair Value Measurement Accounting Standard”), etc. from the beginning of the current calculation period, and apply the new accounting policy stipulated in the Fair Value Measurement Accounting Standard, etc. over the future in accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 issued on July 4, 2019). This has minimal impact on the financial statement for the current calculation period.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of October 31, 2021 and April 30, 2021.

	As of October 31, 2021	As of April 30, 2021
	In thousands of yen	
Cash and deposits	¥ 19,273,842	¥ 18,455,256
Cash and deposits in trust	11,434,175	11,859,877
Restricted deposits in trust (Note)	(1,759,810)	(1,747,673)
Cash and cash equivalents in trust	¥ 28,948,207	¥ 28,567,460

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

5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets consist of the following as of October 31, 2021.

Type of asset	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at the end of period	Remarks	
					Accumulated depreciation	Depreciation for the period			
(in thousands of yen)									
Buildings	¥ 18,026,779	¥ 76,510	¥ –	¥ 18,103,290	¥ 7,140,580	¥ 307,614	¥ 10,962,709		
Structures	43,564	660	–	44,224	20,238	1,217	23,985		
Machinery and equipment	442,289	9,900	–	452,189	309,897	12,690	142,292		
Tools, furniture and fixtures	100,902	620	–	101,522	76,005	3,784	25,516		
Land	27,520,902	–	–	27,520,902	–	–	27,520,902		
Subtotal	46,134,439	87,690	–	46,222,129	7,546,722	325,308	38,675,407		
Property, plant and equipment	Buildings in trust	¥ 127,845,813	¥ 749,539	¥ –	¥ 128,595,353	¥ 38,615,129	¥ 2,138,426	¥ 89,980,223	
	Structures in trust	386,893	4,756	–	391,649	212,382	12,576	179,266	
	Machinery and equipment in trust	1,930,865	72,912	–	2,003,777	917,306	62,179	1,086,471	
	Tools, furniture and fixtures in trust	649,345	73,749	–	723,095	406,805	27,915	316,289	
	Land in trust	291,876,758	–	–	291,876,758	–	–	291,876,758	
	Construction in progress in trust	12,750	800	8,250	5,300	–	–	5,300	
	Subtotal	422,702,425	901,758	8,250	423,595,934	40,151,624	2,241,099	383,444,309	
Total property, plant and equipment	468,836,865	989,448	8,250	469,818,064	47,698,346	2,566,407	422,119,717		
Intangible assets	Leasehold right	¥ 290,050	¥ –	¥ –	¥ 290,050	¥ 4,792	¥ –	¥ 285,257	
	Leasehold right in trust	363,784	–	–	363,784	16,906	774	346,877	
	Other	6,306	–	–	6,306	6,208	39	98	
Total intangible assets	660,141	–	–	660,141	27,907	813	632,233		
Total	¥469,497,006	¥ 989,448	¥ 8,250	¥ 470,478,205	¥ 47,726,254	¥ 2,567,220	¥ 422,751,950		

Property, plant and equipment and intangible assets consist of the following as of April 30, 2021.

Type of asset	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at the end of period	Remarks	
					Accumulated depreciation	Depreciation for the period			
(in thousands of yen)									
Buildings	¥ 17,975,653	¥ 51,126	¥ –	¥ 18,026,779	¥ 6,832,965	¥ 306,215	¥ 11,193,814		
Structures	43,564	–	–	43,564	19,020	1,215	24,543		
Machinery and equipment	435,359	6,930	–	442,289	297,207	12,485	145,082		
Tools, furniture and fixtures	99,918	984	–	100,902	72,220	3,799	28,681		
Land	27,520,902	–	–	27,520,902	–	–	27,520,902		
Subtotal	46,075,399	59,040	–	46,134,439	7,221,414	323,715	38,913,025		
Property, plant and equipment	Buildings in trust	¥ 128,754,352	¥ 1,127,268	¥ 2,035,806	¥ 127,845,813	¥ 36,476,702	¥ 2,129,795	¥ 91,369,111	Note
	Structures in trust	379,369	12,120	4,596	386,893	199,805	12,255	187,087	
	Machinery and equipment in trust	1,876,485	122,127	67,747	1,930,865	855,126	58,995	1,075,738	
	Tools, furniture and fixtures in trust	561,026	99,907	11,588	649,345	378,890	23,276	270,454	
	Land in trust	293,726,525	–	1,849,767	291,876,758	–	–	291,876,758	Note
	Construction in progress in trust	6,150	6,600	–	12,750	–	–	12,750	
	Subtotal	425,303,909	1,368,023	3,969,506	422,702,425	37,910,525	2,224,323	384,791,900	
Total property, plant and equipment	471,379,308	1,427,063	3,969,506	468,836,865	45,131,939	2,548,039	423,704,925		
Intangible assets	Leasehold right	¥ 290,050	¥ –	¥ –	¥ 290,050	¥ 4,792	¥ –	¥ 285,257	
	Leasehold right in trust	363,784	–	–	363,784	16,132	774	347,652	
	Other	6,278	27	–	6,306	6,169	431	137	
Total intangible assets	660,113	27	–	660,141	27,094	1,205	633,047		
Total	¥ 472,039,421	¥ 1,427,091	¥ 3,969,506	¥ 469,497,006	¥ 45,159,033	¥ 2,549,244	¥ 424,337,972		

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

6. UNITHOLDERS' EQUITY

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

	From May 1, 2021 to October 31, 2021	From November 1, 2020 to April 30, 2021
Total number of authorized investment units	2,000,000	2,000,000
Total number of investment units issued and outstanding	428,510	428,510

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

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of October 31, 2021:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	November 30, 2020	November 30, 2021	0.385%	¥ 500,000
	November 30, 2020	November 30, 2021	0.335%	500,000
	January 29, 2021	January 29, 2022	0.385%	300,000
	February 26, 2021	February 26, 2022	0.385%	2,000,000
	July 12, 2021	June 30, 2022	0.335%	2,000,000
	August 31, 2021	August 31, 2022	0.335%	800,000
	August 31, 2021	August 31, 2022	0.335%	500,000
	August 31, 2021	August 31, 2022	0.335%	500,000
	September 30, 2021	September 30, 2022	0.385%	500,000
	October 29, 2021	October 29, 2022	0.325%	3,000,000
Subtotal				10,600,000
Current portion of long-term loans payable	January 29, 2016	January 31, 2022	0.590%	¥ 2,500,000
	January 29, 2016	January 31, 2022	0.640%	500,000
	February 18, 2015	February 28, 2022	0.907%	1,250,000
	February 18, 2015	February 28, 2022	0.907%	350,000
	March 20, 2014	March 20, 2022	1.199%	3,000,000
	April 30, 2015	April 30, 2022	0.825%	2,300,000
	July 31, 2014	July 31, 2022	1.014%	2,200,000
	July 31, 2019	July 31, 2022	0.291%	1,000,000
	September 3, 2014	August 31, 2022	0.979%	1,000,000
	September 3, 2014	August 31, 2022	0.979%	950,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	September 30, 2021	October 31, 2022	0.250%	500,000
	Subtotal			
Long-term loans payable	March 12, 2014	March 12, 2023	1.358%	¥ 1,800,000
	March 20, 2014	March 12, 2023	1.349%	2,000,000
	October 31, 2014	October 31, 2023	1.071%	2,000,000
	October 31, 2014	October 31, 2023	1.126%	1,500,000
	October 31, 2014	October 31, 2023	1.071%	1,000,000
	October 31, 2014	October 31, 2024	1.257%	2,000,000
	October 31, 2014	October 31, 2024	1.259%	1,000,000
	January 30, 2015	January 31, 2025	1.161%	1,500,000
	February 18, 2015	February 29, 2024	1.157%	1,700,000
	February 18, 2015	February 28, 2025	1.314%	1,250,000
	February 27, 2015	February 28, 2025	1.153%	2,100,000
	March 12, 2015	February 28, 2025	1.218%	1,000,000
	March 31, 2015	March 31, 2025	1.266%	2,500,000
	September 30, 2015	September 30, 2024	1.065%	2,000,000
	October 30, 2015	October 31, 2024	0.989%	1,000,000
	October 30, 2015	October 30, 2025	1.114%	1,500,000
October 30, 2015	October 30, 2025	1.114%	2,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average	Balance
			interest rate	(In thousands of yen)
Long-term loans payable	October 30, 2015	October 30, 2025	1.114%	¥ 2,500,000
	October 30, 2015	October 30, 2025	1.121%	2,500,000
	November 12, 2015	November 30, 2025	1.173%	1,000,000
	January 29, 2016	January 29, 2026	1.074%	2,000,000
	January 29, 2016	January 29, 2026	1.024%	1,800,000
	February 18, 2016	February 18, 2026	0.998%	1,000,000
	February 18, 2016	February 18, 2026	0.998%	500,000
	March 31, 2016	March 31, 2026	0.898%	1,000,000
	April 28, 2016	April 30, 2024	0.654%	2,000,000
	April 28, 2016	April 30, 2026	0.835%	2,000,000
	April 28, 2016	April 30, 2026	0.865%	1,000,000
	July 29, 2016	July 31, 2026	0.613%	1,500,000
	August 2, 2016	July 31, 2026	0.544%	1,000,000
	October 31, 2016	October 31, 2024	0.668%	1,000,000
	October 31, 2016	October 31, 2026	0.876%	2,500,000
	October 31, 2016	October 31, 2026	0.760%	1,000,000
	October 31, 2016	October 31, 2026	0.734%	4,000,000
	October 31, 2016	October 31, 2026	0.826%	1,500,000
	December 12, 2016	November 30, 2026	0.982%	500,000
	December 28, 2016	December 28, 2026	0.950%	1,500,000
	January 16, 2017	January 31, 2027	0.860%	500,000
	January 31, 2017	January 31, 2027	0.853%	700,000
	March 28, 2017	March 31, 2027	0.850%	500,000
	June 30, 2017	June 30, 2027	0.849%	1,500,000
	August 10, 2017	July 28, 2027	0.800%	3,500,000
	August 31, 2017	August 31, 2023	0.544%	1,000,000
	September 21, 2017	March 31, 2024	0.555%	1,000,000
	September 21, 2017	September 30, 2025	0.680%	1,500,000
	September 21, 2017	March 31, 2027	0.732%	1,000,000
	September 21, 2017	September 21, 2027	0.873%	1,000,000
	September 21, 2017	September 30, 2027	0.851%	2,500,000
	October 31, 2017	October 31, 2027	0.810%	2,500,000
	November 13, 2017	November 13, 2027	0.931%	3,000,000
	December 7, 2017	November 30, 2027	0.899%	1,400,000
	December 7, 2017	November 30, 2027	0.820%	1,200,000
	December 7, 2017	November 30, 2027	0.969%	1,000,000
	December 7, 2017	November 30, 2027	0.939%	1,000,000
	December 7, 2017	November 30, 2027	0.869%	1,000,000
	December 7, 2017	November 30, 2027	0.899%	800,000
	December 7, 2017	November 30, 2027	0.869%	600,000
	December 28, 2017	December 28, 2025	0.744%	500,000
	December 28, 2017	December 28, 2026	0.878%	500,000
	December 28, 2017	December 28, 2027	0.864%	500,000
March 12, 2018	March 31, 2028	0.914%	1,500,000	
March 26, 2018	March 31, 2027	0.808%	1,000,000	
March 26, 2018	March 31, 2028	0.902%	1,000,000	
July 31, 2018	July 31, 2028	0.988%	500,000	
August 20, 2018	August 31, 2025	0.696%	500,000	
August 20, 2018	August 31, 2028	1.003%	1,000,000	
August 20, 2018	August 31, 2028	1.003%	1,000,000	
August 20, 2018	August 31, 2028	1.003%	500,000	
August 20, 2018	August 31, 2028	0.966%	500,000	
August 31, 2018	August 31, 2025	0.700%	500,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	August 31, 2018	August 31, 2025	0.723%	¥ 300,000
	August 31, 2018	August 31, 2028	1.012%	700,000
	October 31, 2018	October 31, 2028	1.013%	1,500,000
	October 31, 2018	October 31, 2028	0.910%	1,000,000
	October 31, 2018	October 31, 2028	1.013%	500,000
	March 28, 2019	March 31, 2029	0.838%	1,400,000
	March 29, 2019	March 31, 2029	0.839%	2,950,000
	June 14, 2019	June 30, 2023	0.246%	500,000
	June 14, 2019	December 28, 2026	0.517%	500,000
	June 14, 2019	April 30, 2027	0.605%	1,000,000
	June 14, 2019	March 31, 2029	0.725%	1,000,000
	July 10, 2019	July 31, 2023	0.230%	500,000
	July 31, 2019	July 31, 2023	0.295%	1,000,000
	July 31, 2019	April 30, 2027	0.554%	1,000,000
	July 31, 2019	April 30, 2027	0.554%	1,000,000
	September 30, 2019	September 30, 2026	0.489%	1,000,000
	September 30, 2019	March 31, 2027	0.531%	900,000
	September 30, 2019	March 31, 2027	0.425%	800,000
	January 31, 2020	January 31, 2025	0.406%	700,000
	January 31, 2020	January 31, 2027	0.526%	1,500,000
	January 31, 2020	January 31, 2029	0.675%	1,500,000
	March 12, 2020	February 28, 2026	0.361%	1,800,000
	March 31, 2020	March 31, 2028	0.642%	1,000,000
	June 30, 2020	June 30, 2028	0.646%	2,000,000
	June 30, 2020	June 30, 2028	0.646%	2,000,000
	June 30, 2020	June 30, 2028	0.646%	700,000
	June 30, 2020	June 30, 2028	0.510%	2,000,000
	July 31, 2020	July 31, 2028	0.636%	2,700,000
	August 31, 2020	August 31, 2030	0.705%	1,500,000
	September 30, 2020	September 30, 2025	0.396%	1,000,000
	September 30, 2020	September 30, 2027	0.511%	1,000,000
	September 30, 2020	September 30, 2030	0.738%	700,000
	October 30, 2020	April 30, 2027	0.542%	1,400,000
	October 30, 2020	October 31, 2030	0.803%	1,500,000
	October 30, 2020	October 31, 2030	0.803%	300,000
	November 12, 2020	April 30, 2027	0.552%	1,300,000
	November 12, 2020	November 12, 2030	0.808%	700,000
	November 12, 2020	November 12, 2030	0.808%	500,000
	November 30, 2020	May 31, 2027	0.516%	200,000
	November 30, 2020	November 30, 2030	0.763%	900,000
	November 30, 2020	November 30, 2030	0.763%	800,000
	November 30, 2020	November 30, 2030	0.763%	200,000
	January 29, 2021	January 31, 2024	0.287%	1,000,000
	January 29, 2021	January 31, 2028	0.527%	1,200,000
	January 29, 2021	January 31, 2030	0.678%	2,300,000
	January 29, 2021	January 31, 2030	0.678%	2,000,000
	January 29, 2021	January 31, 2030	0.678%	2,000,000
January 29, 2021	November 30, 2030	0.755%	800,000	
July 12, 2021	June 30, 2028	0.484%	500,000	
July 30, 2021	July 31, 2026	0.350%	1,000,000	
September 21, 2021	February 28, 2023	0.300%	1,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	September 21, 2021	August 31, 2023	0.300%	¥ 2,000,000
	September 21, 2021	February 29, 2024	0.300%	1,000,000
Subtotal				156,600,000
Current portion of investment corporation bonds	July 19, 2017	July 19, 2022	0.260%	¥ 1,000,000
Subtotal				1,000,000
Investment corporation bonds	July 25, 2014	July 25, 2024	1.180%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.900%	1,000,000
	July 19, 2017	July 16, 2027	0.640%	2,000,000
	February 15, 2019	February 15, 2024	0.390%	2,000,000
	January 30, 2020	January 30, 2025	0.250%	2,000,000
	October 20, 2020	October 18, 2030	0.610%	1,000,000
	July 28, 2021	July 31, 2026	0.180%	2,000,000
Subtotal				12,000,000
Total				¥ 198,750,000

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of April 30, 2021:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	August 31, 2020	August 31, 2021	0.323%	¥ 1,000,000
	November 30, 2020	November 30, 2021	0.376%	1,000,000
	November 30, 2020	November 30, 2021	0.326%	500,000
	January 29, 2021	January 29, 2022	0.378%	1,300,000
	January 29, 2021	January 29, 2022	0.328%	500,000
	February 26, 2021	February 26, 2022	0.378%	2,000,000
	March 31, 2021	March 31, 2022	0.327%	500,000
Subtotal				6,800,000
Current portion of long-term loans payable	July 10, 2014	July 10, 2021	0.903%	¥ 2,000,000
	July 10, 2014	July 10, 2021	0.903%	500,000
	September 1, 2014	August 31, 2021	0.885%	800,000
	September 1, 2014	August 31, 2021	0.885%	500,000
	March 20, 2014	September 20, 2021	1.013%	4,000,000
	September 30, 2014	September 30, 2021	0.893%	1,000,000
	October 31, 2014	October 31, 2021	0.802%	3,000,000
	January 29, 2016	January 31, 2022	0.590%	2,500,000
	January 29, 2016	January 31, 2022	0.640%	500,000
	February 18, 2015	February 28, 2022	0.907%	1,250,000
	February 18, 2015	February 28, 2022	0.907%	350,000
	March 20, 2014	March 20, 2022	1.199%	3,000,000
April 30, 2015	April 30, 2022	0.825%	2,300,000	
Subtotal				21,700,000
Long-term loans payable	March 12, 2014	March 12, 2023	1.358%	¥ 1,800,000
	March 20, 2014	March 12, 2023	1.349%	2,000,000
	July 31, 2014	July 31, 2022	1.014%	2,200,000
	September 3, 2014	August 31, 2022	0.979%	1,000,000
	September 3, 2014	August 31, 2022	0.979%	950,000
	October 31, 2014	October 31, 2023	1.071%	2,000,000
	October 31, 2014	October 31, 2023	1.126%	1,500,000
	October 31, 2014	October 31, 2023	1.071%	1,000,000
	October 31, 2014	October 31, 2024	1.257%	2,000,000
	October 31, 2014	October 31, 2024	1.259%	1,000,000
	January 30, 2015	January 31, 2025	1.161%	1,500,000

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	February 18, 2015	February 29, 2024	1.157%	¥ 1,700,000
	February 18, 2015	February 28, 2025	1.314%	1,250,000
	February 27, 2015	February 28, 2025	1.153%	2,100,000
	March 12, 2015	February 28, 2025	1.218%	1,000,000
	March 31, 2015	March 31, 2025	1.266%	2,500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	August 31, 2015	August 31, 2022	0.872%	500,000
	September 30, 2015	September 30, 2024	1.065%	2,000,000
	October 30, 2015	October 31, 2024	0.989%	1,000,000
	October 30, 2015	October 30, 2025	1.114%	1,500,000
	October 30, 2015	October 30, 2025	1.114%	2,000,000
	October 30, 2015	October 30, 2025	1.114%	2,500,000
	October 30, 2015	October 30, 2025	1.121%	2,500,000
	November 12, 2015	November 30, 2025	1.173%	1,000,000
	January 29, 2016	January 29, 2026	1.074%	2,000,000
	January 29, 2016	January 29, 2026	1.024%	1,800,000
	February 18, 2016	February 18, 2026	0.998%	1,000,000
	February 18, 2016	February 18, 2026	0.998%	500,000
	March 31, 2016	March 31, 2026	0.898%	1,000,000
	April 28, 2016	April 30, 2024	0.654%	2,000,000
	April 28, 2016	April 30, 2026	0.835%	2,000,000
	April 28, 2016	April 30, 2026	0.865%	1,000,000
	July 29, 2016	July 31, 2026	0.613%	1,500,000
	August 2, 2016	July 31, 2026	0.544%	1,000,000
	October 31, 2016	October 31, 2024	0.668%	1,000,000
	October 31, 2016	October 31, 2026	0.876%	2,500,000
	October 31, 2016	October 31, 2026	0.760%	1,000,000
	October 31, 2016	October 31, 2026	0.734%	4,000,000
	October 31, 2016	October 31, 2026	0.826%	1,500,000
	December 12, 2016	November 30, 2026	0.982%	500,000
	December 28, 2016	December 28, 2026	0.950%	1,500,000
	January 16, 2017	January 31, 2027	0.860%	500,000
	January 31, 2017	January 31, 2027	0.853%	700,000
	March 28, 2017	March 31, 2027	0.850%	500,000
	June 30, 2017	June 30, 2027	0.849%	1,500,000
	August 10, 2017	July 28, 2027	0.800%	3,500,000
	August 31, 2017	August 31, 2023	0.544%	1,000,000
	September 21, 2017	March 31, 2024	0.555%	1,000,000
	September 21, 2017	September 30, 2025	0.680%	1,500,000
	September 21, 2017	March 31, 2027	0.732%	1,000,000
September 21, 2017	September 21, 2027	0.873%	1,000,000	
September 21, 2017	September 30, 2027	0.851%	2,500,000	
October 31, 2017	October 31, 2027	0.810%	2,500,000	
November 13, 2017	November 13, 2027	0.931%	3,000,000	
December 7, 2017	November 30, 2027	0.899%	1,400,000	
December 7, 2017	November 30, 2027	0.820%	1,200,000	
December 7, 2017	November 30, 2027	0.969%	1,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	December 7, 2017	November 30, 2027	0.939%	¥ 1,000,000
	December 7, 2017	November 30, 2027	0.869%	1,000,000
	December 7, 2017	November 30, 2027	0.899%	800,000
	December 7, 2017	November 30, 2027	0.869%	600,000
	December 28, 2017	December 28, 2025	0.744%	500,000
	December 28, 2017	December 28, 2026	0.878%	500,000
	December 28, 2017	December 28, 2027	0.864%	500,000
	March 12, 2018	March 31, 2028	0.914%	1,500,000
	March 26, 2018	March 31, 2027	0.808%	1,000,000
	March 26, 2018	March 31, 2028	0.902%	1,000,000
	July 31, 2018	July 31, 2028	0.988%	500,000
	August 20, 2018	August 31, 2025	0.696%	500,000
	August 20, 2018	August 31, 2028	1.003%	1,000,000
	August 20, 2018	August 31, 2028	1.003%	1,000,000
	August 20, 2018	August 31, 2028	1.003%	500,000
	August 20, 2018	August 31, 2028	0.966%	500,000
	August 31, 2018	August 31, 2025	0.700%	500,000
	August 31, 2018	August 31, 2025	0.723%	300,000
	August 31, 2018	August 31, 2028	1.012%	700,000
	October 31, 2018	October 31, 2028	1.013%	1,500,000
	October 31, 2018	October 31, 2028	0.910%	1,000,000
	October 31, 2018	October 31, 2028	1.013%	500,000
	March 28, 2019	March 31, 2029	0.838%	1,400,000
	March 29, 2019	March 31, 2029	0.839%	2,950,000
	June 14, 2019	June 30, 2023	0.246%	500,000
	June 14, 2019	December 28, 2026	0.517%	500,000
	June 14, 2019	April 30, 2027	0.605%	1,000,000
	June 14, 2019	March 31, 2029	0.725%	1,000,000
	July 10, 2019	July 31, 2023	0.230%	500,000
	July 31, 2019	July 31, 2022	0.291%	1,000,000
	July 31, 2019	July 31, 2023	0.295%	1,000,000
	July 31, 2019	April 30, 2027	0.554%	1,000,000
	July 31, 2019	April 30, 2027	0.554%	1,000,000
	September 30, 2019	September 30, 2026	0.489%	1,000,000
	September 30, 2019	March 31, 2027	0.531%	900,000
	September 30, 2019	March 31, 2027	0.425%	800,000
	January 31, 2020	January 31, 2025	0.406%	700,000
	January 31, 2020	January 31, 2027	0.526%	1,500,000
	January 31, 2020	January 31, 2029	0.675%	1,500,000
	March 12, 2020	February 28, 2026	0.361%	1,800,000
	March 31, 2020	March 31, 2028	0.642%	1,000,000
	June 30, 2020	June 30, 2028	0.646%	2,000,000
	June 30, 2020	June 30, 2028	0.646%	2,000,000
	June 30, 2020	June 30, 2028	0.646%	700,000
	June 30, 2020	June 30, 2028	0.510%	2,000,000
	July 31, 2020	July 31, 2028	0.636%	2,700,000
	August 31, 2020	August 31, 2030	0.705%	1,500,000
	September 30, 2020	September 30, 2025	0.396%	1,000,000
	September 30, 2020	September 30, 2027	0.511%	1,000,000
	September 30, 2020	September 30, 2030	0.738%	700,000
October 30, 2020	April 30, 2027	0.542%	1,400,000	
October 30, 2020	October 31, 2030	0.803%	1,500,000	
October 30, 2020	October 31, 2030	0.803%	300,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	November 12, 2020	April 30, 2027	0.552%	¥ 1,300,000
	November 12, 2020	November 12, 2030	0.808%	700,000
	November 12, 2020	November 12, 2030	0.808%	500,000
	November 30, 2020	May 31, 2027	0.516%	200,000
	November 30, 2020	November 30, 2030	0.763%	900,000
	November 30, 2020	November 30, 2030	0.763%	800,000
	November 30, 2020	November 30, 2030	0.763%	200,000
	January 29, 2021	January 31, 2024	0.287%	1,000,000
	January 29, 2021	January 31, 2028	0.527%	1,200,000
	January 29, 2021	January 31, 2030	0.678%	2,300,000
	January 29, 2021	January 31, 2030	0.678%	2,000,000
	January 29, 2021	January 31, 2030	0.678%	2,000,000
	January 29, 2021	November 30, 2030	0.755%	800,000
Subtotal				159,250,000
Investment corporation bonds	July 25, 2014	July 25, 2024	1.180%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.900%	1,000,000
	July 19, 2017	July 19, 2022	0.260%	1,000,000
	July 19, 2017	July 16, 2027	0.640%	2,000,000
	February 15, 2019	February 15, 2024	0.390%	2,000,000
	January 30, 2020	January 30, 2025	0.250%	2,000,000
	October 20, 2020	October 18, 2030	0.610%	1,000,000
Subtotal				11,000,000
Total				¥ 198,750,000

8. REDUCTION ENTRY

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

	As of October 31, 2021	As of April 30, 2021
	In thousands of yen	
Buildings in trust	¥ 26,230	¥ 26,230

9. COMMITMENT LINE AGREEMENT

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

	As of October 31, 2021	As of April 30, 2021
	In thousands of yen	
Maximum amount	¥ 9,000,000	¥ 6,000,000
Drawn credit facility	—	—
Balance	¥ 9,000,000	¥ 6,000,000

10. PER UNIT INFORMATION

	From May 1, 2021 to October 31, 2021	From November 1, 2020 to April 30, 2021
	Yen	
Net asset value per unit	¥ 538,015	¥ 539,034
Net income per unit	¥ 13,791	¥ 16,373
Weighted-average number of units (units)	428,510	428,510

The weighted-average number of units outstanding of 428,510 as of October 31, 2021 and April 30, 2021, respectively, was used for the computation of the amount of net income per unit. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

11. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 31%. 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 ¥5,999 million and ¥6,592 million for the fiscal periods ended October 31, 2021 and April 30, 2021, respectively. Therefore, such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.02% for the fiscal periods ended October 31, 2021 and April 30, 2021, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

	From May 1, 2021 to October 31, 2021	From November 1, 2020 to April 30, 2021
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(31.93)	(29.55)
Reversal of reserve for reduction entry	0.47	–
Provision of reserve for reduction entry	–	(1.90)
Others	□0.01	□0.01
Effective tax rate	0.02%	0.02%

The significant components of deferred tax assets and liabilities as of October 31, 2021 and April 30, 2021 are as follows:

	As of October 31, 2021	As of April 30, 2021
In thousands of yen		
Deferred tax assets		
Enterprise tax payable	¥ 27	¥ 33
Amortization of leasehold right	5,318	5,075
Deferred gains or losses on hedges	89,201	160,857
Subtotal	94,548	165,966
Valuation allowance	(94,520)	(165,932)
Total deferred tax assets	¥ 27	¥ 33

12. NET ASSETS

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

13. RELATED-PARTY TRANSACTIONS

(1) Parent Company, Major Corporate Unitholders and Other

Thirty-third fiscal period (From May 1, 2021 to October 31, 2021) and Thirty-second fiscal period (From November 1, 2020 to April 30, 2021)

: Not applicable

(2) Affiliated Companies and Other

Thirty-third fiscal period (From May 1, 2021 to October 31, 2021) and Thirty-second fiscal period (From November 1, 2020 to April 30, 2021)

: Not applicable

(3) Fellow Subsidiary Companies and Other

Thirty-third fiscal period (From May 1, 2021 to October 31, 2021) and Thirty-second fiscal period (From November 1, 2020 to April 30, 2021)

: Not applicable

(4) Directors, Major Individual Unitholders and Other

Thirty-third fiscal period (From May 1, 2021 to October 31, 2021) and Thirty-second fiscal period (From November 1, 2020 to April 30, 2021)

: Not applicable

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

Rent revenue – real estate, expenses related to rent business, and gain and loss on sale of real estate property for the fiscal periods from May 1, 2021 to October 31, 2021 and from November 1, 2020 to April 30, 2021 consist of the following:

	From May 1, 2021 to October 31, 2021	From November 1, 2020 to April 30, 2021
In thousands of yen		
Rental and other operating revenues		
Rent revenue – real estate		
Rental revenues	¥ 11,710,362	¥ 11,882,196
Common area charges	1,551,218	1,626,678
Subtotal	13,261,580	13,508,875
Others:		
Parking space rental revenues	475,555	495,509
Utility charge reimbursement	1,025,789	895,090
Miscellaneous	218,963	220,136
Subtotal	1,720,308	1,610,737
Total rental and other operating revenues	¥ 14,981,889	¥ 15,119,613
Property-related expenses		
Expenses related to rent business		
Property management fees and facility management fees	¥1,414,777	¥1,438,342
Utilities	1,023,838	887,792
Taxes	1,339,335	1,302,176
Repairs and maintenance	337,875	356,093
Insurance	19,306	19,514
Trust fees	29,767	30,152
Others	321,977	297,808
Depreciation	2,567,199	2,548,829
Total expenses related to rent business	¥ 7,054,078	¥ 6,880,711
Gain and loss on sale of real estate properties		
KDX Shin-Nihonbashi Building		
Revenue from sale of investment properties	¥ —	¥ 3,200,000
Cost of investment properties	—	1,971,004
Other sales expenses	—	100,571
Gain on sale of real estate properties	¥ —	¥ 1,128,423
KDX Hon-Atsugi Building		
Revenue from sale of investment properties	¥ —	¥ 935,000
Cost of investment properties	—	1,115,831
Other sales expenses	—	18,091
Loss on sale of real estate properties	¥ —	¥ 198,923

15. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease terms of generally two years for office buildings. The future minimum rental revenues under existing non-cancelable operating leases as of October 31, 2021 and April 30, 2021 are as follows:

	As of October 31, 2021	As of April 30, 2021
	In thousands of yen	
Due within one year	¥ 2,863,474	¥ 3,250,060
Due after one year	7,163,359	7,850,178
Total	¥ 10,026,834	¥ 11,100,238

16. FINANCIAL INSTRUMENTS

Thirty-third fiscal period (From May 1, 2021 to October 31, 2021)

(A) Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 9 years and 1 month 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(M) “Derivative Financial Instruments.”

(3) Risk management for financial instruments

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

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

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

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

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

Because the factors incorporated into the calculation of fair value of financial instruments are subject to change, differing assumptions are adopted which may alter fair value. Moreover, the contract amounts, etc. of derivative transactions in “(B) Estimated Fair Value of Financial Instruments” do not indicate the market risk of derivative transactions.

(B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of October 31, 2021 and estimated fair value are shown in the following table. Moreover, because “Cash and deposits,” “Cash and deposits in trust” and “Short-term loans payable” are settled with cash in the short term, the fair value can be considered as equivalent to the book value. Therefore, the notes for these accounts have been omitted.

	Carrying value	Estimated fair value	Difference
In thousands of yen			
(1) Current portion of investment corporation bonds	1,000,000	999,400	(600)
(2) Current portion of long-term loans payable	18,550,000	18,585,583	35,583
(3) Investment corporation bonds	12,000,000	12,054,400	54,400
(4) Long-term loans payable	156,600,000	157,523,811	923,811
Subtotal	¥ 188,150,000	¥ 189,163,194	¥ 1,013, 194
Derivative transactions(*)	(253,223)	(253,223)	–

(*)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

Liabilities

(1) Current portion of investment corporation bonds and (3) Investment corporation bonds

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

(2) Current portion of long-term loans payable and (4) Long-term loans payable

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

Derivative Transactions

Please refer to Note 17 “DERIVATIVE TRANSACTIONS.”

*2 Redemption schedule for loans payable and investment corporation bonds

	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
In thousands of yen						
Investment corporation bonds	1,000,000	–	4,000,000	2,000,000	2,000,000	4,000,000
Long-term loans payable	18,550,000	14,300,000	13,700,000	21,350,000	26,100,000	81,150,000
Total	¥ 19,550,000	¥ 14,300,000	¥ 17,700,000	¥ 23,350,000	¥ 28,100,000	¥ 85,150,000

Thirty-second fiscal period (From November 1, 2020 to April 30, 2021)

(A) Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 9 years and 7 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 transactions) in order to reduce such risk.

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

(3) Risk management for financial instruments

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

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

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

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

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

Because the factors incorporated into the calculation of fair value of financial instruments are subject to change, differing assumptions are adopted which may alter fair value. Moreover, the contract amounts, etc. of derivative transactions in “(B) Estimated Fair Value of Financial Instruments” do not indicate the market risk of derivative transactions.

(B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of April 30, 2021 and estimated fair value are shown in the following table. Moreover, because “Cash and deposits,” “Cash and deposits in trust” and “Short-term loans payable” are settled with cash in the short term, the fair value can be considered as equivalent to the book value. Therefore, the notes for them have been omitted.

	Carrying value	Estimated fair value	Difference
	In thousands of yen		
(1) Current portion of investment corporation bonds	–	–	–
(2) Current portion of long-term loans payable	21,700,000	21,756,816	56,816
(3) Investment corporation bonds	11,000,000	11,019,300	19,300
(4) Long-term loans payable	159,250,000	160,294,270	1,044,270
Subtotal	¥ 191,950,000	¥ 193,070,386	¥ 1,120,386
Derivative transactions(*)	(498,680)	(498,680)	–

(*)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

Liabilities

(1) Current portion of investment corporation bonds and (3) Investment corporation bonds

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

(2) Current portion of long-term loans payable and (4) Long-term loans payable

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

Derivative Transactions

Please refer to Note 17 “DERIVATIVE TRANSACTIONS.”

*2 Redemption schedule for loans payable and investment corporation bonds

	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	In thousands of yen					
Investment corporation bonds	–	1,000,000	2,000,000	4,000,000	–	4,000,000
Long-term loans payable	21,700,000	11,950,000	13,200,000	16,050,000	24,900,000	93,150,000
Total	¥ 21,700,000	¥ 12,950,000	¥ 15,200,000	¥ 20,050,000	¥ 24,900,000	¥ 97,150,000

17. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap contracts as of October 31, 2021:

(1) Hedge accounting not applied
Not applicable

(2) Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen) Maturing after 1 year		Fair value (In thousands of yen)	Calculation method for applicable fair value
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 70,350,000	¥ 69,350,000	¥ (253,223)	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	44,150,000	30,100,000	*	
Total			¥ 114,500,000	¥ 99,450,000	¥ (253,223)	

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

The following summarizes the contracted amount and the fair value of interest-rate swap contracts as of April 30, 2021:

(1) Hedge accounting not applied
Not applicable

(2) Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen) Maturing after 1 year		Fair value (In thousands of yen)	Calculation method for applicable fair value
Principle method	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	¥ 69,850,000	¥ 69,850,000	¥ (498,680)	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	55,950,000	37,250,000	*	
Total			¥ 125,800,000	¥ 107,100,000	¥ (498,680)	

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

18. REVENUE RECOGNITION

(1) Information on the Breakdown of Revenue from Contracts with Customers

Thirty-Third Fiscal Period (May 1, 2021, to October 31, 2021)

	Revenues generated from contracts with customers*	Sales to external customers
	(in thousands of yen)	
Revenue from sale of real estate property	¥□□ –	¥ –
Utility charge reimbursements	1,025,789	1,025,789
Other	–	14,002,959
Total	¥ 1,025,789	¥15,028,749

(*)Rental revenues, etc. which are subject to Accounting Standard for Lease Transactions (ASBJ Statement No. 13) and the transfer of real estate properties which is subject to the “Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies” (Accounting System Committee Report No.15 of the Japanese Institute of Certified Public Accountants) are not included in the above amounts as they are excluded from revenue recognition accounting standards. Furthermore, revenue generated from contracts with major customers include of revenue from sale of real estate properties and utility charge reimbursements.

(2) Information Utilized as the Base for Understanding Revenue from Contracts with Customers

Thirty-Third Fiscal Period (May 1, 2021, to October 31, 2021)

The information is as described in the notes on Summary of Significant Accounting Policies.

(3) Information on relationship of Fulfillment of performance Obligations based with customers with cashflow generated from said contracts and Amount and period of Revenue expected to be recognized in the next calculation period or thereafter from contracts existing at the end of the current calculation period.

(a) Balance of contract assets and contract liabilities, etc.

	From May 1, 2021 to October 31, 2021
	(in thousands of yen)
Receivables generated from contracts with customers (balance at beginning of fiscal period)	¥212,192
Receivables generated from contracts with customers (balance at end of fiscal period)	246,452
Contract assets (balance at beginning of fiscal period)	–
Contract assets (balance at end of fiscal period)	–
Contract liabilities (balance at beginning of fiscal period)	–
Contract liabilities (balance at end of fiscal period)	–

(b) Transaction value allocated to remaining performance obligations

Not applicable.

The Investment Corporation does not include contracts whose terms are initially expected to be less than one year as a target of the note on transaction value allocated to remaining performance obligations as an expedient in practice.

With regard to utility charge reimbursements, as the Investment Corporation has the right to receive from customers an amount directly corresponding to the value for the lessees, or customers, of sections for which performance is complete by the end of the fiscal period, the amount it has the right to claim is recognized as revenue in accordance with Paragraph 19 of the Implementation Guidance on Accounting Standard for Revenue Recognition. Accordingly, such is not included in the note on transaction value allocated to remaining performance obligations through application of the provisions of Paragraph 80-22 (2) of the Accounting Standard for Revenue Recognition.

19. INVESTMENT AND RENTAL PROPERTIES

Thirty-third fiscal period (From May 1, 2021 to October 31, 2021)

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, 2021	Net change	As of October 31, 2021	As of October 31, 2021 (In thousands of yen)
¥ 424,337,948	¥ (1,586,000)	¥ 422,751,947	¥ 517,705,000

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

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

*3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increase/decrease factor was the depreciation amounting to ¥2,567,199 thousand.

Income and loss in the fiscal period ended October 31, 2021 for real estate for rental purposes is listed in Note 14 “BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY.”

Thirty-second fiscal period (From November 1, 2020 to April 30, 2021)

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, 2020	Net change	As of April 30, 2021	As of April 30, 2021 (In thousands of yen)
¥ 428,546,523	¥ (4,208,574)	¥ 424,337,948	¥ 517,402,000

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

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

*3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increase/decrease factors were the sales of two properties totaling ¥3,086,836 thousand and depreciation amounting to ¥2,548,829 thousand.

Income and loss in the fiscal period ended April 30, 2021 for real estate for rental purposes is listed in Note 14 “BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY.”

20. SEGMENT AND RELATED INFORMATION

Thirty-third fiscal period (From May 1, 2021 to October 31, 2021)

(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.

Thirty-second fiscal period (From November 1, 2020 to April 30, 2021)

(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.

21. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

22. DISTRIBUTIONS

	Thirty-third fiscal period (From May 1, 2021 to October 31, 2021)	Thirty-second fiscal period (From November 1, 2020 to April 30, 2021)
	(Yen)	(Yen)
I. Retained earnings at the end of period	¥ 5,910,032,522	¥ 7,016,251,384
II. Voluntary reserve (reversal)		
Reversal of reserve for reduction entry	¥ 89,107,478	¥ -
III. Total distributions	¥ 5,999,140,000	¥ 6,592,197,840
Distributions per unit	¥ 14,000	¥ 15,384
IV. Voluntary reserve (provision)		
Provision of reserve for reduction entry	¥ -	¥423,945,058
V. Retained earnings brought forward to the next period	¥ -	¥ 108,486

Method of calculating distribution amount

In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation has decided to distribute ¥5,999,140,000 the maximum integral multiple amount of the total number of investment units issued and outstanding of 428,510 units, based on the total amount obtained by adding the reversal of reserve for reduction entry to the unappropriated retained earnings for the fiscal period under review. In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.

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 part of the outstanding ¥6,592,197,840 as profit distribution. In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.

Independent Auditor's Report

The Board of Directors
Kenedix Office Investment Corporation

Opinion

We have audited the accompanying financial statements of Kenedix Office Investment Corporation (the Company), which comprise the balance sheet as at October 31, 2021, and the statement of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and Supervisory Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

January 28, 2022

向井 誠

Makoto Mukai
Designated Engagement Partner
Certified Public Accountant

八幡 正博

Masahiro Yawata
Designated Engagement Partner
Certified Public Accountant