

KDX

KENEDIX

KDX Realty Investment Corporation



Semiannual Report October 2023 Fiscal Period

May 1, 2023–October 31, 2023

KDX Realty Investment Corporation

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<https://www.kdx-reit.com/eng/>

Security code: 8972

To Our Unitholders

We would like to take this opportunity to express our sincere gratitude to our unitholders for your continued support.

On November 1, 2023, we merged with Kenedix Residential NEXT Investment Corporation and Kenedix Retail REIT Corporation, and have changed our name to KDX Realty Investment Corporation.

For the fiscal period ended October 31, 2023, which was the final fiscal period in which we operated as Kenedix Office Investment Corporation, net income was 6.5 billion yen primarily attributable to high occupancy rate against the backdrop of solid demand towards mid-sized office buildings, improvement of utilities balance, and gain on the partial sale of the TK interest. Consequently, distributions per unit was 7,745 yen, which exceeded the forecast by 145 yen.

Since listing in July 2005, we have long built a solid track record over the years based on its basic policy of striving to maximize unitholder value by generating stable earnings and sustainable AUM growth. Following the merger, we seek to achieve sustainable growth as the most diversified portfolio among all J-REIT consisted of 350 properties with AUM of approximately 1,150 billion yen, which makes us the third largest J-REIT. Furthermore, we will expand growth opportunities through investing in hotels and logistics facilities, which have not been our main investment universe, as well as continue investment in mid-sized office buildings, residential properties and shopping centers for daily needs. We will thus aim to continue sustainable growth by adapting to environmental to increase unitholder value. We sincerely appreciate your continued support and look forward to reporting our further process in the months and years ahead.



Satoru Yamanaka Akiko Tokuma Hiroaki Momoi Akiko Yamakawa Osamu Utsunomiya
Supervisory Director Supervisory Director Executive Director Supervisory Director Supervisory Director

Executive Director, Kenedix Realty Investment Corporation
Director and COO, Head of Listed REIT Department,
Kenedix Real Estate Fund Management, Inc.

Hiroaki Momoi

Outcome of Merger

1. Improvement in Market Presence and Stability

Included to MSCI Global Standard Indexes, against which institutional investors benchmark their global portfolios, improving liquidity of investment unit

2. Sustainable Growth Driven by Expansion of Investment Universe

Acquisition of logistics facility and hotel for which continuous demand is expected, as well as residential property expected to bring upside revenue

3. Stable Distribution Management with Strengthened Balance Sheet

Negative goodwill of 17.2 billion yen retained through the merger, and LTV lowered to 42.5%

4. Further Commitment to Sustainability

Governance strengthened by four supervisory directors, the most among all J-REITs, and diversity enhanced by increasing the ratio of female board of directors to 40%

Financial Summary

Historical Operating Trends
For the 33rd-37th Fiscal Periods

Period	Unit	33rd Period (Oct. 2021)	34th period (Apr. 2022)	35th Period (Oct. 2022)	36th Period (Apr. 2023)	37th Period (Oct. 2023)
Operating revenues	millions of yen	15,028	15,891	16,266	17,290	16,655
(Rental revenues)	millions of yen	14,981	15,078	15,960	16,072	16,060
Operating expenses	millions of yen	8,170	8,463	8,886	9,132	9,161
(Property-related expenses)	millions of yen	7,054	7,309	7,707	7,793	7,878
Operating income	millions of yen	6,857	7,427	7,379	8,157	7,494
Ordinary income	millions of yen	5,911	6,497	6,452	7,208	6,572
Net income (a)	millions of yen	5,909	6,496	6,451	7,205	6,571
Total assets (b) (Period over period)	millions of yen %	456,327 (-0.3)	464,802 (+1.9)	473,013 (+1.8)	474,274 (+0.3)	475,367 (+0.2)
Interest-bearing debt (c) (Period over period)	millions of yen %	198,750 (0.0)	205,150 (+3.2)	214,950 (+4.8)	214,950 (0.0)	214,950 (0.0)
Net assets (d) (Period over period)	millions of yen %	230,544 (-0.2)	231,763 (+0.5)	229,562 (-0.9)	230,482 (+0.4)	231,523 (+0.5)
Unitholders' capital (Period over period)	millions of yen %	220,970 (0.0)	220,970 (0.0)	217,970 (-1.4)	217,970 (0.0)	217,970 (0.0)
Number of investment units issued and outstanding (e)	unit	428,510	428,510	424,215	848,430	848,430
Net assets per unit *1 (d)/(e)	yen	538,015	540,859	270,573	271,657	136,442
Total distributions (f)	millions of yen	5,999	5,999	6,146	6,487	6,571
Distributions per unit (f)/(e)	yen	14,000	14,000	14,488	7,647	7,745
(Profit distributions per unit)	yen	14,000	14,000	14,488	7,647	7,745
(Distributions in excess of earnings per unit)	yen	—	—	—	—	—
Ordinary income to total assets (annualized) *2, 3	%	1.3(2.6)	1.4(2.8)	1.4(2.7)	1.5(3.1)	1.4(2.7)
Return on unitholders' equity (annualized) *3, 4	%	2.6(5.1)	2.8(5.7)	2.8(5.5)	3.1(6.3)	2.8(5.6)
Net assets to total assets at end of period (d)/(b) (Period-on-period change)	%	50.5 (+0.0)	49.9 (-0.7)	48.5 (-1.3)	48.6 (+0.1)	48.7 (+0.1)
Interest-bearing debt ratio at end of period (c)/(b) (Period-on-period change)	%	43.6 (+0.1)	44.1 (+0.6)	45.4 (+1.3)	45.3 (-0.1)	45.2 (-0.1)
Payout ratio *5 (f)/(a)	%	101.5	92.3	95.2	90.0	99.9
Other references						
Number of properties	properties	96	97	98	97	97
Total leasable floor area	m ²	482,247.31	491,113.35	500,015.61	494,827.85	494,758.19
Occupancy rate at end of period	%	97.6	98.3	97.8	98.4	98.2
Depreciation for the period	millions of yen	2,567	2,588	2,631	2,617	2,574
Capital expenditures for the period	millions of yen	988	1,289	866	997	1,168
Leasing NOI (Net Operating Income)*6	millions of yen	10,495	10,356	10,884	10,896	10,756
FFO (Funds from Operation)*7	millions of yen	8,477	8,314	8,841	8,654	8,597
FFO per unit*1, 8	yen	19,782	19,403	10,421	10,201	5,066

*1 The Investment Corporation implemented a two-for-one split of investment units with October 31, 2022, as the record date of the split and November 1, 2022, as the effective date. Net assets per unit and FFO per unit are calculated based on the assumption that the split of the investment units was implemented at the beginning of the 35th Fiscal Period. In addition, the Investment Corporation implemented a two-for-one split of investment units with October 31, 2023, as the record date of the split and November 1, 2023, as the effective date. Net assets per unit and FFO per unit are calculated based on the assumption that the split of the investment units was implemented at the beginning of the 37th Fiscal Period.

*2 Ordinary income to total assets = Ordinary income / {(Total assets at beginning of period + Total assets at end of period) / 2} × 100

*3 Annualized values for the 33rd Fiscal Period are calculated based on a period of 184 days, 181 days for the 34th Fiscal Period, 184 days for 35th Fiscal Period, 181 days for 36th Fiscal Period and 184 days for 37th Fiscal Period.

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

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

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

*7 FFO = Net income + Depreciation for the period - Gain on sale of real estate + Loss on sale of real estate - Profit and loss on buying and selling of securities and other

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

Financial Statements
of
KDX Realty Investment Corporation

Thirty-seventh Fiscal Period: For the period from May 1, 2023 to October 31, 2023

With Independent Auditor's Report

Balance Sheet

As of October 31, 2023

	As of October 31, 2023		As of April 30, 2023	
	In thousands of yen			
Assets				
Current assets				
Cash and deposits (Notes 3)	¥	28,936,646	¥	26,871,012
Cash and deposits in trust (Notes 3)		11,732,485		11,636,598
Operating accounts receivable		377,718		352,851
Prepaid expenses		111,450		74,513
Other		9,891		9,398
Total current assets		41,168,191		38,944,374
Non-current assets				
Property, plant and equipment (Notes 4 and 18)				
Buildings				
Buildings		17,389,133		17,314,188
Accumulated depreciation		(7,409,909)		(7,122,069)
Buildings, net		9,979,223		10,192,119
Structures				
Structures		44,486		39,836
Accumulated depreciation		(24,076)		(23,007)
Structures, net		20,409		16,828
Machinery and equipment				
Machinery and equipment		466,277		463,508
Accumulated depreciation		(361,477)		(348,262)
Machinery and equipment, net		104,799		115,245
Tools, furniture and fixtures				
Tools, furniture and fixtures		102,389		102,389
Accumulated depreciation		(87,502)		(84,747)
Tools, furniture and fixtures, net		14,887		17,642
Land				
Land		27,918,010		27,918,010
Buildings in trust (Note 7)				
Buildings in trust		132,515,045		131,523,808
Accumulated depreciation		(46,869,269)		(44,709,397)
Buildings in trust, net		85,645,775		86,814,411
Structures in trust				
Structures in trust		464,113		435,544
Accumulated depreciation		(260,040)		(248,540)
Structures in trust, net		204,072		187,004
Machinery and equipment in trust				
Machinery and equipment in trust		2,284,739		2,245,231
Accumulated depreciation		(1,171,285)		(1,105,353)
Machinery and equipment in trust, net		1,113,453		1,139,878
Tools, furniture and fixtures in trust				
Tools, furniture and fixtures in trust		779,059		766,142
Accumulated depreciation		(510,908)		(484,568)
Tools, furniture and fixtures in trust, net		268,150		281,574
Land in trust		305,091,543		305,091,543
Total property, plant and equipment, net		430,360,327		431,774,258
Intangible assets (Note 4 and 18)				
Leasehold right				
Leasehold right		285,257		285,257
Leasehold right in trust				
Leasehold right in trust		343,780		344,554
Other				
Other		21		39
Total intangible assets		629,059		629,852
Investments and other assets				
Investment securities (Note 15)		571,371		1,136,228
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		122,889		122,889
Long-term prepaid expenses		836,463		932,240
Other (Notes 10,15 and 16)		1,631,344		678,437
Total investments and other assets		3,172,069		2,879,795
Total non-current assets		434,161,456		435,283,905
Deferred assets				
Investment corporation bond issuance costs		38,035		45,754
Total deferred assets		38,035		45,754
Total assets	¥	475,367,684	¥	474,274,035

	As of October 31, 2023	As of April 30, 2023
	In thousands of yen	
Liabilities		
Current liabilities		
Operating accounts payable	¥ 2,091,636	¥ 1,527,774
Short-term loans payable (Notes 6)	2,000,000	300,000
Current portion of investment corporation bonds(Notes 6 and 15)	4,000,000	2,000,000
Current portion of long-term loans payable (Notes 6,15 and 16)	25,600,000	19,700,000
Accounts payable–other	650,552	801,842
Accrued expenses	102,677	106,022
Income taxes payable	782	1,509
Accrued consumption taxes	294,586	437,597
Advances received	2,722,980	2,874,538
Deposits received	75,893	16,180
Other	610	566
Total current liabilities	37,539,719	27,766,031
Non-current liabilities		
Investment corporation bonds (Notes 6 and 15)	9,000,000	11,000,000
Long-term loans payable (Notes 6, 15 and 16)	174,350,000	181,950,000
Tenant leasehold and security deposits	2,225,381	2,196,875
Tenant leasehold and security deposits in trust	20,729,239	20,875,109
Other (Notes 15 and 16)	—	3,548
Total non-current liabilities	206,304,621	216,025,533
Total liabilities	243,844,341	243,791,565
Net Assets(Note 11)		
Unitholders' equity		
Unitholders' capital	220,970,508	220,970,508
Deduction from unitholders' capital	(2,999,551)	(2,999,551)
Unitholders' capital, net	217,970,957	217,970,957
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	5,348,917	4,630,856
Total voluntary retained earnings	5,348,917	4,630,856
Unappropriated retained earnings	6,571,336	7,206,005
Total surplus	11,920,254	11,836,861
Total unitholders' equity	229,891,211	229,807,819
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 15 and 16)	1,632,131	674,650
Total valuation and translation adjustments	1,632,131	674,650
Total net assets (Note 11)	231,523,343	230,482,469
Total liabilities and net assets	¥ 475,367,684	¥ 474,274,035

See accompanying notes to the financial statements.

KDX Realty Investment Corporation

Statement of Income and Retained Earnings

For the period from May 1, 2023 to October 31, 2023

	From May 1, 2023 to October 31, 2023	From November 1, 2022 to April 30, 2023
In thousands of yen		
Operating revenues		
Rent revenue – real estate (Note 13)	¥ 13,942,073	¥ 13,896,892
Other lease business revenue (Note 13)	2,118,858	2,176,002
Gain on sale of real estate properties (Note 13)	—	1,168,433
Profit and loss on buying and selling of securities	548,130	—
Dividends income	46,541	49,385
Total operating revenues	16,655,603	17,290,713
Operating expenses		
Expenses related to rent business (Note 13)	7,878,787	7,793,647
Asset management fees	993,342	1,117,455
Directors' compensation	6,300	6,300
Asset custody fees	24,106	24,075
Administrative service fees	60,778	61,419
Audit fees	13,200	13,200
Merger-related expenses	96,891	—
Other operating expenses	87,820	116,749
Total operating expenses	9,161,227	9,132,847
Operating income	7,494,376	8,157,866
Non-operating income		
Interest income	45	45
Gain on forfeiture of unclaimed dividends	264	271
Interest on refund	2	2
Total non-operating income	311	319
Non-operating expenses		
Interest expenses	735,897	725,038
Interest expenses on investment corporation bonds	36,209	35,691
Financing-related expenses	132,661	131,494
Amortization of investment corporation bond issuance costs	7,718	7,592
Other non-operating expenses	9,514	49,566
Total non-operating expenses	922,000	949,384
Ordinary income	6,572,687	7,208,802
Income before income taxes	6,572,687	7,208,802
Income taxes (Note 10)		
Current	1,201	3,154
Deferred	148	(140)
Total income taxes	1,350	3,014
Net income	6,571,336	7,205,788
Retained earnings brought forward	—	217
Unappropriated retained earnings	¥ 6,571,336	¥ 7,206,005

See accompanying notes to the financial statements.

KDX Realty Investment Corporation

Statement of Changes in Net Assets

For the period from May 1, 2023 to October 31, 2023

	Unitholders' equity (Note 5)											
	Unitholders' capital					Surplus						
	Unitholders' capital	Deduction from unitholders' capital(Note11)		Unitholders' capital, net	Voluntary retained earnings		Reserve for reduction entry	Unappropriated retained earnings (Note 21)		Total surplus		
In thousands of yen												
Balance as of October 31, 2022	¥	220,970,508	¥	(2,999,551)	¥	217,970,957	¥	4,326,003	¥	6,451,096	¥	10,777,100
Changes during the fiscal period												
Provision of reserve for reduction entry		–		–		–		304,852		(304,852)		–
Dividends of surplus		–		–		–		–		(6,146,026)		(6,146,026)
Net income		–		–		–		–		7,205,788		7,205,788
Net changes of items other than unitholders' equity		–		–		–		–		–		–
Total changes during the fiscal period		–		–		–		304,852		754,908		1,059,761
Balance as of April 30, 2023	¥	220,970,508	¥	(2,999,551)	¥	217,970,957	¥	4,630,856	¥	7,206,005	¥	11,836,861
Changes during the fiscal period												
Provision of reserve for reduction entry		–		–		–		718,061		(718,061)		–
Dividends of surplus		–		–		–		–		(6,487,944)		(6,487,944)
Net income		–		–		–		–		6,571,336		6,571,336
Net changes of items other than unitholders' equity		–		–		–		–		–		–
Total changes during the fiscal period		–		–		–		718,061		(634,668)		83,392
Balance as of October 31, 2023	¥	220,970,508	¥	(2,999,551)	¥	217,970,957	¥	5,348,917	¥	6,571,336	¥	11,920,254

Unitholders' equity (Note 5)	Valuation and translation adjustments
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	Total unitholders' equity	Deferred gains or losses on hedges	Total net assets
In thousands of yen			
Balance as of October 31, 2022	¥ 228,748,057	¥ 814,256	¥ 229,562,314
Changes during the fiscal period			
Provision of reserve for reduction entry	-	-	-
Dividends of surplus	(6,146,026)	-	(6,146,026)
Net income	7,205,788	-	7,205,788
Net changes of items other than unitholders' equity	-	(139,605)	(139,605)
Total changes during the fiscal period	1,059,761	(139,605)	920,155
Balance as of April 30, 2023	¥ 229,807,819	¥ 674,650	¥ 230,482,469
Changes during the fiscal period			
Provision of reserve for reduction entry	-	-	-
Dividends of surplus	(6,487,944)	-	(6,487,944)
Net income	6,571,336	-	6,571,336
Net changes of items other than unitholders' equity	-	957,481	957,481
Total changes during the fiscal period	83,392	957,481	1,040,873
Balance as of October 31, 2023	¥ 229,891,211	¥ 1,632,131	¥ 231,523,343

See accompanying notes to the financial statements.

KDX Realty Investment Corporation

Statement of Cash Flows

For the period from May 1, 2023 to October 31, 2023

	From May 1, 2023 to October 31, 2023	From November 1, 2022 to April 30, 2023
In thousands of yen		
Cash flows from operating activities		
Income before income taxes	¥ 6,572,687	¥ 7,208,802
Depreciation	2,574,098	2,617,548
Amortization of long-term prepaid expenses	121,863	119,860
Interest income	(45)	(45)
Interest expenses	772,106	760,730
Amortization of investment corporation bond issuance costs	7,718	7,592
Profit and loss on buying and selling of securities	(548,130)	—
Decrease (increase) in operating accounts receivable	(24,866)	43,391
Decrease (increase) in prepaid expenses	(36,936)	38,136
Increase (decrease) in operating accounts payable	237,165	(209,465)
Increase (decrease) in accounts payable–other	(212,628)	242,170
Increase (decrease) in accrued consumption taxes	(143,010)	128,821
Increase (decrease) in advances received	(151,558)	100,510
Increase (decrease) in deposits received	59,847	11,192
Decrease in property, plant and equipment due to sale	—	3,189,768
Decrease (increase) in long-term prepaid expenses	(26,086)	(17,456)
Other, net	(6,084)	(19,499)
Subtotal	9,196,139	14,222,057
Interest income received	45	45
Interest expenses paid	(775,452)	(756,547)
Income taxes paid	(1,516)	(837)
Net cash provided by (used in) operating activities	8,419,216	13,464,718
Cash flows from investing activities		
Purchases of property, plant and equipment	(49,501)	(74,720)
Purchases of property, plant and equipment in trust	(968,439)	(746,370)
Proceeds from sale of investment securities	1,175,037	—
Repayments of tenant leasehold and security deposits	(86,384)	(191,634)
Proceeds from tenant leasehold and security deposits	97,150	121,410
Repayments of tenant leasehold and security deposits in trust	(442,097)	(697,843)
Proceeds from tenant leasehold and security deposits in trust	504,046	656,121
Payments of restricted deposits in trust	(2,588)	(2,513)
Proceeds from restricted deposits in trust	—	32,441
Net cash provided by (used in) investing activities	227,223	(903,109)
Cash flows from financing activities		
Proceeds from short-term loans payable	2,000,000	—
Repayments of short-term loans payable	(300,000)	—
Proceeds from long-term loans payable	7,800,000	4,800,000
Repayments of long-term loans payable	(9,500,000)	(4,800,000)
Dividends paid	(6,487,508)	(6,145,636)
Net cash provided by (used in) financing activities	(6,487,508)	(6,145,636)
Net increase (decrease) in cash and cash equivalents	2,158,931	6,415,972
Cash and cash equivalents at the beginning of period	37,333,966	30,917,994
Cash and cash equivalents at the end of period (Note 3)	¥ 39,492,898	¥ 37,333,966

See accompanying notes to the financial statements.

KDX Realty Investment Corporation

Notes to the Financial Statements

For the period from May 1, 2023 to October 31, 2023

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

KDX Realty Investment Corporation (“KDXR” former trade name: Kenedix Office Investment Corporation) has conducted an absorption type merger (“the Merger”), whereby KDXR as the surviving corporation, and Kenedix Residential Next Investment Corporation (“KDR”) and Kenedix Retail REIT Investment Corporation (“KRR”) as the absorbed corporations on November 1, 2023, and changed its name to KDX Realty Investment Corporation. For the details, please refer to Note 20 “SIGNIFICANT SUBSEQUENT EVENTS (1) The Merger by and among KDXR, KDR and KRR”.

KDXR was established on May 6, 2005, in accordance with the Act on Investment Trusts and Investment Corporations (Act No. 198 of the year 1951, including amendments thereafter) (“Investment Trust Act”). On July 21, 2005, KDXR was listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange, Inc. (“the Tokyo Stock Exchange”) with a total of 75,400 investment units issued and outstanding (Securities Code: 8972). Subsequently, KDXR raised funds through public offerings and acquired own investment units, and as a result, as of the end of the fiscal period under review (October 31, 2023), the number of investment units issued and outstanding totaled 848,430 units.

KDXR entrusts Kenedix Real Estate Fund Management, Inc. (“the Asset Management Company”) with its asset management and strives to maximize unitholder profits by securing stable earnings and sustainable growth of investment assets. To this end, KDXR adopts the basic policy of conducting flexible and dynamic investment that seeks to respond to the environment and market trends, endeavors to ensure a timely response to opportunities, and form a portfolio.

During the period ended April 30, 2023, the Investment Corporation sold an office building (KDX Kawasaki-Ekimae Hon-cho Building: acquisition price 3,760 million yen, sale price 4,508 million yen).

During the period ended October 31, 2023, the Investment Corporation did not acquire or sell any new assets.

At the end of the thirty-sixth and thirty-seventh fiscal periods (fiscal periods ended April 30, 2023 and October 31, 2023), the Investment Corporation had total unitholders’ capital of ¥217,970 million with 848,430 investment units outstanding, respectively. The Investment Corporation owned a portfolio of 97 properties (consisting of 96 office buildings and one other property) with total acquisition prices of ¥453,316 million at the end of the thirty-sixth and thirty-seventh fiscal periods, respectively. The occupancy ratios were approximately 98.4% and 98.2% at the end of the thirty-sixth and thirty-seventh 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, 2023 to October 31, 2023	From November 1, 2022 to April 30, 2023
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, 2023 and October 31, 2023, 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) Non-deductible 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. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of October 31, 2023, and April 30, 2023.

	As of October 31, 2023	As of April 30, 2023
	In thousands of yen	
Cash and deposits	¥ 28,936,646	¥ 26,871,012
Cash and deposits in trust	11,732,485	11,636,598
Restricted deposits in trust (Note)	(1,176,232)	(1,173,644)
Cash and cash equivalents in trust	¥ 39,492,898	¥ 37,333,966

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 October 31, 2023.

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	¥ 17,314,188	¥ 74,945	¥ –	¥ 17,389,133	¥ 7,409,909	¥ 287,840	¥ 9,979,223	
Structures	39,836	4,649	–	44,486	24,076	1,068	20,409	
Machinery and equipment	463,508	2,769	–	466,277	361,477	13,214	104,799	
Tools, furniture and fixtures	102,389	–	–	102,389	87,502	2,754	14,887	
Land	27,918,010	–	–	27,918,010	–	–	27,918,010	
Subtotal	45,837,933	82,364	–	45,920,297	7,882,966	304,879	38,037,331	
Property, plant and equipment	¥ 131,523,808	¥ 1,002,959	¥ 11,723	¥ 132,515,045	¥ 46,869,269	¥ 2,163,652	¥ 85,645,775	
Buildings in trust	435,544	30,631	2,063	464,113	260,040	12,502	204,072	
Structures in trust	2,245,231	39,507	–	2,284,739	1,171,285	65,932	1,113,453	
Machinery and equipment in trust	766,142	12,916	–	779,059	510,908	26,340	268,150	
Tools, furniture and fixtures in trust	305,091,543	–	–	305,091,543	–	–	305,091,543	
Land in trust	440,062,272	1,086,015	13,786	441,134,500	48,811,504	2,268,427	392,322,996	
Subtotal	485,900,205	1,168,379	13,786	487,054,798	56,694,470	2,573,306	430,360,327	
Total property, plant and equipment	¥ 290,050	¥ –	¥ –	¥ 290,050	¥ 4,792	¥ –	¥ 285,257	
Leasehold right	363,784	–	–	363,784	20,003	774	343,780	
Leasehold right in trust	6,306	–	–	6,306	6,285	18	21	
Other	660,141	–	–	660,141	31,081	792	629,059	
Total intangible assets	¥ 486,560,346	¥ 1,168,379	¥ 13,786	¥ 487,714,939	¥ 56,725,552	¥ 2,574,098	¥ 430,989,387	
Total								

Property, plant and equipment and intangible assets consist of the following as of April 30, 2023.

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	¥ 19,208,618	¥ 40,122	¥ 1,934,552	¥ 17,314,188	¥ 7,122,069	¥ 319,201	¥ 10,192,119	Note 1	
Structures	44,224	–	4,387	39,836	23,007	1,175	16,828		
Machinery and equipment	464,676	1,848	3,017	463,508	348,262	13,230	115,245		
Tools, furniture and fixtures	106,355	400	4,366	102,389	84,747	3,248	17,642		
Land	30,128,905	2,230	2,213,125	27,918,010	–	–	27,918,010	Note 1	
Subtotal	49,952,781	44,601	4,159,449	45,837,933	7,578,087	336,855	38,259,846		
Property, plant and equipment	Buildings in trust	¥ 130,699,106	¥ 824,702	¥ –	¥ 131,523,808	¥ 44,709,397	¥ 2,174,342	¥ 86,814,411	
	Structures in trust	429,675	5,869	–	435,544	248,540	12,979	187,004	
	Machinery and equipment in trust	2,123,432	121,799	–	2,245,231	1,105,353	66,590	1,139,878	
	Tools, furniture and fixtures in trust	748,177	17,964	–	766,142	484,568	25,988	281,574	
	Land in trust	305,091,543	–	–	305,091,543	–	–	305,091,543	
	Subtotal	439,091,935	970,336	–	440,062,272	46,547,860	2,279,900	393,514,412	
Total property, plant and equipment	489,044,717	1,014,937	4,159,449	485,900,205	54,125,947	2,616,756	431,774,258		
Intangible assets	Leasehold right	¥ 290,050	¥ –	¥ –	¥ 290,050	¥ 4,792	¥ –	¥ 285,257	
	Leasehold right in trust	363,784	–	–	363,784	19,229	774	344,554	
	Other	6,306	–	–	6,306	6,267	18	39	
Total intangible assets	660,141	–	–	660,141	30,289	792	629,852		
Total	¥ 489,704,858	¥ 1,014,937	¥ 4,159,449	¥ 486,560,346	¥ 54,156,236	¥ 2,617,548	¥ 432,404,110		

Note 1: The amount of decrease during the period is primarily attributable to the sales of real estate of 1 property.

5. UNITHOLDERS' EQUITY

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

	From May 1, 2023 to October 31, 2023	From November 1, 2022 to April 30, 2023
Total number of authorized investment units	4,000,000	4,000,000
Total number of investment units issued and outstanding	848,430	848,430

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 October 31, 2023:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	August 31, 2023	November 1, 2023	0.231%	¥ 1,000,000
	October 31, 2023	October 31, 2024	0.181%	1,000,000
Subtotal				2,000,000
Current portion of long-term loans payable	January 29, 2021	January 31, 2024	0.287%	¥ 1,000,000
	February 18, 2015	February 29, 2024	1.157%	1,700,000
	September 21, 2021	February 29, 2024	0.300%	1,000,000
	September 21, 2017	March 31, 2024	0.555%	1,000,000
	April 28, 2016	April 30, 2024	0.654%	2,000,000
	April 28, 2022	April 30, 2024	0.272%	1,000,000
	April 28, 2022	April 30, 2024	0.230%	2,500,000
	June 30, 2022	June 30, 2024	0.274%	2,000,000
	June 30, 2022	June 30, 2024	0.274%	1,000,000
	August 31, 2022	August 31, 2024	0.350%	1,600,000
	September 30, 2015	September 30, 2024	1.065%	2,000,000
	October 31, 2014	October 31, 2024	1.257%	2,000,000
	October 31, 2014	October 31, 2024	1.259%	1,000,000
	October 30, 2015	October 31, 2024	0.989%	1,000,000
	October 31, 2016	October 31, 2024	0.668%	1,000,000
	November 30, 2021	October 31, 2024	0.289%	500,000
	November 30, 2021	October 31, 2024	0.289%	500,000
	November 30, 2021	October 31, 2024	0.289%	300,000
	November 30, 2021	October 31, 2024	0.250%	2,500,000
	Subtotal			
Long-term loans payable	January 30, 2015	January 31, 2025	1.161%	¥ 1,500,000
	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
	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, 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, 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	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	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
	September 21, 2017	September 30, 2025	0.680%	1,500,000
	September 21, 2017	March 31, 2027	0.732%	1,000,000
	September 21, 2017	September 21, 2027	0.873%	1,000,000
	September 21, 2017	September 30, 2027	0.851%	2,500,000
	October 31, 2017	October 31, 2027	0.810%	2,500,000
	November 13, 2017	November 13, 2027	0.931%	3,000,000
	December 7, 2017	November 30, 2027	0.899%	1,400,000
	December 7, 2017	November 30, 2027	0.820%	1,200,000
	December 7, 2017	November 30, 2027	0.969%	1,000,000
	December 7, 2017	November 30, 2027	0.939%	1,000,000
	December 7, 2017	November 30, 2027	0.869%	1,000,000
	December 7, 2017	November 30, 2027	0.899%	800,000
	December 7, 2017	November 30, 2027	0.869%	600,000
	December 28, 2017	December 28, 2025	0.744%	500,000
	December 28, 2017	December 28, 2026	0.878%	500,000
	December 28, 2017	December 28, 2027	0.864%	500,000
	March 12, 2018	March 31, 2028	0.914%	1,500,000
	March 26, 2018	March 31, 2027	0.808%	1,000,000
	March 26, 2018	March 31, 2028	0.902%	1,000,000
	July 31, 2018	July 31, 2028	0.988%	500,000
	August 20, 2018	August 31, 2025	0.696%	500,000
	August 20, 2018	August 31, 2028	1.003%	1,000,000
	August 20, 2018	August 31, 2028	1.003%	1,000,000
	August 20, 2018	August 31, 2028	1.003%	500,000
	August 20, 2018	August 31, 2028	0.966%	500,000
	August 31, 2018	August 31, 2025	0.700%	500,000
	August 31, 2018	August 31, 2025	0.723%	300,000
	August 31, 2018	August 31, 2028	1.012%	700,000
	October 31, 2018	October 31, 2028	1.013%	1,500,000
	October 31, 2018	October 31, 2028	0.910%	1,000,000
	October 31, 2018	October 31, 2028	1.013%	500,000
	March 28, 2019	March 31, 2029	0.838%	1,400,000
	March 29, 2019	March 31, 2029	0.839%	2,950,000
	June 14, 2019	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 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	

Classification	Drawdown date	Last repayment date	Weighted-average	Balance
			interest rate	(In thousands of yen)
Long-term loans payable	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, 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
	November 30, 2021	April 30, 2026	0.300%	500,000
	November 30, 2021	April 30, 2026	0.300%	500,000
	November 30, 2021	April 30, 2026	0.300%	500,000
	November 30, 2021	November 30, 2026	0.412%	500,000
	November 30, 2021	November 30, 2026	0.412%	500,000
	November 30, 2021	November 30, 2026	0.350%	500,000
	November 30, 2021	November 30, 2026	0.384%	1,000,000
	November 30, 2021	November 30, 2026	0.384%	500,000
	November 30, 2021	November 30, 2026	0.384%	500,000
	November 30, 2021	November 30, 2026	0.384%	500,000
	November 30, 2021	November 30, 2026	0.325%	1,000,000
	November 30, 2021	November 30, 2026	0.350%	1,000,000
	November 30, 2021	November 30, 2028	0.511%	1,000,000
	November 30, 2021	November 30, 2029	0.450%	500,000
	April 28, 2022	April 30, 2025	0.302%	1,000,000
	April 28, 2022	May 31, 2027	0.350%	1,000,000
June 30, 2022	June 30, 2025	0.200%	2,000,000	
June 30, 2022	June 30, 2025	0.200%	1,000,000	
June 30, 2022	June 30, 2025	0.200%	500,000	
August 31, 2022	February 28, 2025	0.374%	1,600,000	
August 31, 2022	August 31, 2025	0.395%	500,000	
August 31, 2022	August 31, 2025	0.395%	1,000,000	
August 31, 2022	August 31, 2025	0.395%	500,000	
August 31, 2022	August 31, 2026	0.430%	2,700,000	
August 31, 2022	August 31, 2027	0.501%	2,400,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	August 31, 2022	August 31, 2027	0.420%	¥ 1,000,000
	August 31, 2022	August 31, 2027	0.350%	300,000
	August 31, 2022	August 31, 2029	0.685%	1,950,000
	August 31, 2022	August 31, 2029	0.685%	1,000,000
	August 31, 2022	August 31, 2029	0.685%	500,000
	August 31, 2022	August 31, 2029	0.685%	500,000
	August 31, 2022	August 31, 2029	0.685%	500,000
	August 31, 2022	August 31, 2029	0.685%	200,000
	August 31, 2022	August 31, 2029	0.525%	1,000,000
	August 31, 2022	August 31, 2029	0.525%	500,000
	August 31, 2022	August 31, 2029	0.525%	1,000,000
	August 31, 2022	August 31, 2029	0.525%	500,000
	October 31, 2022	October 31, 2025	0.481%	500,000
	October 31, 2022	April 30, 2026	0.373%	500,000
	February 28, 2023	February 29, 2028	0.793%	1,000,000
	March 13, 2023	March 31, 2030	1.050%	2,000,000
	March 13, 2023	March 31, 2031	1.186%	1,800,000
	June 30, 2023	June 30, 2026	0.248%	500,000
	July 31, 2023	July 31, 2025	0.177%	1,000,000
	July 31, 2023	July 31, 2029	0.645%	500,000
August 31, 2023	August 31, 2026	0.499%	2,000,000	
August 31, 2023	August 31, 2026	0.231%	300,000	
October 31, 2023	October 31, 2028	0.889%	1,000,000	
October 31, 2023	October 31, 2028	0.839%	1,000,000	
October 31, 2023	March 31, 2030	1.115%	1,500,000	
Subtotal				174,350,000
Current portion of investment corporation bonds	February 15, 2019	February 15, 2024	0.390%	¥ 2,000,000
	July 25, 2014	July 25, 2024	1.180%	2,000,000
Subtotal				4,000,000
Investment corporation bonds	April 28, 2016	April 28, 2028	0.900%	¥ 1,000,000
	July 19, 2017	July 16, 2027	0.640%	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
	July 11, 2022	July 9, 2027	0.400%	1,000,000
Subtotal				9,000,000
Total				¥ 214,950,000

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of April 30, 2023:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	August 31, 2022	August 31, 2023	0.233%	¥ 300,000
Subtotal				300,000
Current portion of long-term loans payable	June 14, 2019	June 30, 2023	0.246%	¥ 500,000
	July 10, 2019	July 31, 2023	0.230%	500,000
	July 31, 2019	July 31, 2023	0.295%	1,000,000
	August 31, 2017	August 31, 2023	0.544%	1,000,000
	September 21, 2021	August 31, 2023	0.300%	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

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance	
				¥	(In thousands of yen)
Current portion of long-term loans payable	January 29, 2021	January 31, 2024	0.287%	¥	1,000,000
	February 18, 2015	February 29, 2024	1.157%		1,700,000
	September 21, 2021	February 29, 2024	0.300%		1,000,000
	September 21, 2017	March 31, 2024	0.555%		1,000,000
	April 28, 2016	April 30, 2024	0.654%		2,000,000
	April 28, 2022	April 30, 2024	0.264%		1,000,000
	April 28, 2022	April 30, 2024	0.230%		2,500,000
Subtotal					19,700,000
Long-term loans payable	October 31, 2014	October 31, 2024	1.257%	¥	2,000,000
	October 31, 2014	October 31, 2024	1.259%		1,000,000
	January 30, 2015	January 31, 2025	1.161%		1,500,000
	February 18, 2015	February 28, 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
	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, 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	
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	

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	0.969%	¥ 1,000,000
	December 7, 2017	November 30, 2027	0.939%	1,000,000
	December 7, 2017	November 30, 2027	0.869%	1,000,000
	December 7, 2017	November 30, 2027	0.899%	800,000
	December 7, 2017	November 30, 2027	0.869%	600,000
	December 28, 2017	December 28, 2025	0.744%	500,000
	December 28, 2017	December 28, 2026	0.878%	500,000
	December 28, 2017	December 28, 2027	0.864%	500,000
	March 12, 2018	March 31, 2028	0.914%	1,500,000
	March 26, 2018	March 31, 2027	0.808%	1,000,000
	March 26, 2018	March 31, 2028	0.902%	1,000,000
	July 31, 2018	July 31, 2028	0.988%	500,000
	August 20, 2018	August 31, 2025	0.696%	500,000
	August 20, 2018	August 31, 2028	1.003%	1,000,000
	August 20, 2018	August 31, 2028	1.003%	1,000,000
	August 20, 2018	August 31, 2028	1.003%	500,000
	August 20, 2018	August 31, 2028	0.966%	500,000
	August 31, 2018	August 31, 2025	0.700%	500,000
	August 31, 2018	August 31, 2025	0.723%	300,000
	August 31, 2018	August 31, 2028	1.012%	700,000
	October 31, 2018	October 31, 2028	1.013%	1,500,000
	October 31, 2018	October 31, 2028	0.910%	1,000,000
	October 31, 2018	October 31, 2028	1.013%	500,000
	March 28, 2019	March 31, 2029	0.838%	1,400,000
	March 29, 2019	March 31, 2029	0.839%	2,950,000
	June 14, 2019	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 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	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	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, 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
	November 30, 2021	October 31, 2024	0.289%	500,000
	November 30, 2021	October 31, 2024	0.289%	500,000
	November 30, 2021	October 31, 2024	0.289%	300,000
	November 30, 2021	October 31, 2024	0.250%	2,500,000
	November 30, 2021	April 30, 2026	0.300%	500,000
	November 30, 2021	April 30, 2026	0.300%	500,000
	November 30, 2021	April 30, 2026	0.300%	500,000
	November 30, 2021	November 30, 2026	0.412%	500,000
	November 30, 2021	November 30, 2026	0.412%	500,000
	November 30, 2021	November 30, 2026	0.350%	500,000
	November 30, 2021	November 30, 2026	0.384%	1,000,000
	November 30, 2021	November 30, 2026	0.384%	500,000
	November 30, 2021	November 30, 2026	0.384%	500,000
	November 30, 2021	November 30, 2026	0.384%	500,000
	November 30, 2021	November 30, 2026	0.325%	1,000,000
	November 30, 2021	November 30, 2026	0.350%	1,000,000
	November 30, 2021	November 30, 2028	0.511%	1,000,000
	November 30, 2021	November 30, 2029	0.450%	500,000
	April 28, 2022	April 30, 2025	0.294%	1,000,000
	April 28, 2022	May 31, 2027	0.350%	1,000,000
	June 30, 2022	June 30, 2024	0.266%	2,000,000
	June 30, 2022	June 30, 2024	0.266%	1,000,000
	June 30, 2022	June 30, 2025	0.200%	2,000,000
	June 30, 2022	June 30, 2025	0.200%	1,000,000
	June 30, 2022	June 30, 2025	0.200%	500,000
	August 31, 2022	August 31, 2024	0.350%	1,600,000
	August 31, 2022	February 28, 2025	0.374%	1,600,000
	August 31, 2022	August 31, 2025	0.395%	500,000
	August 31, 2022	August 31, 2025	0.395%	1,000,000
	August 31, 2022	August 31, 2025	0.395%	500,000
	August 31, 2022	August 31, 2026	0.430%	2,700,000
	August 31, 2022	August 31, 2027	0.501%	2,400,000
August 31, 2022	August 31, 2027	0.420%	1,000,000	
August 31, 2022	August 31, 2027	0.350%	300,000	
August 31, 2022	August 31, 2029	0.685%	1,950,000	
August 31, 2022	August 31, 2029	0.685%	1,000,000	
August 31, 2022	August 31, 2029	0.685%	500,000	
August 31, 2022	August 31, 2029	0.685%	500,000	
August 31, 2022	August 31, 2029	0.685%	500,000	
August 31, 2022	August 31, 2029	0.685%	200,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	August 31, 2022	August 31, 2029	0.525%	¥ 1,000,000
	August 31, 2022	August 31, 2029	0.525%	500,000
	August 31, 2022	August 31, 2029	0.525%	1,000,000
	August 31, 2022	August 31, 2029	0.525%	500,000
	October 31, 2022	October 31, 2025	0.481%	500,000
	October 31, 2022	April 30, 2026	0.373%	500,000
	February 28, 2023	February 29, 2028	0.793%	1,000,000
	March 13, 2023	March 31, 2030	1.050%	2,000,000
	March 13, 2023	March 31, 2031	1.186%	1,800,000
Subtotal				181,950,000
Current portion of investment corporation bonds	February 15, 2019	February 15, 2024	0.390%	¥ 2,000,000
Subtotal				2,000,000
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
	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
	July 11, 2022	July 9, 2027	0.400%	1,000,000
Subtotal				11,000,000
Total				¥ 214,950,000

7. REDUCTION ENTRY

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

	As of October 31, 2023	As of April 30, 2023
	In thousands of yen	
Buildings in trust	¥ 26,230	¥ 26,230

8. COMMITMENT LINE AGREEMENT

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

	As of October 31, 2023	As of April 30, 2023
	In thousands of yen	
Maximum amount	¥ 9,000,000	¥ 9,000,000
Drawn credit facility	—	—
Balance	¥ 9,000,000	¥ 9,000,000

9. PER UNIT INFORMATION

	From May 1, 2023 to October 31, 2023	From November 1, 2022 to April 30, 2023
	Yen	
Net asset value per unit	¥ 136,442	¥ 135,828
Net income per unit	¥ 3,872	¥ 4,246
Weighted-average number of units (units)	1,696,860	1,696,860

*1: Net income per unit is calculated by dividing net income by the weighted average (based on number of days) number of units. Net income per unit after adjusting for diluted investment units is not included because there were no dilutive investment units.

*2: The Investment Corporation implemented a two-for-one split of the investment units with October 31, 2023, as the record date of the split and November 1, 2023, as the effective date. Net assets per unit and net income per unit are calculated based on the assumption that the split was implemented at the beginning of the prior fiscal period.

10. 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 ¥6,571 million and ¥6,487 million for the periods ended October 31, 2023, and April 30, 2023, 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% and 0.04% for the fiscal periods ended October 31, 2023, and April 30, 2023, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

	From May 1, 2023 to October 31, 2023	From November 1, 2022 to April 30, 2023
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(31.45)	(28.31)
Provision of reserve for reduction entry	—	(3.13)
Others	0.01	0.03
Effective tax rate	0.02%	0.04%

The significant components of deferred tax assets and liabilities as of October 31, 2023, and April 30, 2023, are as follows:

	As of October 31, 2023	As of April 30, 2023
In thousands of yen		
Deferred tax assets		
Enterprise tax payable	¥ 28	¥ 177
Amortization of leasehold right	6,293	6,049
Deferred gains or losses on hedges	192	1,294
Subtotal	6,514	7,521
Valuation allowance	(6,485)	(7,344)
Total deferred tax assets	¥ 28	¥ 177

11. 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.

Information on the cancellation of treasury investment units during the six-month period ended October 31, 2023, and April 30, 2023, is as follows:

	As of October 31, 2023	As of April 30, 2023
Total number of units cancelled (Number of units)	4,295	4,295
Total amount of cancellation (Thousands of yen)	¥ 2,999,551	¥ 2,999,551

12. RELATED-PARTY TRANSACTIONS

(1) Parent Company, Major Corporate Unitholders and Other

Thirty-seventh fiscal period (From May 1, 2023 to October 31, 2023) and Thirty-sixth fiscal period (From November 1, 2022 to April 30, 2023)

: Not applicable

(2) Affiliated Companies and Other

Thirty-seventh fiscal period (From May 1, 2023 to October 31, 2023) and Thirty-sixth fiscal period (From November 1, 2022 to April 30, 2023)

: Not applicable

(3) Fellow Subsidiary Companies and Other

Thirty-seventh fiscal period (From May 1, 2023 to October 31, 2023) and Thirty-sixth fiscal period (From November 1, 2022 to April 30, 2023)

: Not applicable

(4) Directors, Major Individual Unitholders and Other

Thirty-seventh fiscal period (From May 1, 2023 to October 31, 2023) and Thirty-sixth fiscal period (From November 1, 2022 to April 30, 2023)

: Not applicable

13. 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, 2023 to October 31, 2023 and from November 1, 2022 to April 30, 2023 consist of the following:

	From May 1, 2023 to October 31, 2023	From November 1, 2022 to April 30, 2023
In thousands of yen		
Rental and other operating revenues		
Rent revenue – real estate		
Rental revenues	¥ 12,526,016	¥ 12,439,185
Common area charges	1,416,057	1,457,707
Subtotal	13,942,073	13,896,892
Others:		
Parking space rental revenues	522,316	516,938
Utility charge reimbursement	1,315,987	1,286,335
Miscellaneous	280,554	372,728
Subtotal	2,118,858	2,176,002
Total rental and other operating revenues	¥ 16,060,932	¥ 16,072,895
Property-related expenses		
Expenses related to rent business		
Property management fees and facility management fees	¥ 1,494,166	¥ 1,509,353
Utilities	1,454,250	1,552,159
Taxes	1,478,415	1,392,970
Repairs and maintenance	491,706	351,470
Insurance	21,057	20,500
Trust fees	30,127	30,127
Others	334,964	319,516
Depreciation	2,574,098	2,617,548
Total expenses related to rent business	¥ 7,878,787	¥ 7,793,647
Gain and loss on sale of real estate properties		
KDX Kawasaki-Ekimae Hon-cho Building		
Revenue from sale of investment properties	¥ —	¥ 4,508,100
Cost of investment properties	—	3,189,768
Other sales expenses	—	149,898
Gain on sale of real estate properties	¥ —	¥ 1,168,433

14. 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, 2023, and April 30, 2023, are as follows:

	As of October 31, 2023	As of April 30, 2023
	In thousands of yen	
Due within one year	¥ 3,246,442	¥ 3,522,908
Due after one year	5,936,156	7,066,262
Total	¥ 9,182,599	¥ 10,589,171

15. FINANCIAL INSTRUMENTS

Thirty-seventh fiscal period (From May 1, 2023 to October 31, 2023)

(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 7 years and 5 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 (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, 2023 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	4,000,000	4,010,000	10,000
(2) Current portion of long-term loans payable	25,600,000	25,628,808	28,808
(3) Investment corporation bonds	9,000,000	8,853,200	(146,800)
(4) Long-term loans payable	174,350,000	171,630,090	(2,719,909)
Subtotal	¥ 212,950,000	¥ 210,122,098	¥ (2,827,901)
Derivative transactions(*)	1,632,131	1,632,131	–

(*)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 16 “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	4,000,000	2,000,000	2,000,000	3,000,000	1,000,000	1,000,000
Long-term loans payable	25,600,000	30,950,000	33,600,000	38,500,000	35,300,000	36,000,000
Total	¥ 29,600,000	¥ 32,950,000	¥ 35,600,000	¥ 41,500,000	¥ 36,300,000	¥ 37,000,000

Thirty-sixth fiscal period (From November 1, 2022 to April 30, 2023)

(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 7 years and 11 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 (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 April 30, 2023 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	2,000,000	1,999,400	(600)
(2) Current portion of long-term loans payable	19,700,000	19,716,952	16,952
(3) Investment corporation bonds	11,000,000	10,949,200	(50,800)
(4) Long-term loans payable	181,950,000	181,467,672	(482,327)
Subtotal	¥ 214,650,000	¥ 214,133,225	¥ (516,774)
Derivative transactions(*)	674,650	674,650	–

(*)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 16 “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	2,000,000	4,000,000	–	2,000,000	4,000,000	1,000,000
Long-term loans payable	19,700,000	27,050,000	32,900,000	37,800,000	33,100,000	51,100,000
Total	¥ 21,700,000	¥ 31,050,000	¥ 32,900,000	¥ 39,800,000	¥ 37,100,000	¥ 52,100,000

16. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap contracts as of October 31, 2023:

(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	¥ 79,950,000	¥ 75,050,000	¥ 1,632,131	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	27,100,000	20,400,000	*	
Total			¥ 107,050,000	¥ 95,450,000	¥ 1,632,131	

(*)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, 2023:

(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	¥ 82,450,000	¥ 77,950,000	¥ 674,650	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	30,100,000	25,400,000	*	
Total			¥ 112,550,000	¥ 103,350,000	¥ 674,650	

(*)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.

17. REVENUE RECOGNITION

Thirty-seventh fiscal period (From May 1, 2023 to October 31, 2023)

- (1) Information on the Breakdown of Revenue from Contracts with Customers
Thirty-seventh Fiscal Period (From May 1, 2023 to October 31, 2023)

	Revenues generated from contracts with customers*	Sales to external customers
	(in thousands of yen)	
Revenue from sale of real estate property	¥ –	¥ –
Utility charge reimbursements	1,315,987	1,315,987
Other	–	15,339,616
Total	¥1,315,987	¥16,655,603

(*)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-seventh Fiscal Period (From May 1, 2023 to October 31, 2023)

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, 2023 to October 31, 2023
	(in thousands of yen)
Receivables generated from contracts with customers (balance at beginning of fiscal period)	¥309,606
Receivables generated from contracts with customers (balance at end of fiscal period)	329,871
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

As of October 31, 2023, the total transaction price allocated to remaining performance obligations for the sale of real estate is 9,930,000 thousand yen for the real estate for which a sale agreement was executed on June 13, 2023. KDXR expects to recognize revenue on the remaining performance obligation upon the sale on November 1, 2023.

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.

Thirty-sixth fiscal period (From November 1, 2022 to April 30, 2023)

(1) Information on the Breakdown of Revenue from Contracts with Customers
Thirty-sixth Fiscal Period (From November 1, 2022 to April 30, 2023)

	Revenues generated from contracts with customers*1	Sales to external customers
	(in thousands of yen)	
Revenue from sale of real estate property	¥4,508,100	*2 ¥ 1,168,433
Utility charge reimbursements	1,286,335	1,286,335
Other	-	14,835,944
Total	¥5,794,435	¥17,290,713

(*1) 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) Revenue from sale of real estate, etc. is recorded as gain and loss on sale of real estate, etc. in the statement of income. Therefore, the amount calculated by deducting the cost of real estate, etc. sold and other sales expenses from the revenue from sale of real estate, etc. is indicated.

(2) Information Utilized as the Base for Understanding Revenue from Contracts with Customers
Thirty-sixth Fiscal Period (From November 1, 2022 to April 30, 2023)
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 November 1, 2022 to April 30, 2023
	(in thousands of yen)
Receivables generated from contracts with customers (balance at beginning of fiscal period)	¥324,473
Receivables generated from contracts with customers (balance at end of fiscal period)	309,606
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.

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.

18. INVESTMENT AND RENTAL PROPERTIES

Thirty-seventh fiscal period (From May 1, 2023 to October 31, 2023)

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, 2023	Net change	As of October 31, 2023	As of October 31, 2023 (In thousands of yen)
¥ 432,404,110	¥(1,414,723)	¥ 430,989,387	¥ 551,696,000

*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 periods under review of Harajuku F.F. Building and KDX Nagoya Sakae Building that were sold on November 1, 2023 respectively are calculated based on the sale price (Harajuku F.F. Building: 3,880 million yen; KDX Nagoya Sakae Building: 6,050 million yen) in the transaction agreements on June 13, 2023.

*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 ¥2,574,098 thousand.

Income and loss in the fiscal period ended October 31, 2023, for real estate for rental purposes is listed in Note 13 “BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY.”

Thirty-sixth fiscal period (From November 1, 2022 to April 30, 2023)

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, 2022	Net change	As of April 30, 2023	As of April 30, 2023 (In thousands of yen)
¥ 437,196,489	¥(4,792,379)	¥ 432,404,110	¥ 551,161,000

*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 Harajuku F.F. Building and KDX Nagoya Sakae Building that are scheduled to be sold on November 1, 2023 respectively are calculated based on the anticipated sale price (Harajuku F.F. Building: 3,880 million yen; KDX Nagoya Sakae Building: 6,050 million yen) in the transaction agreements on June 13, 2023.

*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 sale of 1 real estate property totaling 3,189,768 thousand and depreciation amounting to 2,617,548 thousand.

Income and loss in the fiscal period ended April 30, 2023, for real estate for rental purposes is listed in Note 13 “BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY.”

19. SEGMENT AND RELATED INFORMATION

Thirty-seventh fiscal period (From May 1, 2023 to October 31, 2023)

(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-sixth fiscal period (From November 1, 2022 to April 30, 2023)

(A) Segment Information

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

(B) Related Information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

20. SIGNIFICANT SUBSEQUENT EVENTS

(1) The Merger by and among KDXR, KDR and KRR

KDXR has conducted the Merger on November 1, 2023 as the effective date, whereby KDXR was the surviving Corporation and KDR and KRR were the dissolving corporations, and has changed its name to KDX Realty Investment Corporation on the same day.

i. Purpose of the Merger

In order to respond flexibly to environmental changes and attain continued growth, Each REIT has conducted the Merger as it found that it will contribute to maximize unitholders' value by leading to the continued growth by expanding investment target sectors, improving their presence and stability in the market by increasing the sizes of their assets, and enabling more commitment for sustainability.

ii. Form of the Merger

KDXR was the surviving corporation under an absorption-type merger and KDR and KRR were dissolved in the Merger.

iii. Allocation ratio

KDXR split the investment units at a ratio of two investment units per one investment unit ("the Split of Investment Units") on November 1, 2023 as the effective date, for the purpose of providing at least one Investment Corporation's investment unit to all unitholders of KDR and KRR as of October 31, 2023 as the record date. As a result of the Split of Investment Units, KDR unitholders were allotted 1.34 Investment Corporation's investment units after the Split of Investment Units against each KDR investment unit, and KRR unitholders were allotted 1.68 Investment Corporation's investment units after the Split of Investment Units against each KRR investment unit.

iv Delivery of Payment upon the Merger

In addition to the above mentioned investment units, KDXR intends to pay unitholders of KDR and KRR (the unitholders stated or recorded in the final unitholders' registers of KDR and KRR on the day before the effective date of the Merger (excluding Each REIT and unitholders of KDR and KRR who has demanded the purchase of their investment units pursuant to Article 149-3 of the Investment Trusts Act (excluding those who have withdrawn such demand for purchase) (hereinafter referred to as the "Unitholders Subject to Allocation")), in lieu of cash distributions (distributions of profits) for the last fiscal period of KDR and KRR which ends the day before the effective date of the Merger, the Payment upon the Merger in the form of cash distributions based on distributable income of KDR and KRR for that same period of an amount (disregarding fractions of a yen) which is the quotient resulting from a division of the amount of distributable income of KDR and KRR on the date before the effective date of the Merger by the number of issued investment units of KDR and KRR on that date as reduced by the number of investment units held by unitholders other than the Unitholders Subject to Allocation. The Payment upon the Merger will be paid in mid-January 2024.

v . Total amount of Unitholders' Capital

The amount of unitholders' capital and unitholders' surplus increased as a result of the Merger are as follows.

Unitholders' capital : 0 yen

Unitholders' surplus: The amount obtained by subtracting the above unitholders' capital from the amount of changes in unitholders' capital as provided in Article 22, Paragraph 1 of the "Regulations Concerning Calculation of Investment Corporation" (Cabinet Office Ordinance No. 47 of 2006, including subsequent amendments).

(2) Split of Investment Units

KDXR implemented a 2-for-1 split of the investment units with October 31, 2023, as the record date of the split and November 1, 2023, as the effective date.

i. Purpose of Split of Investment Units

With the merger ratio, 0.67 KDXR's investment units would be allotted against one KDR investment unit and 0.84 KDXR's investment units would be allotted against one KRR investment unit, resulting in a number of KDR and KRR unitholders that would receive KDXR's investment units of less than one unit; therefore, KDXR split the investment units at a ratio of two investment units per one investment unit on November 1, 2023 as the effective date, for the purpose of providing at least one KDXR's investment unit to all unitholders of KDR and KRR as of October 31, 2023 as the record date.

ii. Method of Split of Investment Units

KDXR implemented a 2-on-1 split of the investment units held by unitholders of KDXR stated or recorded on the registry of unitholders as of October 31, 2023.

iii. Number of Investment Units to be Increased by the Split of Investment Units

- 1) Total number of KDXR's investment units issued and outstanding 848,430 units before the Split of Investment Units:
- 2) Number of investment units increased through the Split of 848,430 units Investment Units:
- 3) Total number of KDXR's investment units issued and outstanding 1,696,860 units after the Split of Investment Units:
- 4) Total number of KDXR's investment units issued and outstanding 4,142,897 units *1 after the Merger:
- 5) Total number of authorized investment units after the Split of 20,000,000 units *2 Investment Units and the Merger:

*1: As a result of the Merger, one KDR investment unit were allotted 1.34 KDXR's investment units after the Split of Investment Units for all of KDR's issued investment units (1,070,433 units), and one KRR investment unit were allotted 1.68 KDXR's investment units after the Split of Investment Units for all of KRR's issued investment units (602,177 units).

*2 :In connection with the Split of Investment Units, the Articles of Incorporation of KDXR were partially amended and the total number of authorized investment units was changed as of the effective date of the Merger.

21. DISTRIBUTIONS

	Thirty-seventh fiscal period (From May 1, 2023 to October 31, 2023)	Thirty-sixth fiscal period (From November 1, 2022 to April 30, 2023)
	(Yen)	(Yen)
I. Retained earnings at the end of period	¥ 6,571,336,746	¥ 7,206,005,509
II. Total distributions	¥ 6,571,090,350	¥ 6,487,944,210
Distributions per unit	¥ 7,745	¥ 7,647
III. Voluntary reserve (provision)		
Provision of reserve for reduction entry	¥ -	¥ 718,061,299
IV. Retained earnings brought forward to the next period	¥ 246,396	¥ -

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 ¥6,571,090,350 the maximum integral multiple amount of investment units issued and outstanding of 848,430 units, up to the amount of unappropriated retained earnings for the fiscal period under review. In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.

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 65-7 of the Act on Special Measures Concerning Taxation is deducted from unappropriated retained earnings, it shall distribute the outstanding ¥6,487,944,210 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
KDX Realty Investment Corporation

Opinion

We have audited the accompanying financial statements of KDX Realty Investment Corporation (formerly, Kenedix Office Investment Corporation; the Company), which comprise the balance sheet as at October 31, 2023, and the statements of income, and retained earnings, changes in net assets, cash distribution, 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, 2023, 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.

Emphasis of Matter

We draw attention to Note 20. SIGNIFICANT SUBSEQUENT EVENTS to the financial statements, which describes that the Company, conducted an absorption-type merger, effective November 1, 2023, with the Company as the surviving corporation and Kenedix Residential Next Investment Corporation and Kenedix Retail REIT Corporation as the dissolving corporation in the merger. Our opinion is not modified in respect of this matter.

Other Information

The other information comprises the information included in the Semi-annual Report that contains audited financial statements but does not include the financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Supervisory Director is responsible for overseeing the Company's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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, measures taken to eliminate inhibiting factors or apply safeguards to reduce them to an acceptable level.

Fee-related Information

The fees paid or payable to us and other EY Member Firms for the audits of the financial statements of the Company and other non-audit fees charged in the audit period to the Company are 13 million yen and 17 million yen, respectively.

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 31, 2024

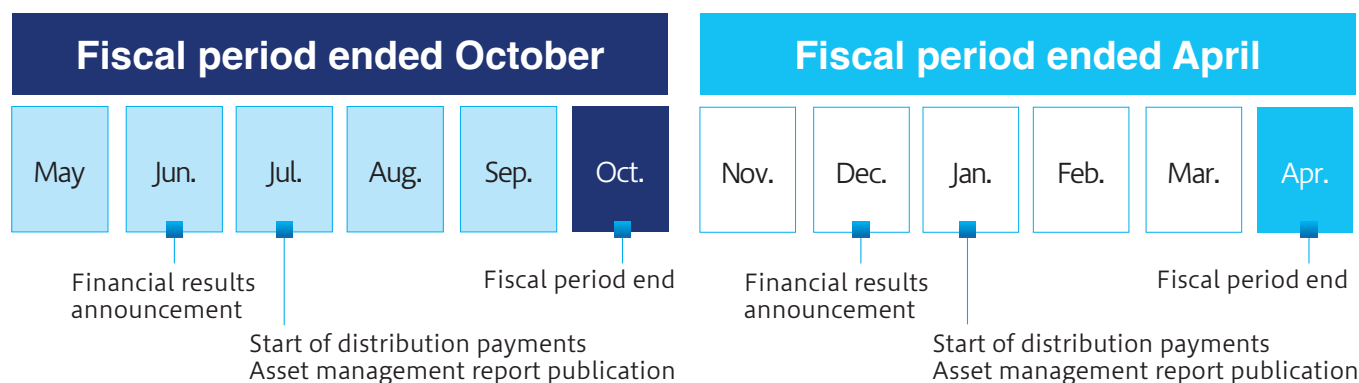
/s/ Hitoshi Sakurai

Hitoshi Sakurai
Designated Engagement Partner
Certified Public Accountant

/s/ Masahiro Yawata

Masahiro Yawata
Designated Engagement Partner
Certified Public Accountant

IR schedule



Unitholder memorandum

Fiscal period end	April 30 and October 31 of each year
General Meeting of Unitholders	Convened at least once every two years, in principle
Date of record for establishment of unitholder voting rights	Prescribed in Article 16 of the Articles of Incorporation
Record dates for distribution payments	April 30 and October 31 (within three months from payment record dates)
Listing	Tokyo Stock Exchange (Securities code: 8972)
Newspaper for public announcements	Nihon Keizai Shimbun (Nikkei)
Unitholder registry and special account administrator	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Postal address and telephone inquiries	Stock Transfer Agency Department Sumitomo Mitsui Trust Bank, Limited 8-4 Izumi 2-chome, Suginami-ku, Tokyo Toll-free tel: 0120 782 031

Receipt of Distributions

During receipt period	Take your distribution receipt to the head or branch offices of Japan Post Bank Co., Ltd. or post offices (bank agents).
After receipt period	Specify the receipt method on the back of the distribution receipt and mail it to the Stock Transfer Agency Division of Sumitomo Mitsui Trust Bank, Limited, or receive distributions at a branch of the bank.
Receiving future distributions	Distributions can be paid by remittances to bank or ordinary postal savings accounts. If transfer designations or other procedures are preferred, you should contact the brokerage with which you have an account, in principle. If you do not have a brokerage account and have a special account, contact Sumitomo Mitsui Trust Bank, Limited, the institution for managing special accounts.
Exclusion	Under the Articles of Incorporation of Kenedix Realty Investment Corporation, you cannot receive distributions after three years have elapsed from the commencement of distribution payments, so please receive them as soon as possible.