



KENEDIX
Office Investment Corporation

Kenedix Office Investment Corporation

Semiannual Report
29th Fiscal Period

May 1, 2019–October 31, 2019

Characteristics of Kenedix Office Investment Corporation

We seek to maximize unitholder returns by focusing on investing in and managing mid-sized office buildings in the Tokyo metropolitan area to generate stable profits and sustainably expand assets under management.

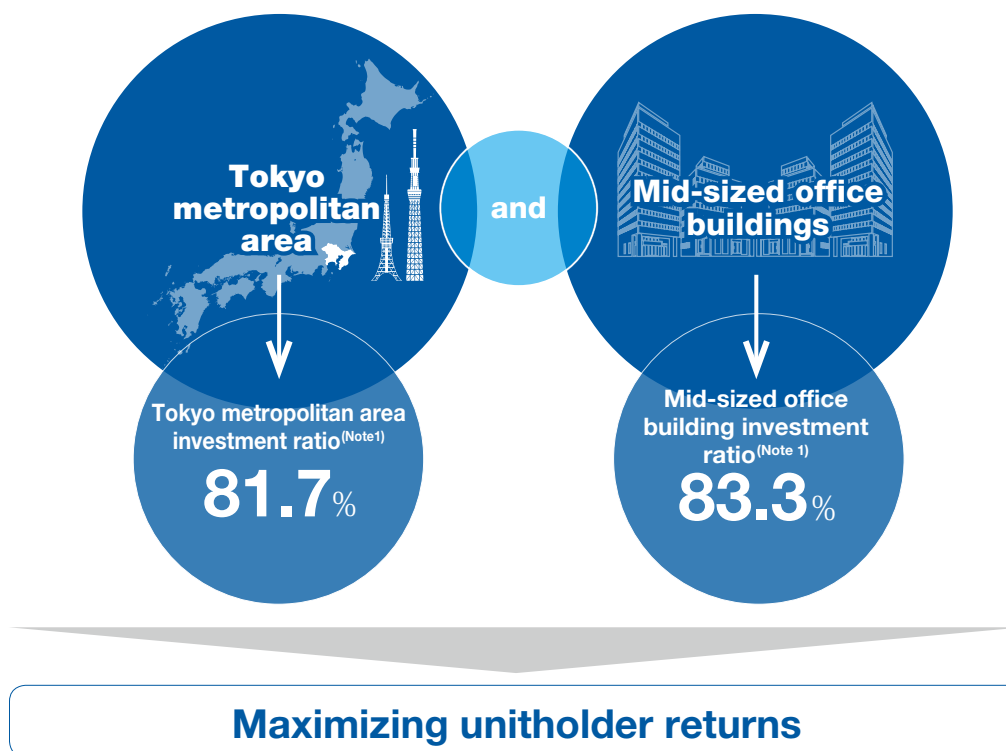


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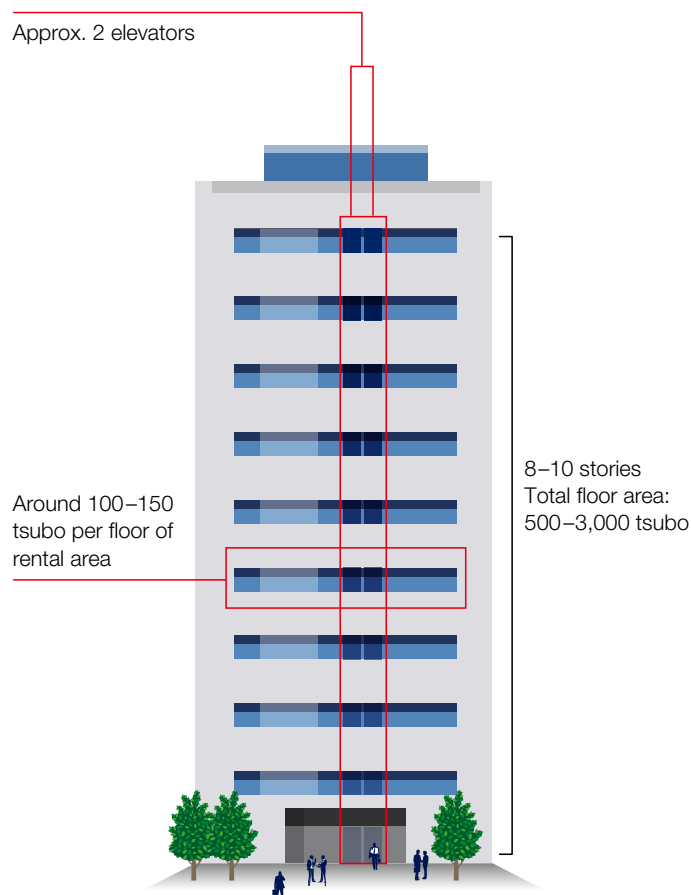
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Image of a typical mid-sized office building



83.0%

Ratio of mid-sized office buildings (total floor area of 500 tsubo or more but less than 3,000 tsubo) in the 5 central wards of Tokyo is 83.0% ^{(Source 1) (Note 2)}

Abundant number of properties

The ratio of mid-sized office buildings (total floor area of 500 tsubo or more but less than 3,000 tsubo) in the 5 central wards of Tokyo is 83.0%. We believe that the number of mid-sized office buildings is larger than that of large-sized office buildings, so there are many excellent investment opportunities, and that they are more efficient in operation than small-sized office buildings.

61.7%

Mid-sized office buildings (between 1 billion yen and 10 billion yen) as percentage of sales transactions ^(Source 2)

High liquidity

Transaction prices for mid-sized office buildings range from approximately 1 billion yen to 10 billion yen, and the ratio of these transactions to the total number is 61.7% (the ratio of trading volume between 1 billion yen and 10 billion yen) while they are relatively actively traded.

Characteristics and attractiveness of mid-size office buildings in the Tokyo metropolitan area

92.2%

Percentage of offices in Tokyo with fewer than 30 employees ^(Source 3)

Broad tenant base

The percentage of business establishments with fewer than 30 employees, which are the main users of mid-sized office buildings, is high with 92.2% in Tokyo. As such, we believe that even if vacancies occur, new borrowers will be relatively easy to be found and that we will be able to maintain high occupancy rates.

82%

Percentage of small- and mid-sized buildings built 20 years or more ago in Tokyo's 23 wards (leased area basis) ^(Source 4)

Favorable supply-demand balance on leasing market

The percentage of small- and mid-sized buildings built 20 years or more ago in Tokyo's 23 wards (leased area basis) is 82%, and new supply is limited compared to large-sized office buildings. Therefore, we are able to secure competitiveness by appropriately managing and operating these buildings, continuing to renew their facilities, and carrying out value-upgrading works.

Note 1: Shown as acquisition price ratio for each category to the total acquisition price, rounded down to the first decimal place (as of the end of 29th fiscal period (October 31, 2019)).

Note 2: Percentage of number of rental office buildings located in the 5 central wards of Tokyo that are surveyed by CBRE K.K. by building size (as of the end of September 2016).

Source 1: Based on a survey conducted by CBRE K.K. at the request of the Asset Management Company.

Source 2: Compiled by the Asset Management Company based on "the number of office building transactions by transaction size (FY2008–FY2018)" from "Real Estate Transactions Study" by Urban Research Institute Corporation, a think tank specializing in real estate in Mizuho Financial Group.

Source 3: Compiled by the Asset Management Company based on "2014 Economic Census for Business Frame Tokyo (revised results) (as of March 27, 2017)."

Source 4: Compiled by the Asset Management Company based on "Tokyo 23 Wards | Office Stock Pyramid 2019," published by XYMAX REAL ESTATE INSTITUTE Corporation on January 23, 2019.

Refer to the following for the definitions of each term used in this document.

- "5 central wards of Tokyo" refers to Chiyoda, Chuo, Minato, Shinjuku, and Shibuya wards.
- "Tokyo metropolitan area" refers to Tokyo, Kanagawa, Saitama, and Chiba prefectures.
- "Other regional areas" refer to regional core cities such as government ordinance-designated cities.
- Kenedix Office Investment Corporation is referred to as "the Investment Corporation" or "KDO" and Kenedix Real Estate Fund Management, Inc., "the Asset Management Company" or "KFM."
- "Mid-sized office buildings" as defined by the Investment Corporation refers to rental office buildings whose main use under the Building Standards Act is office and whose total floor area of the entire building stated in the certificate of all registered matters fulfills the criteria of 13,000 m² or less in the 23 wards of Tokyo and 20,000 m² or less outside the 23 wards of Tokyo.

Results for the 29th Fiscal Period (October 2019) and Future Initiatives

**29th fiscal period (Oct. 2019)
Distribution per unit**

13,639 yen

- **0.6%** period over period
+**2.0%** compared with forecast ^(Note)

Note: As of June 12, 2019

29th fiscal period (Oct. 2019) results

Asset size

424.5 billion yen

Acquired Chofu Center Building through negotiated transaction supported by the sponsor

Portfolio NOI yield

4.8%

Focus on continuous asset reshuffle and internal growth

Percentage of total floor area of green certified properties

51.3%

Green certified properties exceeded the majority of the portfolio through active and continuous efforts (based on total floor area)

Occupancy rate

99.5%

Maintained high occupancy rates due to strong demand from tenants

Increase in monthly rent upon tenant turnover

21.5 million yen

Ratio of the number of rent increase contracts upon tenant turnover rose to 85.1%

Increase in monthly rent upon rent revision

9.8 million yen

No downward rent revisions in the 29th fiscal period, and ratio of rent increase contracts increased to 36.6%, more than the result of previous fiscal period

Interest-bearing debt average interest rate

1.02%

Reduced interest costs by refinancing

Interest-bearing debt ratio (LTV)

42.1%

Maintained stable financial base by keeping LTV at a conservative level

Correspondent financial institutions

16 institutions

Further diversified and increased lending financial institutions following borrowings from two new institutions

30th fiscal period (Apr. 2020)
Distribution per unit (forecast) ^(Note)

13,910 yen

Note: Forecast as of December 13, 2019 calculated under certain assumptions.

Future efforts

1

Continue selective investment through diversified acquisition methods such as joint investment utilizing the Kenedix Group's capabilities and asset reshuffle by mutual transactions

2

Focus on further raising unit rent by conducting value-upgrading works based on CS survey results

3

Work on financial cost reduction through diversifying borrowing periods while maintaining stable financial base

4

Aim for compatibility between sustainable growth and social responsibility through continuous initiatives for improving sustainability

Message from the Management



Achieve Sustainable Growth by Building a Robust and Profitable Portfolio

Jiro Takeda

Executive Director,
Kenedix Office Investment Corporation
Director & COO, Head of Office REIT Department,
Kenedix Real Estate Fund Management, Inc.

In its 29th fiscal period, KDO acquired Chofu Center Building in its first joint investment with KRR and steadily increased rents.

In its 29th fiscal period, the six months ended October 31, 2019, distribution per unit for the term increased 269 yen, or 2.0%, to 13,639 yen, exceeding the forecast of 13,370 yen.

During the period under review, we acquired Chofu Center Building through negotiated transaction in coordination with our sponsor, Kenedix, Inc., for 8.7 billion yen. This suburban office building is located in a relatively quiet environment, but is also next to a lifestyle-oriented commercial facility, and should thus cater to what should be increasing demand in the years ahead for offices near residences.

As a result of this acquisition, our portfolio encompassed 97 properties valued at 424.5 billion yen at the end of October 2019.

In October 2019, Kenedix Retail REIT Corporation (KRR) purchased the commercial building to the north of the property as the first joint investment by two listed REITs with the same sponsor. The Group will harness its collective strengths to undertake initiatives in collaboration with KRR and generate added value.

In a robust office leasing market, the office building occupancy rate at the end of the period under review was 99.5%, up 0.3 percentage point from the 28th fiscal period (April 2019).

Although the turnover ratio rose temporarily on vacancies by major tenants at some properties, we made steady progress from the previous fiscal

period in filling vacancies, so the increase in monthly rents from tenant turnover was 21.5 million yen in the period under review. Rents rose in 85.1% of cases of tenant turnover. Both figures were higher than in the previous term.

We continued to focus on negotiating higher rents with existing tenants, and the increase attributable to revised rents for the period under review was 9.8 million yen monthly, up from the previous term.

We have maintained a stable financial position as part of our financial strategies. In the period under review, we refinanced to cut the average interest rate on interest-bearing debt to 1.02%.

During the term, we obtained loans for the first time from two financial institutions, lifting the total of such entities with which we secure funding to 16.

We also continued with our efforts in ESG-related initiatives. In 2019, we received a GRESB Real Estate Assessment Green Star for the eighth consecutive year, securing GRESB's highest "A" rating. As well, during the period under review Chofu Center Building received DBJ Green Building certification. KDX Kawasaki-Ekimae Hon-cho Building and five other properties obtained Certification for CASBEE for Real Estate. By the end of the period, more than 50% of the floor area of properties in our portfolio had obtained environmental certification.

We conduct CS surveys as part of our efforts to become a preferred mid-sized office building manager.

We conducted our eighth customer satisfaction (CS) survey in August 2019.

The biennial poll solicits the views of tenants (general affairs officers and workers), primarily regarding our facilities and responsiveness. In light of findings, we upgrade air conditioning, renovate common areas, and otherwise improve our facilities to enhance CS and maintain and enhance the value

and competitiveness of our properties.

The survey found that 95% of tenants wished to remain with us.

We believe that this result stemmed from our attentive building management and timely efforts to upgrade facilities and improve the value of our properties, which is vital to staying competitive as properties age.

We seek to optimize unitholder returns by steadily deploying our growth strategies while undertaking ESG initiatives to earn a robust investor reputation among REITs.

We will drive external growth by continuing to use sponsor support lines and our own network while again investing selectively, harnessing diverse acquisition techniques, notably joint investments and asset reshuffle through mutual transactions. We will further reshuffle assets to improve unrealized gains and profitability, thereby enhancing our portfolio.

We will pursue internal growth by continuing to negotiate higher rents with existing tenants. At the same time, we will solicit tenant feedback through CS surveys and undertake construction to increase

value so we can lift unit rents and the profitability of our properties.

Our financial strategy is to maintain a stable financial position and lower interest costs by diversifying borrowing periods.

On the ESG front, we will keep endeavoring to boost sustainability while balancing sustainable growth and social responsibility. We will also continue to implement ESG initiatives as part of efforts to secure a strong reputation among tenants for our office buildings and among investors as a REIT.

We will work to identify diversifying tenant needs and further enhance tenant satisfaction through originality and ingenuity.

The Japanese economy faces downside risks from a range of factors. These include prolonged trade friction between the United States and China and significantly deteriorating corporate earnings.

More companies are accordingly concerned about prospects of an economic downturn, and moves are afoot to constrain capital investment and hiring.

While supply in office markets in key cities in Japan remains tight amid buoyant tenant demand, the supply of large A-grade buildings in Tokyo in 2020 will be heavy. While leasing is progressing well, there may be secondary vacancies from tenants relocating to new buildings and existing tenants being unable to fill shortfalls by occupying more space, fueling efforts to solicit more tenants.

On top of that, enactments of work practice reform-related bills have made it crucial for companies to improve business efficiency and productivity.

Companies increasingly need to seek ways to secure diverse human resources in view of worsening labor shortages, so office strategies are increasingly part of the solution to such a challenge.

To date, large corporations and IT firms have led the way in embracing the flexibility of telework. Small and medium-sized enterprises will probably become more proactive in this respect.

We will accordingly avoid resting on our laurels, identifying and intelligently addressing the diversifying office building needs of tenants to increase their satisfaction through originality and ingenuity.

We seek to enhance unitholder value in terms of distributions and net asset value through such initiatives.



External Growth



Portfolio Growth Strategy

The Asset Investment Division primarily acquires and transfers assets to expand our asset scale and enhance our portfolio.

Property prices have rocketed in recent years, limiting opportunities to invest in office buildings.

The stances on work practice of companies as prime office renters and office environment requirements have changed dramatically, and will likely keep evolving in the years ahead.

We will naturally do more to leverage the support of the Kenedix Group and the Asset Management Company's own network and draw on the outstanding property stock that we have amassed to date to strategically reshuffle assets. We will thereby endeavor to enhance profitability even under the currently challenging operating climate. I believe that this and our efforts to drive further growth by investing selectively in high-quality office buildings are our strengths.

Hiroshi Sato

Head of Asset Investment Division, Office REIT Department, Kenedix Real Estate Fund Management, Inc.

Joint acquisition with Kenedix Retail REIT Corporation

Acquired the property with relatively high profitability through negotiated transaction supported by the sponsor. Kenedix Retail REIT Corporation (KRR) thereafter purchased a commercial building in what was its first joint acquisition.

Chofu Center Building
(Acquired on June 14, 2019)



Chofu Center Building (Retail wing)
(Acquired on October 24, 2019)



Location	Chofu, Tokyo
Acquisition price	8,700 million yen
Appraisal value	9,920 million yen (as of April 1, 2019)
Appraisal NOI yield^(Note)	5.5%
Occupancy rate	100% (as of October 31, 2019)

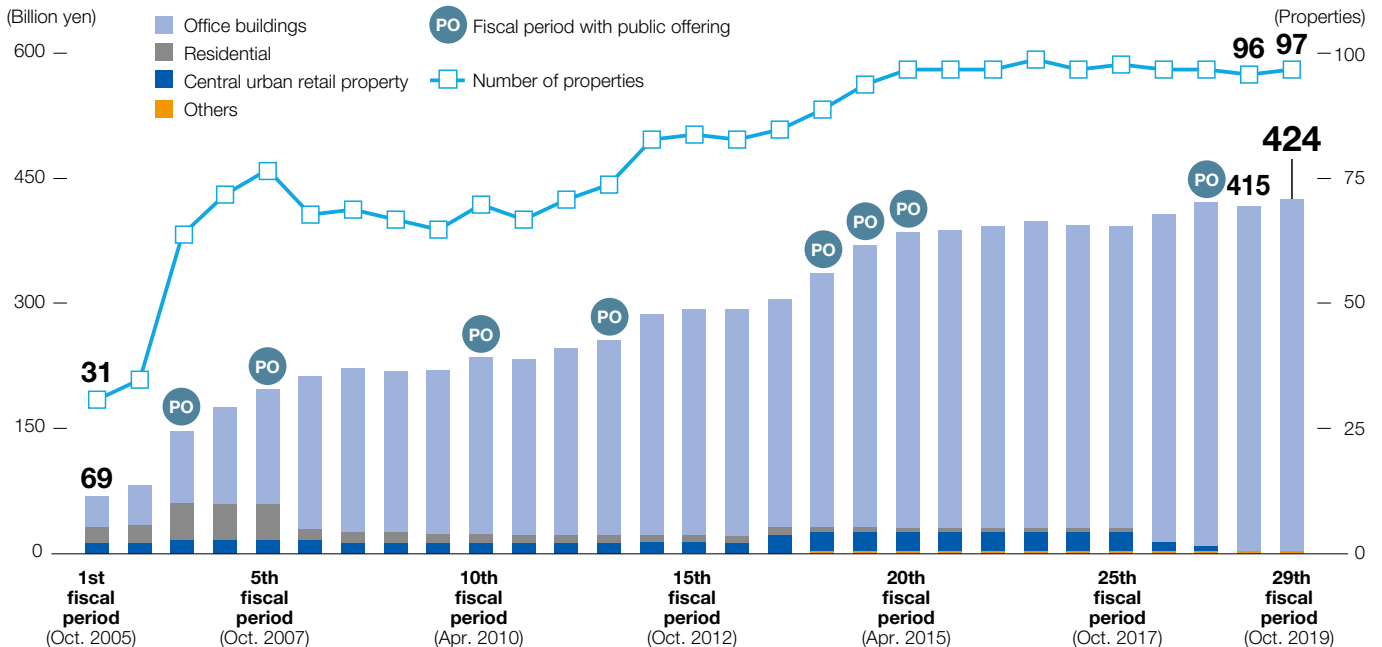
- Focused on changes in office building demand and acquired Chofu Center Building in the Chofu area, where new supply is limited, at a reasonable price through negotiated transaction.
- KRR acquired the other compartment (retail wing) supported by Kenedix, Inc., our sponsor.
- The first joint acquisition of complex asset by the Kenedix Group's listed investment corporations that further expands the external growth strategy of KDO characterized by diversified acquisition methods.

Note: Calculated by dividing net operating income based on the direct capitalization method in the appraisal report as of April 1, 2019 by acquisition price (rounded to the first decimal place).

Asset size and number of owned properties

Keep investing selectively and reshuffling assets to enhance portfolio and keep tabs on real estate market trends, maintaining our investment approach and pursuing further growth.

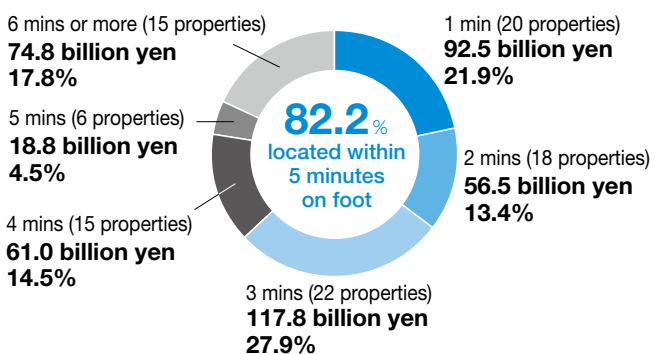
Asset size (total acquisition price) and number of properties since listing



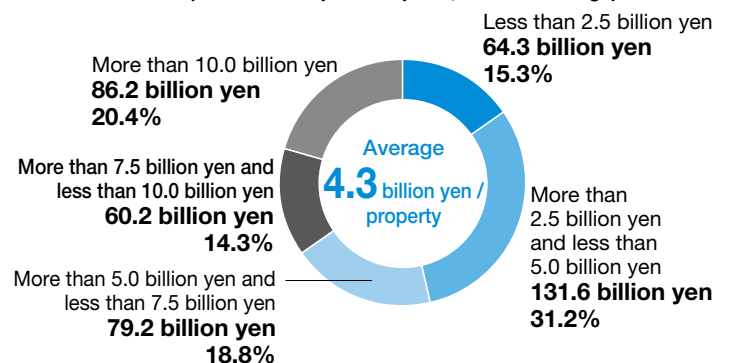
Characteristics of KDO office buildings (as of the end of 29th fiscal period (October 2019))

Invest selectively in properties that are outstanding in terms of location, specifications, earthquake resistance, and other respects to become the provider of choice in mid-sized office buildings.

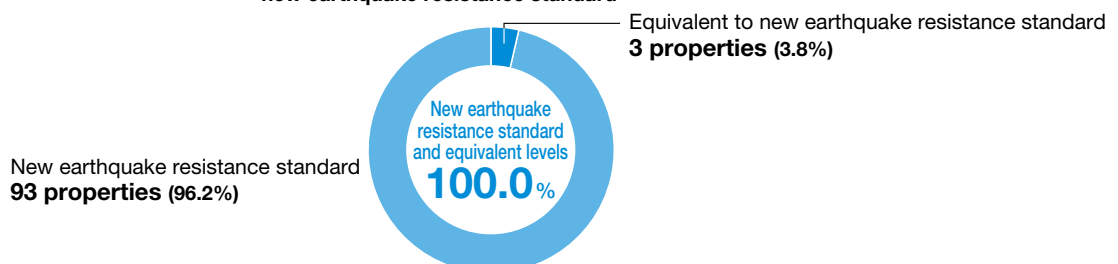
Breakdown by distance from the nearest station on foot (based on acquisition price, office buildings)



Breakdown by acquisition price (based on acquisition price, office buildings)



Percentage share of our properties that comply with new earthquake resistance standard (Note 1) (Note 2)



Note 1: "New Earthquake Resistance Standard" was formulated based on the revision of enforcement order of Building Standard Law in 1981 (cabinet order No. 144 on April 24, 1981). The anti-seismic performance of buildings has been greatly improved since the enforcement of the law due to the newly added provisions including the following: New provision on tie-hoop ratio of reinforced concrete pillars (0.2% or more); Resetting of horizontal seismic coefficient to elastic shear modulus; and New requirement on secondary design in seismic calculation.

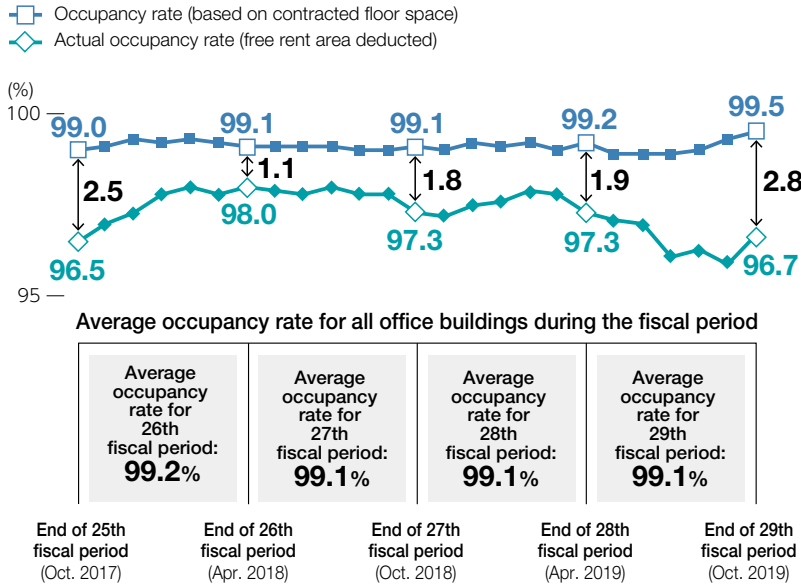
Note 2: Percentage share is calculated based on leasable area as of the end of 29th fiscal period (October 2019). For the properties owned through quasi co-ownership interest, leasable area for such portion is used in calculation.

Internal Growth

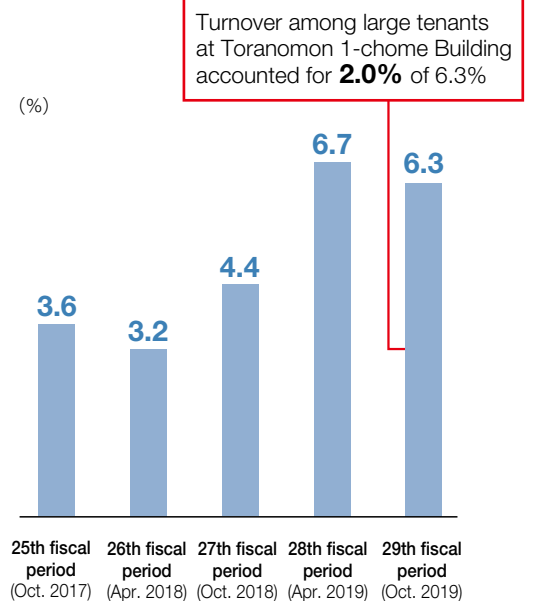
Changes in office building occupancy rate and turnover ratio

The occupancy rate remained high. Despite a temporary decline owing mainly to a turnover among large tenants, the rate should recover as rent-free periods gradually expire during the fiscal period ending April 2020.

Changes in occupancy rate (Note 1)



Turnover ratio (annualized) of office buildings (Note 2)



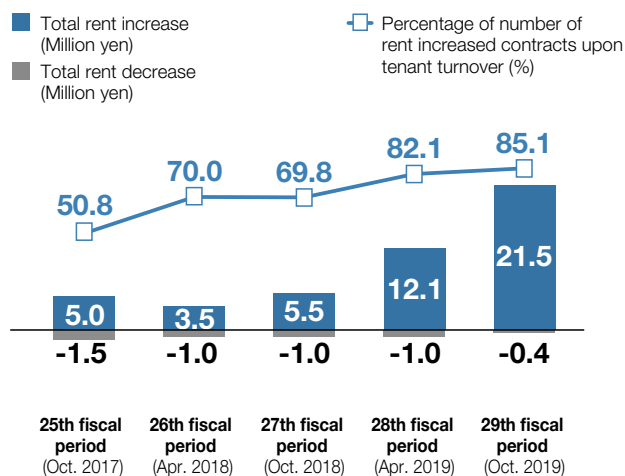
Turnover among large tenants at Toranomom 1-chome Building accounted for **2.0%** of 6.3%

Note 1: Occupancy rate (contracted area based) is calculated by dividing contract based leased area by leasable area, and actual occupancy rate (excluding free rent area) is calculated by subtracting free rent area from leased area then dividing that area by leasable area. The figures are rounded to the first decimal place. Average occupancy rate of office buildings during each fiscal period is a simple average of month-end occupancy rates of owned office buildings during each period.
 Note 2: Turnover ratio is calculated and annualized as follows: (Total leased area of the end-tenants who cancelled their lease agreements during the six-month period from the beginning to the end of each period) / (Average leasable area of all office buildings owned by KDO as of each month-end during the relevant period) x 2. Figures are rounded to the first decimal place.

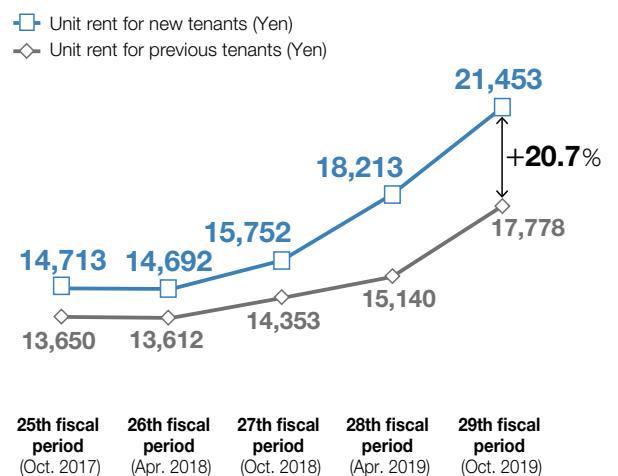
Trends in rent changes upon tenant turnover for office buildings

Monthly rents rose significantly in the 29th fiscal period owing to turnover among large tenants amid robust tenant demand. Also, new unit rents continued to surge.

Changes in monthly rent upon tenant turnover (Note 1)



Changes in unit rent upon tenant turnover (Note 2)

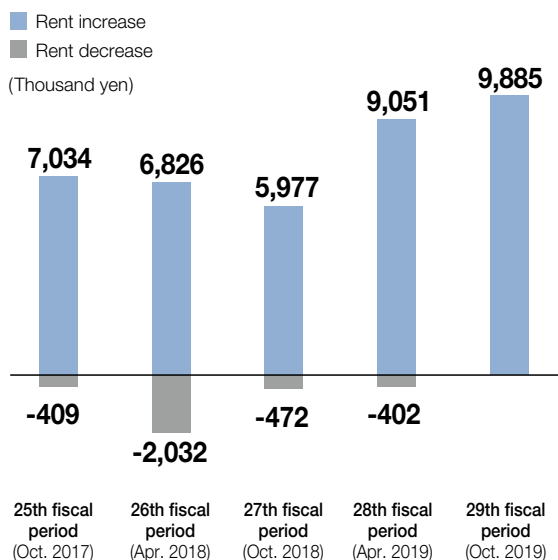


Note 1: Total amount of increases/decreases in monthly rent before and after rent revision for each fiscal period is respectively aggregated for the spaces where the rents paid by new tenants and by previous tenants can be compared.
 Note 2: Unit rent for new tenants is an average unit rent calculated based on aggregated rents and areas for the spaces where rents paid by new tenants and by previous tenants can be compared for each fiscal period. Unit rent for previous tenants is an average unit rent calculated based on aggregated previous unit rents and areas for the spaces where new unit rents are calculated.

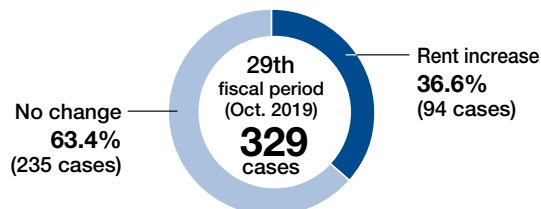
Rent revision with existing tenants

The amount of rent increase upon rent revisions in the 29th fiscal period exceeded the high level in the previous fiscal period, and the trend for upward rent revisions is expected to continue in the next fiscal period as well. Careful building management boosted the ratio of rent increase upon rent revisions.

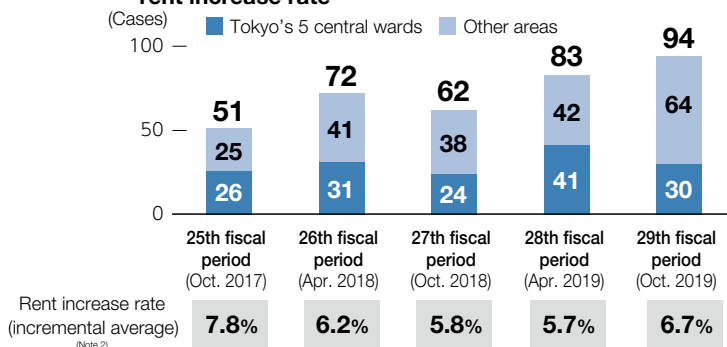
Changes in rent upon rent revision (based on monthly amount) ^(Note 1)



Rent revision results (percentage based on leased area)



Changes in the number of rent increase contracts and rent increase rate



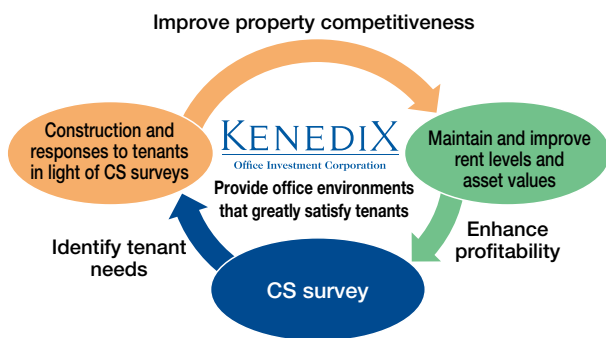
Note 1: Difference in monthly rent before and after rent revision in each fiscal period is calculated by aggregating the change amount per contract in each fiscal period, rounded to the nearest thousand yen.

Note 2: Rent increase rate is calculated by dividing the sum of increase in monthly rent by the sum of monthly rent before revision (rounded to the first decimal place).

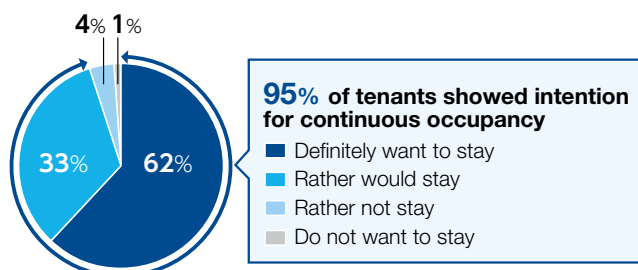
Leverage CS surveys to enhance satisfaction levels and improve property competitiveness

In light of survey findings, we undertook construction to effectively enhance value, thereby maintaining and lifting tenant satisfaction and property competitiveness, confirming great interest among companies in remaining tenants.

Operations cycle based on CS surveys



The 8th CS survey results (August 2019)



Overview of value-upgrading works

Periodic CS surveys found that appropriate replacement and value-upgrading works of restrooms, etc., improve tenant satisfaction.

Out of relatively-old owned properties that have become deteriorated and obsolete, select those that are considered possible to raise rents because of highly competitive potential and value-upgrading works.

Establish a track record of unit rent increase upon tenant turnover and upward rent revision, and restore and enhance profitability.

KDX Nakameguro Building (a portion of floors)



Restrooms

Before After

Ratio of unit rent increase upon tenant turnover ^(Note)

44.8%

Note: Compared to the rents in the same space paid by new tenants that moved in the 29th fiscal period (October 2019) and by previous tenants (rounded to the first decimal place).

Initiatives for ESG

Initiatives for Environment

E N V I R O N M E N T

Environmental certifications and assessments

GRESB Real Estate Assessment

- We have received a Green Star rating for eight consecutive years in recognition of efforts to improve our sustainability performance.
- We have earned 4 Stars in the GRESB ratings, the second-highest level.
- We received an A, the highest rank for ESG disclosure.



DBJ Green Building Certification

- Chofu Center Building obtained two stars in the 29th fiscal period.
- 25 properties have obtained the certification, including KDX Toranomon 1-chome Building which has earned five stars, the top rating.



Certification for CASBEE for Real Estate

- Three properties were newly ranked the highest S, while another three were ranked A, bringing to 12 the number with these rankings.
S rank: KDX Kawasaki-Ekimae Hon-cho Building, KDX Utsunomiya Building, and KDX Hiroshima Building
A rank: KDX Funabashi Building, KDX Shin-Yokohama Building, and KDX Shin-Osaka Building



BELS Certification

- In October 2014, KDX Musashi-Kosugi Building became the first J-REIT property to receive a BELS Certification (three stars).
- In April 2016, KDX Iidabashi Square became our second BELS-certified property, with three stars.

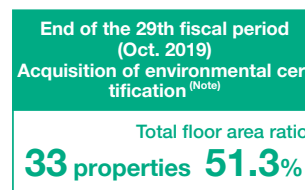


Environment-related efforts

Acquisition of environmental certification

- As KDO has been actively and continuously promoting green buildings, the properties that acquired DBJ Green Building Certification, Certification for CASBEE for Real Estate, and BELS Certification exceed a majority of the portfolio in terms of ratio of floor area to total floor area.

Note: The number of properties is counted without duplication in case a property has multiple certification and evaluation. Total floor area ratio is calculated without duplication by dividing certified floor area by total floor area of the portfolio.



LED lighting installation in rental spaces

- Installation of LED lighting in common area is roughly completed, installing LED lighting in rental spaces in a planned way.
- Already installed in 5 properties in the 28th fiscal period (April 2019) and 3 properties in the 29th fiscal period (October 2019), and will be gradually introduced in the future.



Activities for energy conservation

- Post posters promoting the activities for energy conservation in summer (July to September) and winter (December to February) in the properties.
- Eco-friendly paper including limestone materials are used for the posters.



Initiatives for Social

Promoting initiatives for sustainability

- Recognizing the importance of environmental, social, and governance (ESG) considerations in real estate investment management, KDO is working to improve sustainability with the aim of realizing a sustainable society as a corporate social responsibility.
- KDO continues to support efforts to achieve the Sustainable Development Goals (SDGs) as part of its social contribution through the activities of Japan for UNHCR and other means.



Installing monitors to help support Japan for UNHCR

- Newly installed monitors in elevator halls and elevators, which show UNHCR activities' videos for free.
- Installed the monitors in 24 properties as of December 1, 2019 to ease the stress of tenants' employees and visitors while waiting for an elevator.



Signing on to the Principles for Financial Action for the 21st Century by the Asset Management Company

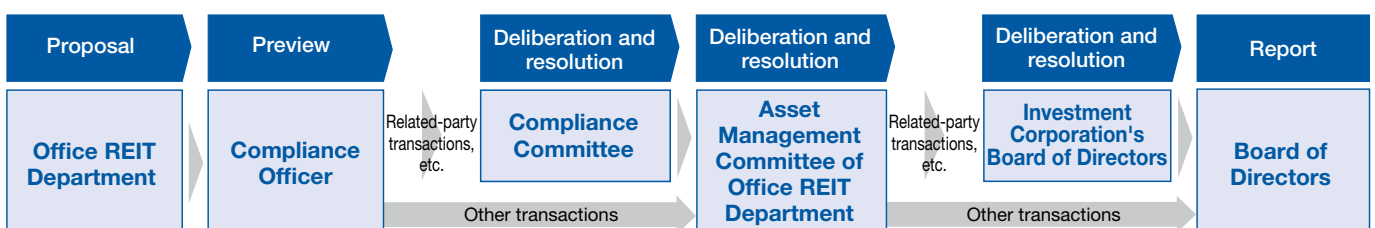
- Kenedix Real Estate Fund Management, Inc. ("the Asset Management Company") became a signatory to the Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century ("the PFA21")).
- Further promote initiatives for sustainability, being aware of responsibility and role needed toward a sustainable society.



Initiatives for Corporate Governance

Transparent and closely monitored decision-making processes

- The Asset Management Company creates management guidelines, and sets forth basic investment management guidelines, including investment policy, related-party transaction rules, distribution policy, and disclosure policy.
- Furthermore, the Asset Management Company creates asset management plans (including asset management plans, medium-term business plans, and annual business plans). It also selects and makes decisions to acquire properties, according to investment policy set forth in the management guidelines and related-party transaction rules.
- The decision-making flow for establishing and revising the management guidelines and asset management plans and the decision-making flow pertaining to acquisition and sale of assets are shown below.

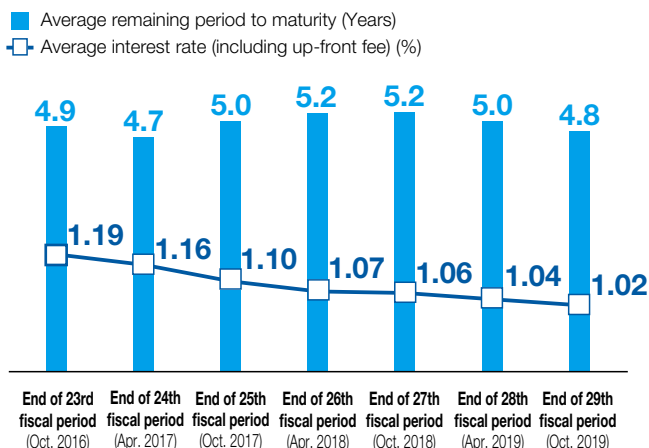


Financial Strategy

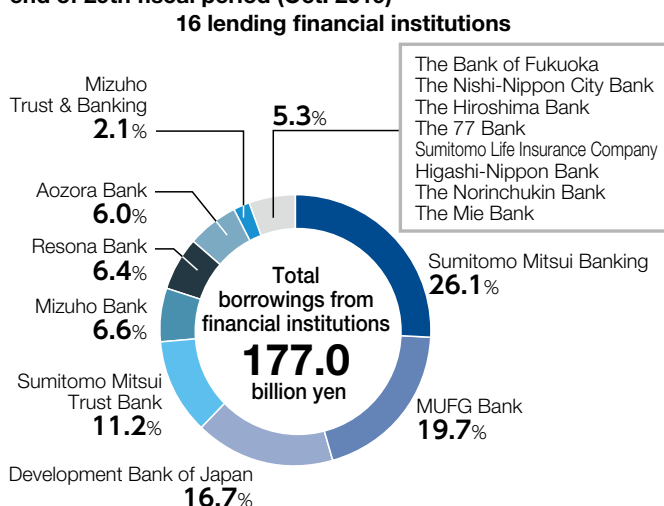
Status of interest-bearing debt

We continue to decrease financial cost at refinancing while paying attention to the trend of interest rates and balancing borrowing periods. Also, we seek to reduce refinancing risk through strategic diversification of debt maturities.

Average interest rate and average remaining period to maturity of interest-bearing debt



Outstanding borrowings by financial institutions as of the end of 29th fiscal period (Oct. 2019)



Outline of commitment line agreement

(executed on May 31, 2019)

Maximum amount	6,000 million yen
Contract period	June 3, 2019 to April 30, 2020
Counterparty	Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd.

Commitment line

A commitment line is a line of credit established for companies (investment corporations) with which banks do business. Within this line of credit after prior consultation between the bank and the companies (investment corporations), a loan can be obtained at any time for a certain period without being examined by banks.

Major indices related to financial stability (end of 29th fiscal period (Oct. 2019))

Interest-bearing debt ratio (LTV) ^(Note 1) Maintain stable financial base with a target of 45% 42.1%	Ratio of fixed interest rate ^(Note 2) Continue to hedge against a potential rise in interest rates 97.7%	Status of credit rating Japan Credit Rating Agency, Ltd. AA- (Stable)
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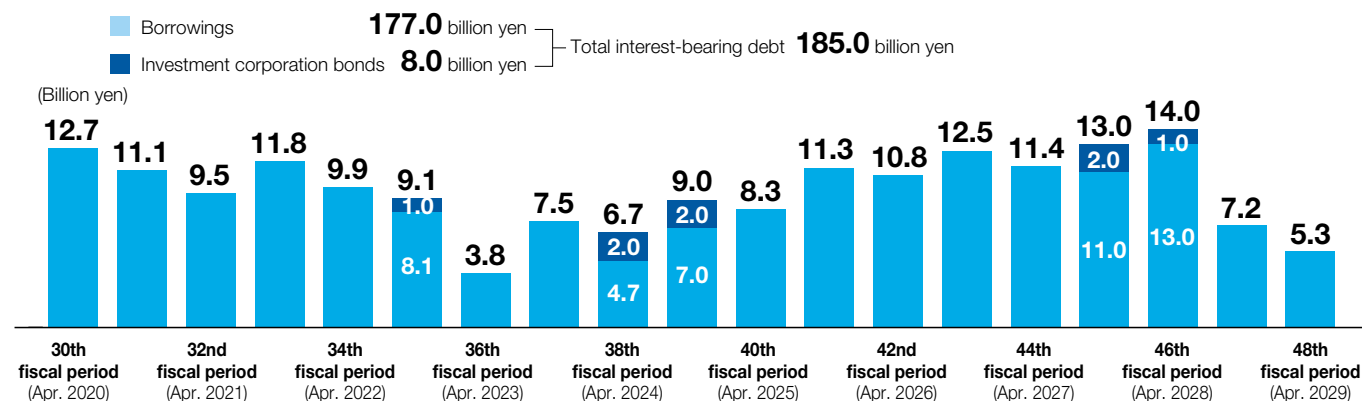
Note 1: Interest-bearing debt ratio (LTV) is the balance of interest-bearing debt at the end of the fiscal period divided by total assets at the end of the fiscal period, rounded to the first decimal place.

Note 2: Includes borrowings fixed by interest rate swap, rounded to the first decimal place.

Diversification of interest-bearing debt maturities

We seek to reduce refinancing risk by strategically diversifying debt maturities.

Balance of interest-bearing debt by maturity (As of October 31, 2019)



Financial Summary (Unaudited)

Historical Operating Trends
For the 25th–29th Fiscal Periods

Period	Unit	25th Period (as of Oct. 31, 2017)	26th Period (as of Apr. 30, 2018)	27th Period (as of Oct. 31, 2018)	28th Period (as of Apr. 30, 2019)	29th Period (as of Oct. 31, 2019)
Operating revenues	millions of yen	13,901	14,823	15,420	15,212	15,027
(Rental revenues)	millions of yen	13,840	14,222	14,802	14,595	14,959
Operating expenses	millions of yen	8,244	7,974	8,271	8,039	8,199
(Property-related expenses)	millions of yen	6,720	6,977	7,105	6,880	7,092
Operating income	millions of yen	5,657	6,848	7,148	7,172	6,828
Ordinary income	millions of yen	4,590	5,829	6,109	6,179	5,845
Net income (a)	millions of yen	4,588	5,828	6,107	6,178	5,844
Total assets (b)	millions of yen	414,933	422,993	437,221	436,753	439,773
(Period-on-period change)	%	(+1.2)	(+1.9)	(+3.4)	(−0.1)	(+0.7)
Interest-bearing debt (c)	millions of yen	179,600	185,850	183,050	182,050	185,050
(Period-on-period change)	%	(+2.9)	(+3.5)	(−1.5)	(−0.5)	(+1.6)
Unitholders' equity (d)	millions of yen	212,851	213,642	229,313	229,440	229,276
(Period-on-period change)	%	(−0.1)	(+0.4)	(+7.3)	(+0.1)	(−0.1)
Unitholders' capital	millions of yen	206,199	206,199	220,970	220,970	220,970
(Period-on-period change)	%	(0.0)	(0.0)	(+7.2)	(0.0)	(0.0)
Number of investment units issued and outstanding (e)	unit	404,885	404,885	428,510	428,510	428,510
Unitholders' equity per unit (d)/(e)	yen	525,708	527,661	535,141	535,437	535,054
Total distribution (f)	millions of yen	5,061	5,247	5,766	5,878	5,844
Distribution per unit (f)/(e)	yen	12,500	12,960	13,458	13,719	13,639
(Earnings distributed per unit)	yen	12,500	12,960	13,458	13,719	13,639
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.1 (2.2)	1.4 (2.8)	1.4 (2.8)	1.4 (2.9)	1.3 (2.6)
Return on net assets (annualized) (Notes 2 and 3)	%	2.2 (4.3)	2.7 (5.5)	2.8 (5.5)	2.7 (5.4)	2.5 (5.1)
Net assets ratio at end of period (d)/(b)	%	51.3	50.5	52.4	52.5	52.1
(Period-on-period change)	%	(−0.6)	(−0.8)	(+1.9)	(+0.1)	(−0.4)
Interest-bearing debt ratio at end of period (c)/(b)	%	43.3	43.9	41.9	41.7	(42.1)
(Period-on-period change)	%	(+0.7)	(+0.7)	(−2.1)	(−0.2)	(+0.4)
Payout ratio (Note 4) (f)/(a)	%	110.2	90.0	94.4	95.1	99.9
Other references						
Number of properties	properties	98	97	97	96	97
Total leasable floor area	m ²	456,932.16	466,031.33	471,041.45	468,528.20	480,328.18
Occupancy rate at end of period	%	99.1	99.0	99.1	99.2	99.5
Depreciation expenses for the period	millions of yen	2,293	2,295	2,358	2,369	2,419
Capital expenditures for the period	millions of yen	953	886	925	1,231	1,426
Leasing NOI (Net Operating Income) (Note 5)	millions of yen	9,413	9,539	10,055	10,084	10,287
FFO (Funds From Operation) (Note 6)	millions of yen	7,451	7,574	7,934	7,983	8,265
FFO per unit (Note 7)	yen	18,404	18,708	18,516	18,630	19,287

Notes: 1. Return on assets = Ordinary income / {(Total assets at beginning of period + Total assets at end of period) / 2} × 100

2. Annualized values for the 25th Fiscal Period are calculated based on a period of 184 days, 181 days for the 26th Fiscal Period, 184 days for the 27th Fiscal Period, 181 days for the 28th Fiscal Period, and 184 days for the 29th Fiscal Period.

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

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

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

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

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

Balance Sheet

As of October 31, 2019

	As of October 31, 2019		As of April 30, 2019	
	In thousands of yen			
Assets				
Current assets				
Cash and deposits (Notes 3 and 15)	¥	14,019,313	¥	19,675,112
Cash and deposits in trust (Notes 3 and 15)		11,366,312		10,959,133
Operating accounts receivable		361,207		298,778
Prepaid expenses		109,777		49,708
Consumption taxes receivable		61,789		-
Other		13,223		6,788
Total current assets		25,931,623		30,989,522
Non-current assets				
Property, plant and equipment (Notes 4 and 17)				
Buildings		17,834,390		17,776,419
Accumulated depreciation		(5,917,165)		(5,616,212)
Buildings, net		11,917,224		12,160,207
Structures		34,963		32,618
Accumulated depreciation		(15,551)		(14,691)
Structures, net		19,411		17,927
Machinery and equipment		432,209		424,662
Accumulated depreciation		(260,033)		(247,818)
Machinery and equipment, net		172,176		176,843
Tools, furniture and fixtures		94,116		93,446
Accumulated depreciation		(61,148)		(57,649)
Tools, furniture and fixtures, net		32,967		35,796
Land		27,520,902		27,520,902
Buildings in trust (Note 7)		124,425,127		121,511,168
Accumulated depreciation		(31,204,886)		(29,185,084)
Buildings in trust, net		93,220,241		92,326,083
Structures in trust		359,676		343,278
Accumulated depreciation		(168,392)		(157,234)
Structures in trust, net		191,284		186,043
Machinery and equipment in trust		1,656,878		1,604,492
Accumulated depreciation		(743,824)		(691,969)
Machinery and equipment in trust, net		913,054		912,523
Tools, furniture and fixtures in trust		505,190		487,000
Accumulated depreciation		(326,879)		(308,088)
Tools, furniture and fixtures in trust, net		178,310		178,912
Land in trust		276,458,793		269,059,794
Construction in progress in trust		-		1,511
Total property, plant and equipment, net		410,624,366		402,576,545
Intangible assets (Note 4)				
Leasehold right (Note 17)		285,257		285,257
Leasehold right in trust (Note 17)		349,975		350,749
Other		1,796		2,424
Total intangible assets		637,029		638,431
Investments and other assets				
Investment securities (Note 15)		1,131,953		1,130,524
Lease and guarantee deposits		10,000		10,000
Lease and guarantee deposits in trust		122,889		122,889
Long-term prepaid expenses		1,232,222		1,178,564
Other (Notes 10,15 and 16)		8,768		19,487
Total investments and other assets		2,505,834		2,461,465
Total non-current assets		413,767,231		405,676,443
Deferred assets				
Investment corporation bond issuance costs		46,835		51,346
Investment unit issuance costs		27,513		36,684
Total deferred assets		74,348		88,031
Total assets	¥	439,773,203	¥	436,753,997

	As of October 31, 2019	As of April 30, 2019
	In thousands of yen	
Liabilities		
Current liabilities		
Operating accounts payable	¥ 1,119,767	¥ 1,575,141
Short-term loans payable (Notes 6 and 15)	2,200,000	4,200,000
Current portion of long-term loans payable (Notes 6, 15 and 16)	21,600,000	16,700,000
Accounts payable-other	475,642	529,777
Accrued expenses	69,940	78,660
Income taxes payable	802	794
Accrued consumption taxes	132,354	475,104
Advances received	2,565,047	2,368,366
Deposits received	16,312	3,477
Other (Notes 15 and 16)	123	-
Total current liabilities	28,179,990	25,931,323
Non-current liabilities		
Investment corporation bonds (Notes 6 and 15)	8,000,000	8,000,000
Long-term loans payable (Notes 6, 15 and 16)	153,250,000	153,150,000
Tenant leasehold and security deposits	2,002,385	1,993,121
Tenant leasehold and security deposits in trust	18,741,871	18,035,523
Other (Notes 15 and 16)	322,853	203,786
Total non-current liabilities	182,317,110	181,382,431
Total liabilities	210,497,100	207,313,754
Net Assets		
Unitholders' equity		
Unitholders' capital	220,970,508	220,970,508
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	2,775,335	2,475,385
Total voluntary retained earnings	2,775,335	2,475,385
Unappropriated retained earnings	5,844,500	6,178,677
Total surplus	8,619,835	8,654,063
Total unitholders' equity	229,590,343	229,624,572
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 15 and 16)	(314,241)	(184,329)
Total valuation and translation adjustments	(314,241)	(184,329)
Total net assets (Note 11)	229,276,102	229,440,242
Total liabilities and net assets	¥ 439,773,203	¥ 436,753,997

See accompanying notes to the financial statements.

Statement of Income and Retained Earnings

For the period from May 1, 2019 to October 31, 2019

	From May 1, 2019 to October 31, 2019	From November 1, 2018 to April 30, 2019
In thousands of yen		
Operating revenues		
Rent revenue - real estate (Note 13)	¥ 12,976,033	¥ 12,794,187
Other lease business revenue (Note 13)	1,983,471	1,801,706
Gain on sale of real estate properties (Note 13)	-	565,286
Dividends income	68,389	51,088
Total operating revenues	15,027,894	15,212,268
Operating expenses		
Expenses related to rent business (Note 13)	7,092,170	6,880,478
Asset management fees	899,348	967,813
Directors' compensation	8,400	8,400
Asset custody fees	23,102	23,116
Administrative service fees	57,264	57,508
Audit fees	12,800	11,800
Other operating expenses	106,412	90,167
Total operating expenses	8,199,497	8,039,284
Operating income	6,828,396	7,172,984
Non-operating income		
Interest income	68	67
Dividends and redemption-prescription	403	664
Interest on refund	2	3
Total non-operating income	473	736
Non-operating expenses		
Interest expenses	810,689	808,013
Interest expenses on investment corporation bonds	28,128	25,392
Financing-related expenses	127,833	124,518
Amortization of investment corporation bond issuance costs	4,511	3,564
Amortization of investment unit issuance costs	9,171	9,171
Other non-operating expenses	2,772	23,143
Total non-operating expenses	983,106	993,803
Ordinary income	5,845,764	6,179,916
Income before income taxes	5,845,764	6,179,916
Income taxes (Note 10)		
Current	1,264	1,238
Deferred	(1)	0
Total income taxes	1,263	1,238
Net income	5,844,500	6,178,677
Unappropriated retained earnings	¥ 5,844,500	¥ 6,178,677

See accompanying notes to the financial statements.

Statement of Changes in Net Assets

For the period from May 1, 2019 to October 31, 2019

	Unitholders' equity						Valuation and translation adjustments	Total net assets						
	Surplus					Deferred gains or losses on hedges								
	Unitholders' capital	Voluntary retained earnings	Reserve for reduction entry	Unappropriated retained earnings (Note 20)	Total surplus		Total unitholders' equity							
In thousands of yen														
Balance as of October 31, 2018	¥	220,970,508	¥	2,134,387	¥	6,107,886	¥	8,242,273	¥	229,212,781	¥	100,798	¥	229,313,580
Changes during the fiscal period														
Provision of reserve for reduction entry		-		340,998		(340,998)		-		-		-		-
Dividends of surplus		-		-		(5,766,887)		(5,766,887)		(5,766,887)		-		(5,766,887)
Net income		-		-		6,178,677		6,178,677		6,178,677		-		6,178,677
Net changes of items other than unitholders' equity		-		-		-		-		-		(285,128)		(285,128)
Total changes during the fiscal period		-		340,998		70,791		411,790		411,790		(285,128)		126,662
Balance as of April 30, 2019 (Note 5)	¥	220,970,508	¥	2,475,385	¥	6,178,677	¥	8,654,063	¥	229,624,572	¥	(184,329)	¥	229,440,242
Changes during the fiscal period														
Provision of reserve for reduction entry		-		299,949		(299,949)		-		-		-		-
Dividends of surplus		-		-		(5,878,728)		(5,878,728)		(5,878,728)		-		(5,878,728)
Net income		-		-		5,844,500		5,844,500		5,844,500		-		5,844,500
Net changes of items other than unitholders' equity		-		-		-		-		-		(129,911)		(129,911)
Total changes during the fiscal period		-		299,949		(334,177)		(34,228)		(34,228)		(129,911)		(164,139)
Balance as of October 31, 2019 (Note 5)	¥	220,970,508	¥	2,775,335	¥	5,844,500	¥	8,619,835	¥	229,590,343	¥	(314,241)	¥	229,276,102

See accompanying notes to the financial statements.

Statement of Cash Flows

For the period from May 1, 2019 to October 31, 2019

	From May 1, 2019 to October 31, 2019	From November 1, 2018 to April 30, 2019
In thousands of yen		
Cash flows from operating activities		
Income before income taxes	¥ 5,845,764	¥ 6,179,916
Depreciation	2,420,535	2,370,002
Amortization of long-term prepaid expenses	120,778	124,268
Interest income	(68)	(67)
Interest expenses	838,818	833,406
Amortization of investment unit issuance costs	9,171	9,171
Amortization of investment corporation bond issuance costs	4,511	3,564
Decrease (increase) in operating accounts receivable	(62,429)	61,483
Decrease (increase) in consumption taxes receivable	(61,789)	-
Decrease (increase) in prepaid expenses	(60,068)	61,827
Increase (decrease) in operating accounts payable	56,398	(159,947)
Increase (decrease) in accounts payable-other	(53,110)	(246,833)
Increase (decrease) in accrued consumption taxes	(342,749)	281,328
Increase (decrease) in advances received	196,680	4,255
Increase (decrease) in deposits received	19,583	1,186
Decrease in property, plant and equipment in trust due to sale	-	4,652,797
Decrease (increase) in long-term prepaid expenses	(174,437)	(46,458)
Other, net	(12,220)	(25,452)
Subtotal	8,745,367	14,104,448
Interest income received	68	67
Interest expenses paid	(847,538)	(817,511)
Income taxes paid	(805)	(805)
Net cash provided by (used in) operating activities	7,897,092	13,286,198
Cash flows from investing activities		
Purchases of property, plant and equipment	(59,029)	(91,813)
Purchases of property, plant and equipment in trust	(10,577,896)	(958,884)
Purchases of intangible assets	-	(155)
Repayments of tenant leasehold and security deposits	(20,533)	(46,949)
Proceeds from tenant leasehold and security deposits	36,145	86,145
Repayments of tenant leasehold and security deposits in trust	(1,122,394)	(560,271)
Proceeds from tenant leasehold and security deposits in trust	1,477,344	676,423
Payments of restricted deposits in trust	(30,740)	(8,705)
Proceeds from restricted deposits in trust	8,362	-
Net cash provided by (used in) investing activities	(10,288,741)	(904,210)
Cash flows from financing activities		
Increase in short-term loans payable	-	3,200,000
Decrease in short-term loans payable	(2,000,000)	(5,000,000)
Proceeds from long-term loans payable	11,200,000	6,850,000
Repayments of long-term loans payable	(6,200,000)	(8,050,000)
Proceeds from issuance of investment corporation bonds	-	1,984,949
Dividends paid	(5,879,350)	(5,765,583)
Net cash provided by (used in) financing activities	(2,879,350)	(6,780,634)
Net increase (decrease) in cash and cash equivalents	(5,270,999)	5,601,354
Cash and cash equivalents at the beginning of period	28,883,770	23,282,416
Cash and cash equivalents at the end of period (Note 3)	¥ 23,612,771	¥ 28,883,770

See accompanying notes to the financial statements.

Notes to the Financial Statements

For the period from May 1, 2019 to October 31, 2019

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

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

During the period ended April 30, 2019, the Investment Corporation sold one central urban retail property (Frame Jinnan-zaka (51.0% of quasi co-ownership interest): initial acquisition price of ¥5,049 million (*3)) with a disposition price of ¥5,253 million.

During the period ended October 31, 2019, the Investment Corporation acquired one office building (Chofu Center Building: acquisition price of ¥8,700 million).

At the end of the twenty-eighth and twenty-ninth fiscal periods (fiscal periods ended April 30, 2019 and October 31, 2019), the Investment Corporation had total unitholders’ capital of ¥220,970 million with 428,510 investment units outstanding, respectively. The Investment Corporation owned a portfolio of 96 properties (consisting of 95 office buildings and one other property) and 97 properties (consisting of 96 office buildings and one other property) with total acquisition prices of ¥415,835 million and ¥424,535 million at the end of the twenty-eighth and twenty-ninth fiscal periods, respectively. The occupancy ratios were approximately 99.2% and 99.5% at the end of the twenty-eighth and twenty-ninth 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, 2019 to October 31, 2019	From November 1, 2018 to April 30, 2019
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, 2019. Capitalized property-related taxes amounted to ¥29,256 thousand as of October 31, 2019. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period to which the installments of such taxes correspond.

(J) Income Taxes

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

(K) Consumption Taxes

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

(L) Derivative Financial Instruments

The Investment Corporation utilizes interest-rate swap 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-swap contracts if they met the criteria for hedging accounting under this treatment. The hedge effectiveness for the interest-rate swap contract is assessed each fiscal period except for those that meet the criteria of special treatment.

(M) Cash and Cash Equivalents

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

(N) Presentation of Amounts

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

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

3. CASH AND CASH EQUIVALENTS

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

	As of October 31, 2019	As of April 30, 2019
	In thousands of yen	
Cash and deposits	¥ 14,019,313	¥ 19,675,112
Cash and deposits in trust	11,366,312	10,959,133
Restricted deposits in trust (Note)	(1,772,854)	(1,750,475)
Cash and cash equivalents in trust	¥ 23,612,771	¥ 28,883,770

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, 2019.

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	¥ 17,776,419	¥ 57,970	¥ -	¥ 17,834,390	¥ 5,917,165	¥ 300,953	¥ 11,917,224	
Structures	32,618	2,344	-	34,963	15,551	860	19,411	
Machinery and equipment	424,662	7,547	-	432,209	260,033	12,214	172,176	
Tools, furniture and fixtures	93,446	670	-	94,116	61,148	3,499	32,967	
Land	27,520,902	-	-	27,520,902	-	-	27,520,902	
Subtotal	45,848,050	68,532	-	45,916,582	6,253,899	317,527	39,662,682	
Property, plant and equipment								
Buildings in trust	¥ 121,511,168	¥ 2,913,959	¥ -	¥ 124,425,127	¥ 31,204,886	¥ 2,019,801	¥ 93,220,241	Note
Structures in trust	343,278	16,398	-	359,676	168,392	11,158	191,284	
Machinery and equipment in trust	1,604,492	52,386	-	1,656,878	743,824	51,855	913,054	
Tools, furniture and fixtures in trust	487,000	18,189	-	505,190	326,879	18,791	178,310	
Land in trust	269,059,794	7,398,999	-	276,458,793	-	-	276,458,793	Note
Construction in progress in trust	1,511	-	1,511	-	-	-	-	
Subtotal	393,007,244	10,399,933	1,511	403,405,666	32,443,982	2,101,605	370,961,684	
Total property, plant and equipment	438,855,294	10,468,465	1,511	449,322,249	38,697,882	2,419,133	410,624,366	
Intangible assets								
Leasehold right	¥ 290,050	¥ -	¥ -	¥ 290,050	¥ 4,792	¥ -	¥ 285,257	
Leasehold right in trust	363,784	-	-	363,784	13,809	774	349,975	
Other	6,278	-	-	6,278	4,482	627	1,796	
Total intangible assets	660,113	-	-	660,113	23,084	1,402	637,029	
Total	¥439,515,408	¥ 10,468,465	¥ 1,511	¥449,982,362	¥38,720,966	¥2,420,535	¥411,261,396	

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

Property, plant and equipment and intangible assets consist of the following as of April 30, 2019.

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

Note: The amount of decrease during the period is primarily attributable to the sale of the one real estate 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, 2019 to October 31, 2019	From November 1, 2018 to April 30, 2019
Total number of authorized investment units	2,000,000	2,000,000
Total number of investment units issued and outstanding	428,510	428,510

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

The following summarizes short-term loans payable, long-term loans payable and investment corporation bonds outstanding as of October 31, 2019:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	November 30, 2018	November 30, 2019	0.37%	¥ 1,000,000
	November 30, 2018	November 30, 2019	0.32%	200,000
	January 31, 2019	January 31, 2020	0.32%	500,000
	January 31, 2019	January 31, 2020	0.32%	500,000
Subtotal				2,200,000
Current portion of long-term loans payable	November 12, 2018	November 30, 2019	0.32%	¥ 500,000
	January 31, 2014	January 31, 2020	0.93%	3,700,000
	March 12, 2014	March 12, 2020	0.92%	1,800,000
	March 20, 2014	March 12, 2020	0.91%	3,000,000
	March 29, 2019	March 31, 2020	0.37%	1,000,000
	March 29, 2019	March 31, 2020	0.32%	500,000
	July 31, 2014	July 31, 2020	0.74%	2,700,000
	August 30, 2013	August 31, 2020	1.42%	1,500,000
	August 30, 2019	August 31, 2020	0.27%	1,000,000
	September 22, 2014	September 30, 2020	0.80%	2,700,000
	April 22, 2014	October 31, 2020	0.95%	2,900,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	Subtotal			
Long-term loans payable	November 12, 2013	November 12, 2020	1.07%	¥ 2,000,000
	November 12, 2013	November 12, 2020	1.07%	500,000
	November 29, 2013	November 30, 2020	1.12%	1,000,000
	November 29, 2013	November 30, 2020	1.12%	900,000
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	March 12, 2014	March 12, 2023	1.36%	1,800,000
	March 20, 2014	September 20, 2021	1.01%	4,000,000
	March 20, 2014	March 20, 2022	1.20%	3,000,000
	March 20, 2014	March 12, 2023	1.35%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	500,000
	July 31, 2014	July 31, 2022	1.01%	2,200,000
	September 1, 2014	August 31, 2021	0.89%	800,000
	September 1, 2014	August 31, 2021	0.89%	500,000
	September 3, 2014	August 31, 2022	0.98%	1,000,000
	September 3, 2014	August 31, 2022	0.98%	950,000
	September 30, 2014	September 30, 2021	0.89%	1,000,000
	October 31, 2014	October 31, 2021	0.80%	3,000,000
	October 31, 2014	October 31, 2023	1.07%	2,000,000
	October 31, 2014	October 31, 2023	1.13%	1,500,000
	October 31, 2014	October 31, 2023	1.07%	1,000,000
	October 31, 2014	October 31, 2024	1.26%	2,000,000
	October 31, 2014	October 31, 2024	1.26%	1,000,000
	January 30, 2015	January 31, 2021	0.71%	1,500,000
	January 30, 2015	January 31, 2025	1.16%	1,500,000
	February 18, 2015	February 28, 2022	0.91%	1,250,000
February 18, 2015	February 28, 2022	0.91%	350,000	
February 18, 2015	February 29, 2024	1.16%	1,700,000	
February 18, 2015	February 28, 2025	1.31%	1,250,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	February 27, 2015	February 28, 2025	1.15%	¥ 2,100,000
	March 12, 2015	February 28, 2025	1.22%	1,000,000
	March 31, 2015	March 31, 2025	1.27%	2,500,000
	April 30, 2015	April 30, 2022	0.83%	2,300,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	September 30, 2015	September 30, 2024	1.07%	2,000,000
	October 30, 2015	October 31, 2024	0.99%	1,000,000
	October 30, 2015	October 30, 2025	1.11%	1,500,000
	October 30, 2015	October 30, 2025	1.11%	2,000,000
	October 30, 2015	October 30, 2025	1.11%	2,500,000
	October 30, 2015	October 30, 2025	1.12%	2,500,000
	November 12, 2015	November 30, 2025	1.17%	1,000,000
	January 29, 2016	January 31, 2022	0.59%	2,500,000
	January 29, 2016	January 31, 2022	0.64%	500,000
	January 29, 2016	January 29, 2026	1.07%	2,000,000
	January 29, 2016	January 29, 2026	1.02%	1,800,000
	February 18, 2016	February 18, 2026	1.00%	1,000,000
	February 18, 2016	February 18, 2026	1.00%	500,000
	March 31, 2016	March 31, 2026	0.90%	1,000,000
	April 28, 2016	April 30, 2024	0.65%	2,000,000
	April 28, 2016	April 30, 2026	0.84%	2,000,000
	April 28, 2016	April 30, 2026	0.87%	1,000,000
	July 29, 2016	July 31, 2026	0.61%	1,500,000
	August 2, 2016	July 31, 2026	0.54%	1,000,000
	October 31, 2016	October 31, 2024	0.67%	1,000,000
	October 31, 2016	October 31, 2026	0.88%	2,500,000
	October 31, 2016	October 31, 2026	0.76%	1,000,000
	October 31, 2016	October 31, 2026	0.73%	4,000,000
	October 31, 2016	October 31, 2026	0.83%	1,500,000
	December 12, 2016	November 30, 2026	0.98%	500,000
	December 28, 2016	December 28, 2026	0.95%	1,500,000
	January 16, 2017	January 31, 2027	0.86%	500,000
	January 31, 2017	January 31, 2027	0.85%	700,000
	March 28, 2017	March 31, 2027	0.85%	500,000
	June 30, 2017	June 30, 2027	0.85%	1,500,000
	August 10, 2017	July 28, 2027	0.80%	3,500,000
	August 31, 2017	August 31, 2023	0.54%	1,000,000
	September 21, 2017	March 31, 2024	0.56%	1,000,000
	September 21, 2017	September 30, 2025	0.68%	1,500,000
	September 21, 2017	March 31, 2027	0.73%	1,000,000
	September 21, 2017	September 21, 2027	0.87%	1,000,000
	September 21, 2017	September 30, 2027	0.85%	2,500,000
	October 31, 2017	October 31, 2027	0.81%	2,500,000
	November 13, 2017	November 13, 2027	0.93%	3,000,000
	December 7, 2017	November 30, 2027	0.90%	1,400,000

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	0.82%	¥ 1,200,000
	December 7, 2017	November 30, 2027	0.97%	1,000,000
	December 7, 2017	November 30, 2027	0.94%	1,000,000
	December 7, 2017	November 30, 2027	0.87%	1,000,000
	December 7, 2017	November 30, 2027	0.90%	800,000
	December 7, 2017	November 30, 2027	0.87%	600,000
	December 28, 2017	December 28, 2025	0.74%	500,000
	December 28, 2017	December 28, 2026	0.88%	500,000
	December 28, 2017	December 28, 2027	0.86%	500,000
	March 12, 2018	March 31, 2028	0.91%	1,500,000
	March 26, 2018	March 31, 2027	0.81%	1,000,000
	March 26, 2018	March 31, 2028	0.90%	1,000,000
	July 31, 2018	July 31, 2028	0.99%	500,000
	August 20, 2018	August 31, 2025	0.70%	500,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	500,000
	August 20, 2018	August 31, 2028	0.97%	500,000
	August 31, 2018	August 31, 2025	0.70%	500,000
	August 31, 2018	August 31, 2025	0.72%	300,000
	August 31, 2018	August 31, 2028	1.01%	700,000
	October 31, 2018	October 31, 2028	1.01%	1,500,000
	October 31, 2018	October 31, 2028	0.91%	1,000,000
	October 31, 2018	October 31, 2028	1.01%	500,000
	March 28, 2019	March 31, 2029	0.84%	1,400,000
	March 29, 2019	March 31, 2029	0.84%	2,950,000
	June 14, 2019	June 30, 2023	0.25%	500,000
	June 14, 2019	December 28, 2026	0.52%	500,000
	June 14, 2019	April 30, 2027	0.61%	1,000,000
	June 14, 2019	March 31, 2029	0.72%	1,000,000
	July 10, 2019	July 31, 2023	0.23%	500,000
July 31, 2019	July 31, 2022	0.29%	1,000,000	
July 31, 2019	July 31, 2023	0.29%	1,000,000	
July 31, 2019	April 30, 2027	0.55%	1,000,000	
July 31, 2019	April 30, 2027	0.55%	1,000,000	
September 30, 2019	September 30, 2026	0.49%	1,000,000	
September 30, 2019	March 31, 2027	0.53%	900,000	
September 30, 2019	March 31, 2027	0.43%	800,000	
Subtotal				153,250,000
Investment corporation bonds	July 25, 2014	July 25, 2024	1.18%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.90%	1,000,000
	July 19, 2017	July 19, 2022	0.26%	1,000,000
	July 19, 2017	July 16, 2027	0.64%	2,000,000
	February 15, 2019	February 15, 2024	0.39%	2,000,000
Subtotal				8,000,000
Total				¥ 185,050,000

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

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Short-term loans payable	July 31, 2018	July 31, 2019	0.36%	¥ 1,000,000
	August 31, 2018	August 31, 2019	0.31%	1,000,000
	November 30, 2018	November 30, 2019	0.36%	1,000,000
	November 30, 2018	November 30, 2019	0.31%	200,000
	January 31, 2019	January 31, 2020	0.31%	500,000
	January 31, 2019	January 31, 2020	0.31%	500,000
Subtotal				4,200,000
Current portion of long-term loans payable	July 10, 2014	July 10, 2019	0.64%	¥ 500,000
	July 14, 2014	July 31, 2019	0.68%	1,000,000
	July 31, 2014	July 31, 2019	0.62%	1,000,000
	August 29, 2014	July 31, 2019	0.65%	1,000,000
	September 30, 2013	September 30, 2019	1.06%	1,800,000
	September 30, 2013	September 30, 2019	1.06%	900,000
	November 12, 2018	November 30, 2019	0.31%	500,000
	January 31, 2014	January 31, 2020	0.93%	3,700,000
	March 12, 2014	March 12, 2020	0.92%	1,800,000
	March 20, 2014	March 12, 2020	0.91%	3,000,000
	March 29, 2019	March 31, 2020	0.36%	1,000,000
	March 29, 2019	March 31, 2020	0.31%	500,000
	Subtotal			
Long-term loans payable	August 30, 2013	August 31, 2020	1.42%	¥ 1,500,000
	November 12, 2013	November 12, 2020	1.07%	2,000,000
	November 12, 2013	November 12, 2020	1.07%	500,000
	November 29, 2013	November 30, 2020	1.12%	1,000,000
	November 29, 2013	November 30, 2020	1.12%	900,000
	January 10, 2014	January 31, 2021	1.21%	1,300,000
	January 31, 2014	January 31, 2021	1.13%	2,300,000
	March 12, 2014	March 12, 2023	1.36%	1,800,000
	March 20, 2014	September 20, 2021	1.01%	4,000,000
	March 20, 2014	March 20, 2022	1.20%	3,000,000
	March 20, 2014	March 12, 2023	1.35%	2,000,000
	April 22, 2014	October 31, 2020	0.95%	2,900,000
	July 10, 2014	July 10, 2021	0.90%	2,000,000
	July 10, 2014	July 10, 2021	0.90%	500,000
	July 31, 2014	July 31, 2020	0.74%	2,700,000
	July 31, 2014	October 31, 2020	0.76%	300,000
	July 31, 2014	July 31, 2022	1.01%	2,200,000
	September 1, 2014	August 31, 2021	0.89%	800,000
	September 1, 2014	August 31, 2021	0.89%	500,000
	September 3, 2014	August 31, 2022	0.98%	1,000,000
	September 3, 2014	August 31, 2022	0.98%	950,000
	September 22, 2014	September 30, 2020	0.80%	2,700,000
	September 30, 2014	September 30, 2021	0.89%	1,000,000
	October 31, 2014	October 31, 2021	0.80%	3,000,000
	October 31, 2014	October 31, 2023	1.07%	2,000,000
	October 31, 2014	October 31, 2023	1.13%	1,500,000
	October 31, 2014	October 31, 2023	1.07%	1,000,000
October 31, 2014	October 31, 2024	1.26%	2,000,000	

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	October 31, 2014	October 31, 2024	1.26%	¥ 1,000,000
	January 30, 2015	January 31, 2021	0.71%	1,500,000
	January 30, 2015	January 31, 2025	1.16%	1,500,000
	February 18, 2015	February 28, 2022	0.91%	1,250,000
	February 18, 2015	February 28, 2022	0.91%	350,000
	February 18, 2015	February 29, 2024	1.16%	1,700,000
	February 18, 2015	February 28, 2025	1.31%	1,250,000
	February 27, 2015	February 28, 2025	1.15%	2,100,000
	March 12, 2015	February 28, 2025	1.22%	1,000,000
	March 31, 2015	March 31, 2025	1.27%	2,500,000
	April 30, 2015	April 30, 2022	0.83%	2,300,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	August 31, 2015	August 31, 2022	0.87%	500,000
	September 30, 2015	September 30, 2024	1.07%	2,000,000
	October 30, 2015	October 31, 2024	0.99%	1,000,000
	October 30, 2015	October 30, 2025	1.11%	1,500,000
	October 30, 2015	October 30, 2025	1.11%	2,000,000
	October 30, 2015	October 30, 2025	1.11%	2,500,000
	October 30, 2015	October 30, 2025	1.12%	2,500,000
	November 12, 2015	November 30, 2025	1.17%	1,000,000
	January 29, 2016	January 31, 2022	0.59%	2,500,000
	January 29, 2016	January 31, 2022	0.64%	500,000
	January 29, 2016	January 29, 2026	1.07%	2,000,000
	January 29, 2016	January 29, 2026	1.02%	1,800,000
	February 18, 2016	February 18, 2026	1.00%	1,000,000
	February 18, 2016	February 18, 2026	1.00%	500,000
	March 31, 2016	March 31, 2026	0.90%	1,000,000
	April 28, 2016	April 30, 2024	0.65%	2,000,000
	April 28, 2016	April 30, 2026	0.84%	2,000,000
	April 28, 2016	April 30, 2026	0.87%	1,000,000
	July 29, 2016	July 31, 2026	0.61%	1,500,000
	August 2, 2016	July 31, 2026	0.54%	1,000,000
	October 31, 2016	October 31, 2024	0.67%	1,000,000
	October 31, 2016	October 31, 2026	0.88%	2,500,000
	October 31, 2016	October 31, 2026	0.76%	1,000,000
	October 31, 2016	October 31, 2026	0.73%	4,000,000
	October 31, 2016	October 31, 2026	0.83%	1,500,000
	December 12, 2016	November 30, 2026	0.98%	500,000
	December 28, 2016	December 28, 2026	0.95%	1,500,000
	January 16, 2017	January 31, 2027	0.86%	500,000
	January 31, 2017	January 31, 2027	0.85%	700,000
	March 28, 2017	March 31, 2027	0.85%	500,000
	June 30, 2017	June 30, 2027	0.85%	1,500,000
	August 10, 2017	July 28, 2027	0.80%	3,500,000
	August 31, 2017	August 31, 2023	0.54%	1,000,000
	September 21, 2017	March 31, 2024	0.56%	1,000,000
	September 21, 2017	September 30, 2025	0.68%	1,500,000
	September 21, 2017	March 31, 2027	0.73%	1,000,000

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In thousands of yen)
Long-term loans payable	September 21, 2017	September 21, 2027	0.87%	¥ 1,000,000
	September 21, 2017	September 30, 2027	0.85%	2,500,000
	October 31, 2017	October 31, 2027	0.81%	2,500,000
	November 13, 2017	November 13, 2027	0.93%	3,000,000
	December 7, 2017	November 30, 2027	0.90%	1,400,000
	December 7, 2017	November 30, 2027	0.82%	1,200,000
	December 7, 2017	November 30, 2027	0.97%	1,000,000
	December 7, 2017	November 30, 2027	0.94%	1,000,000
	December 7, 2017	November 30, 2027	0.87%	1,000,000
	December 7, 2017	November 30, 2027	0.90%	800,000
	December 7, 2017	November 30, 2027	0.87%	600,000
	December 28, 2017	December 28, 2025	0.74%	500,000
	December 28, 2017	December 28, 2026	0.88%	500,000
	December 28, 2017	December 28, 2027	0.86%	500,000
	March 12, 2018	March 31, 2028	0.91%	1,500,000
	March 26, 2018	March 31, 2027	0.81%	1,000,000
	March 26, 2018	March 31, 2028	0.90%	1,000,000
	July 31, 2018	July 31, 2028	0.99%	500,000
	August 20, 2018	August 31, 2025	0.70%	500,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	1,000,000
	August 20, 2018	August 31, 2028	1.00%	500,000
	August 20, 2018	August 31, 2028	0.97%	500,000
	August 31, 2018	August 31, 2025	0.70%	500,000
	August 31, 2018	August 31, 2025	0.72%	300,000
	August 31, 2018	August 31, 2028	1.01%	700,000
	October 31, 2018	October 31, 2028	1.01%	1,500,000
	October 31, 2018	October 31, 2028	0.91%	1,000,000
	October 31, 2018	October 31, 2028	1.01%	500,000
	March 28, 2019	March 31, 2029	0.84%	1,400,000
March 29, 2019	March 31, 2029	0.84%	2,950,000	
Subtotal				153,150,000
Investment corporation bonds	July 25, 2014	July 25, 2024	1.18%	¥ 2,000,000
	April 28, 2016	April 28, 2028	0.90%	1,000,000
	July 19, 2017	July 19, 2022	0.26%	1,000,000
	July 19, 2017	July 16, 2027	0.64%	2,000,000
	February 15, 2019	February 15, 2024	0.39%	2,000,000
Subtotal				8,000,000
Total				¥ 182,050,000

7. REDUCTION ENTRY

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

	As of October 31, 2019	As of April 30, 2019
	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, 2019	As of April 30, 2019
	In thousands of yen	
Maximum amount	¥ 6,000,000	¥ -
Drawn credit facility	-	-
Balance	¥ 6,000,000	¥ -

9. PER UNIT INFORMATION

	From May 1, 2019 to October 31, 2019	From November 1, 2018 to April 30, 2019
	Yen	
Net asset value per unit	¥ 535,054	¥ 535,437
Net income per unit	¥ 13,639	¥ 14,418
Weighted-average number of units (units)	428,510	428,510

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

10. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measures Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement that it currently distribute in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. The Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥5,844 million and ¥5,878 million for the fiscal periods ended October 31, 2019 and April 30, 2019, respectively. Therefore, such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.02% for the fiscal periods ended October 31, 2019 and April 30, 2019, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

	From May 1, 2019 to October 31, 2019	From November 1, 2018 to April 30, 2019
Statutory tax rate	31.51%	31.51%
Deductible cash distributions	(31.50)	(29.97)
Provision of reserve for reduction entry	-	(1.53)
Others	0.01	0.01
Effective tax rate	0.02%	0.02%

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

	As of October 31, 2019	As of April 30, 2019
	In thousands of yen	
Deferred tax assets		
Enterprise tax payable	¥ 32	¥ 30
Amortization of leasehold right	4,344	4,117
Deferred gains or losses on hedges	101,608	64,376
Subtotal	105,985	68,524
Valuation allowance	(105,952)	(68,493)
Total deferred tax assets	¥ 32	¥ 30

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.

12. RELATED-PARTY TRANSACTIONS

(1) Parent Company, Major Corporate Unitholders and Other

Twenty-ninth fiscal period (From May 1, 2019 to October 31, 2019) and Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019)
: Not applicable

(2) Affiliated Companies and Other

Twenty-ninth fiscal period (From May 1, 2019 to October 31, 2019) and Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019)
: Not applicable

(3) Fellow Subsidiary Companies and Other

Twenty-ninth fiscal period (From May 1, 2019 to October 31, 2019) and Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019)
: Not applicable

(4) Directors, Major Individual Unitholders and Other

Twenty-ninth fiscal period (From May 1, 2019 to October 31, 2019) and Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019)
: 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, 2019 to October 31, 2019 and from November 1, 2018 to April 30, 2019 consist of the following:

	From May 1, 2019 to October 31, 2019	From November 1, 2018 to April 30, 2019
In thousands of yen		
Rental and other operating revenues		
Rent revenue - real estate		
Rental revenues	¥11,216,006	¥10,984,209
Common area charges	1,760,026	1,809,977
Subtotal	12,976,033	12,794,187
Others:		
Parking space rental revenues	523,855	509,859
Utility charge reimbursement	1,190,161	1,030,420
Miscellaneous	269,454	261,426
Subtotal	1,983,471	1,801,706
Total rent revenue - real estate	¥14,959,504	¥14,595,893
Property-related expenses		
Expenses related to rent business		
Property management fees and facility management fees	¥1,392,326	¥1,382,522
Utilities	1,203,041	1,121,738
Taxes	1,280,309	1,224,581
Repairs and maintenance	409,464	403,049
Insurance	19,469	20,149
Trust fees	32,946	32,642
Others	334,688	326,404
Depreciation	2,419,923	2,369,390
Total expenses related to rent business	¥7,092,170	¥6,880,478
Gain on sale of real estate properties		
Revenue from sale of investment properties	¥ -	¥5,253,000
Cost of investment properties	-	4,652,797
Other sales expenses	-	34,915
Gain on sale of real estate properties	¥ -	¥565,286

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, 2019 and April 30, 2019 are as follows:

	As of October 31, 2019	As of April 30, 2019
	In thousands of yen	
Due within one year	¥ 2,797,748	¥ 2,210,585
Due after one year	9,191,310	6,719,211
Total	¥ 11,989,058	¥ 8,929,796

15. FINANCIAL INSTRUMENTS

Twenty-ninth fiscal period (from May 1, 2019 to October 31, 2019)

(A) Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

Loans payable and investment corporation bonds are used primarily for procuring funds necessary for the acquisition of properties and have a redemption date of a maximum of approximately 9 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(L) "Derivative Financial Instruments."

(3) Risk management for financial instruments

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

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

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

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

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

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

(B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of October 31, 2019 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	Carrying value	Estimated fair value	Difference
	In thousands of yen		
(1) Cash and deposits	¥ 14,019,313	¥ 14,019,313	¥ -
(2) Cash and deposits in trust	11,366,312	11,366,312	-
Subtotal	25,385,625	25,385,625	-
(1) Short-term loans payable	2,200,000	2,200,000	-
(2) Current portion of investment corporation bonds	-	-	-
(3) Current portion of long-term loans payable	21,600,000	21,661,969	61,969
(4) Investment corporation bonds	8,000,000	8,099,900	99,900
(5) Long-term loans payable	153,250,000	156,160,213	2,910,213
Subtotal	¥ 185,050,000	¥ 188,122,082	¥ 3,072,082
Derivative transactions(*)	(314,241)	(314,241)	-

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

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

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

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

Derivative Transactions

Please refer to Note 16 "DERIVATIVE TRANSACTIONS."

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

Classification	Carrying value (In thousands of yen)
Investment securities	¥ 1,131,953

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

*3 Redemption schedule for receivables

	Due within 1 year or less (In thousands of yen)
Cash and deposits	¥ 14,019,313
Cash and deposits in trust	11,366,312
Total	¥ 25,385,625

*4 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						
Short-term loans payable	¥ 2,200,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	1,000,000	-	4,000,000	3,000,000
Long-term loans payable	21,600,000	21,300,000	18,050,000	11,300,000	11,700,000	90,900,000
Total	¥ 23,800,000	¥ 21,300,000	¥ 19,050,000	¥ 11,300,000	¥ 15,700,000	¥ 93,900,000

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

(A) Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

(3) Risk management for financial instruments

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

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

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

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

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

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

(B) Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of April 30, 2019 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to *2 below).

	Carrying value	Estimated fair value	Difference
In thousands of yen			
(1) Cash and deposits	¥ 19,675,112	¥ 19,675,112	¥ -
(2) Cash and deposits in trust	10,959,133	10,959,133	-
Subtotal	30,634,246	30,634,246	-
(1) Short-term loans payable	4,200,000	4,200,000	-
(2) Current portion of investment corporation bonds	-	-	-
(3) Current portion of long-term loans payable	16,700,000	16,737,975	37,975
(4) Investment corporation bonds	8,000,000	8,096,200	96,200
(5) Long-term loans payable	153,150,000	155,121,843	1,971,843
Subtotal	¥ 182,050,000	¥ 184,156,018	¥ 2,106,018
Derivative transactions(*)	(184,329)	(184,329)	-

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

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

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

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

Derivative Transactions

Please refer to Note 16 "DERIVATIVE TRANSACTIONS."

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

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

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

*3 Redemption schedule for receivables

	Due within 1 year or less (In thousands of yen)
Cash and deposits	¥ 19,675,112
Cash and deposits in trust	10,959,133
Total	¥ 30,634,246

*4 Redemption schedule for loans payable and investment corporation bonds

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

16. DERIVATIVE TRANSACTIONS

The following summarizes the contracted amount and the fair value of interest-rate swap contracts as of October 31, 2019:

(1) Hedge accounting not applied

Not applicable

(2) Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen) 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	¥ 37,150,000	¥ 36,150,000	¥ (314,241)	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	82,550,000	65,450,000	*	
Total			¥ 119,700,000	¥ 101,600,000	¥ (341,241)	

(*)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, 2019:

(1) Hedge accounting not applied

Not applicable

(2) Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen) 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	¥ 28,250,000	¥ 28,250,000	¥ (184,329)	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term loans payable	88,750,000	74,050,000	*	
Total			¥ 117,000,000	¥ 102,300,000	¥ (184,329)	

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

17. INVESTMENT AND RENTAL PROPERTIES

Twenty-ninth fiscal period (from May 1, 2019 to October 31, 2019)

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

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

Carrying value (In thousands of yen)			Fair value
As of April 30, 2019	Net change	As of October 31, 2019	As of October 31, 2019 (In thousands of yen)
¥ 403,212,700	¥ 8,047,031	¥ 411,259,731	¥ 496,331,000

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

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

*3: Among changes in the amount of real estate for rental purposes that occurred during the fiscal period under review, principal increase/decrease factors were the acquisition of one property totaling ¥9,042,398 thousand and depreciation amounting to ¥2,419,923 thousand.

Income and loss in the fiscal period ended October 31, 2019 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."

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

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

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

Carrying value (In thousands of yen)			Fair value
As of October 31, 2018	Net change	As of April 30, 2019	As of April 30, 2019 (In thousands of yen)
¥ 409,004,701	¥ (5,792,000)	¥ 403,212,700	¥ 474,257,000

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

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

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

Income and loss in the fiscal period ended April 30, 2019 for real estate for rental purposes is listed in Note 13 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, AND GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY."

18. SEGMENT AND RELATED INFORMATION

Twenty-ninth fiscal period (from May 1, 2019 to October 31, 2019)

(A) Segment Information

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

(B) Related Information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

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

(A) Segment Information

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

(B) Related Information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

19. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

20. DISTRIBUTIONS

	Twenty-ninth fiscal period (From May 1, 2019 to October 31, 2019)	Twenty-eighth fiscal period (From November 1, 2018 to April 30, 2019)
	(Yen)	(Yen)
I. Retained earnings at the end of period	¥5,844,500,609	¥6,178,677,968
II. Total distributions	¥5,844,447,890	¥5,878,728,690
Distributions per unit	¥13,639	¥13,719
III. Voluntary reserve (provision)		
Provision of reserve for reduction entry	¥ -	¥299,949,278
IV. Retained earnings brought forward to the next period	¥52,719	¥ -
Method of calculating distribution amount	<p>In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation has decided to distribute ¥5,844,447,890, the maximum integral multiple amount of investment units issued and outstanding of 428,510 units, up to the amount of unappropriated retained earnings for the fiscal period under review.</p> <p>In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.</p>	<p>In accordance with the policy stipulated in Article 35 (1) of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation, and shall be up to the amount of its profits as the ceiling. Following this policy, the Investment Corporation has decided that, of the amount remaining after the provision of reserve for reduction entry as stipulated in Article 66-2 of the Act on Special Measures Concerning Taxation is deducted from unappropriated retained earnings, it shall distribute the outstanding ¥5,878,728,690 as profit distribution.</p> <p>In addition, the Investment Corporation decided not to distribute cash in excess of distributable profit, stipulated in Article 35 (2) of its Articles of Incorporation.</p>



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Independent Auditor's Report

The Board of Directors
Kenedix Office Investment Corporation

We have audited the accompanying financial statements of Kenedix Office Investment Corporation, which comprise the balance sheet as at October 31, 2019, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Office Investment Corporation as at October 31, 2019, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

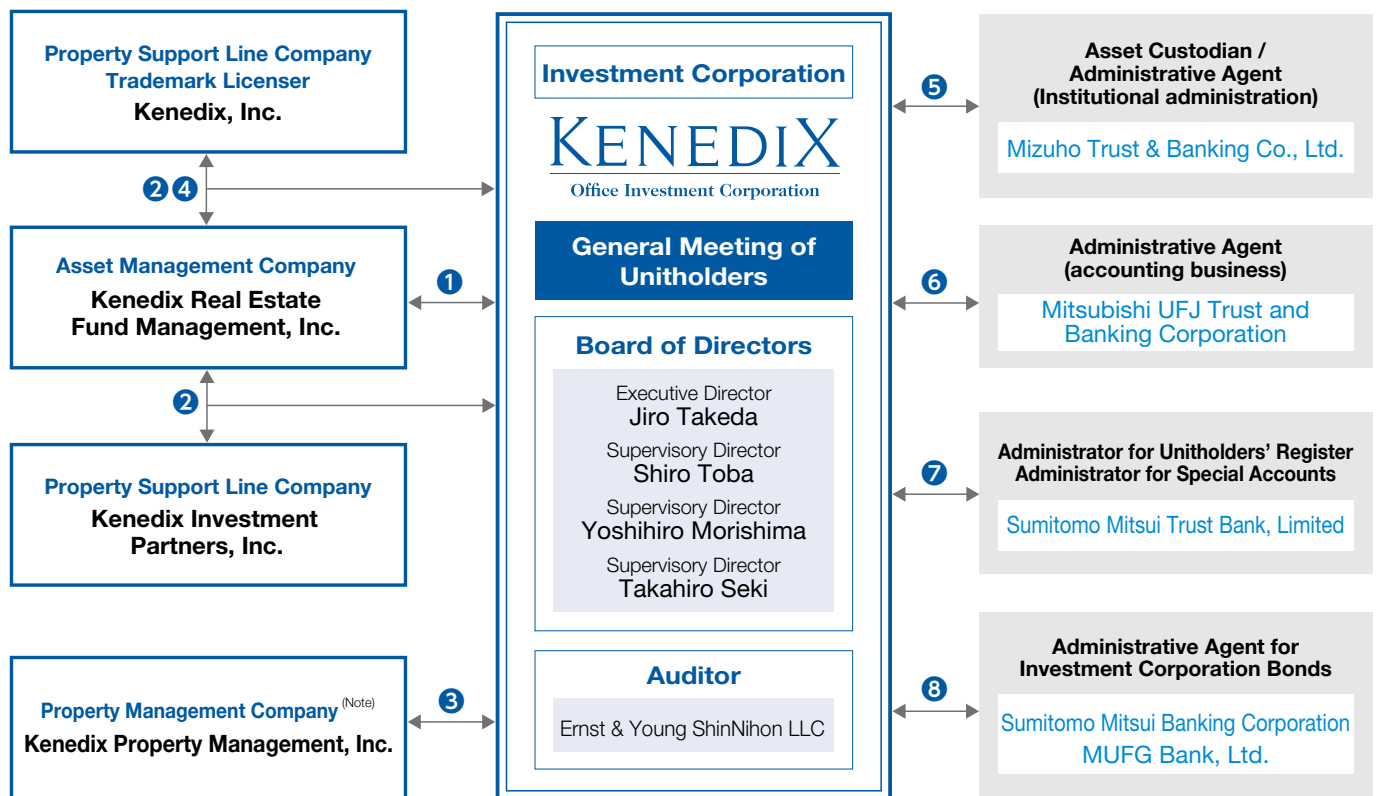
Ernst & Young ShinNihon LLC

January 29, 2020
Tokyo, Japan

Unitholders' Information

Outline of Kenedix Office Investment Corporation (as of October 31, 2019)

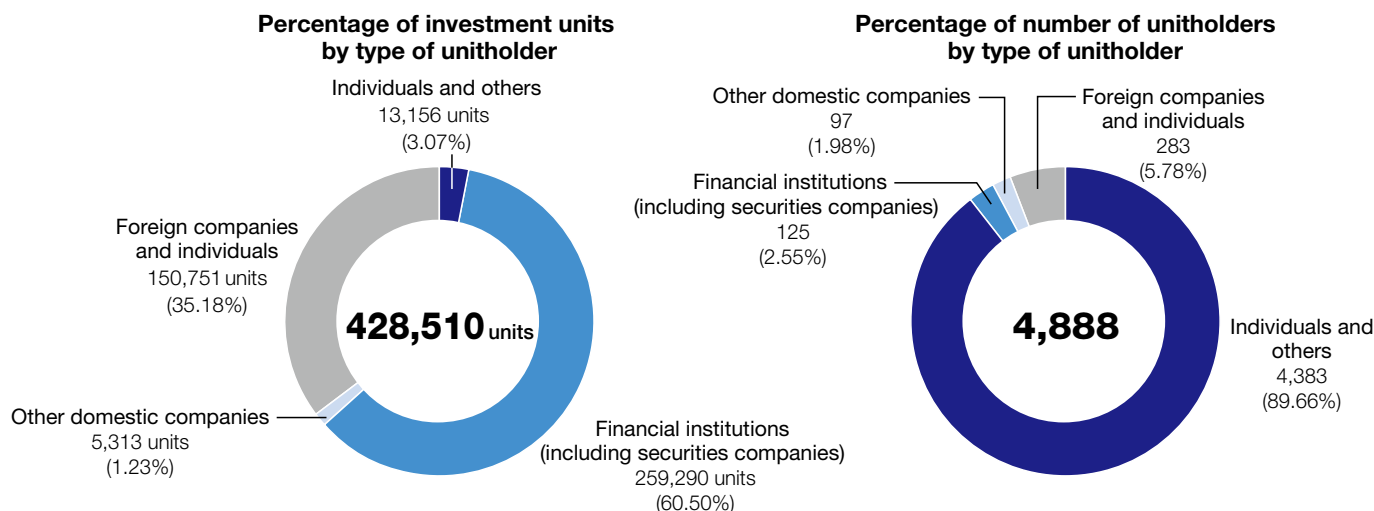
Structure of Investment Corporation



- ① Asset management agreement
- ② Memorandum of Understanding on providing real estate information
- ③ Property management agreement
- ④ Trademark licensing agreement
- ⑤ Asset custodian agreement / Administrative agency agreement (institutional administration)
- ⑥ Administrative agency agreement (accounting business)
- ⑦ Unitholder registry administrator agreement/ Special accounts administration agreement
- ⑧ Financial agency agreement

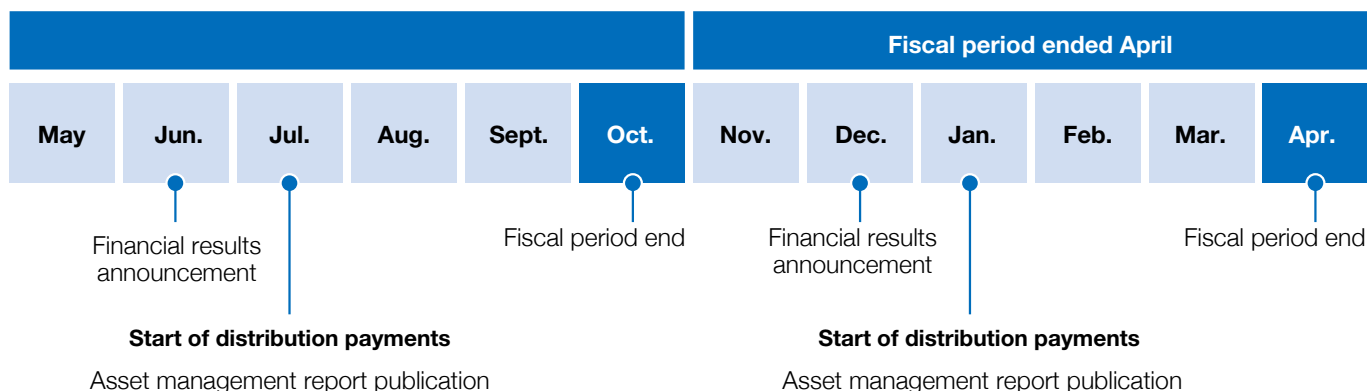
Note : Several properties are not under the property management of Kenedix Property Management, Inc.

Unitholder structure as of the end of 29th fiscal period (October 31, 2019)



Note: Ratios rounded down to the second decimal place.

● IR schedule



● Unitholder memorandum

Fiscal period ends	April 30 and October 31
General Meeting of Unitholders	In principal, at least once every two years
Unitholder fixed date for voting	Prescribed in Article 16 of the Articles of Incorporation
Distribution payment dates	Ends of April and October (within three months from payment fixed date)
Listing	Tokyo Stock Exchange (stock 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

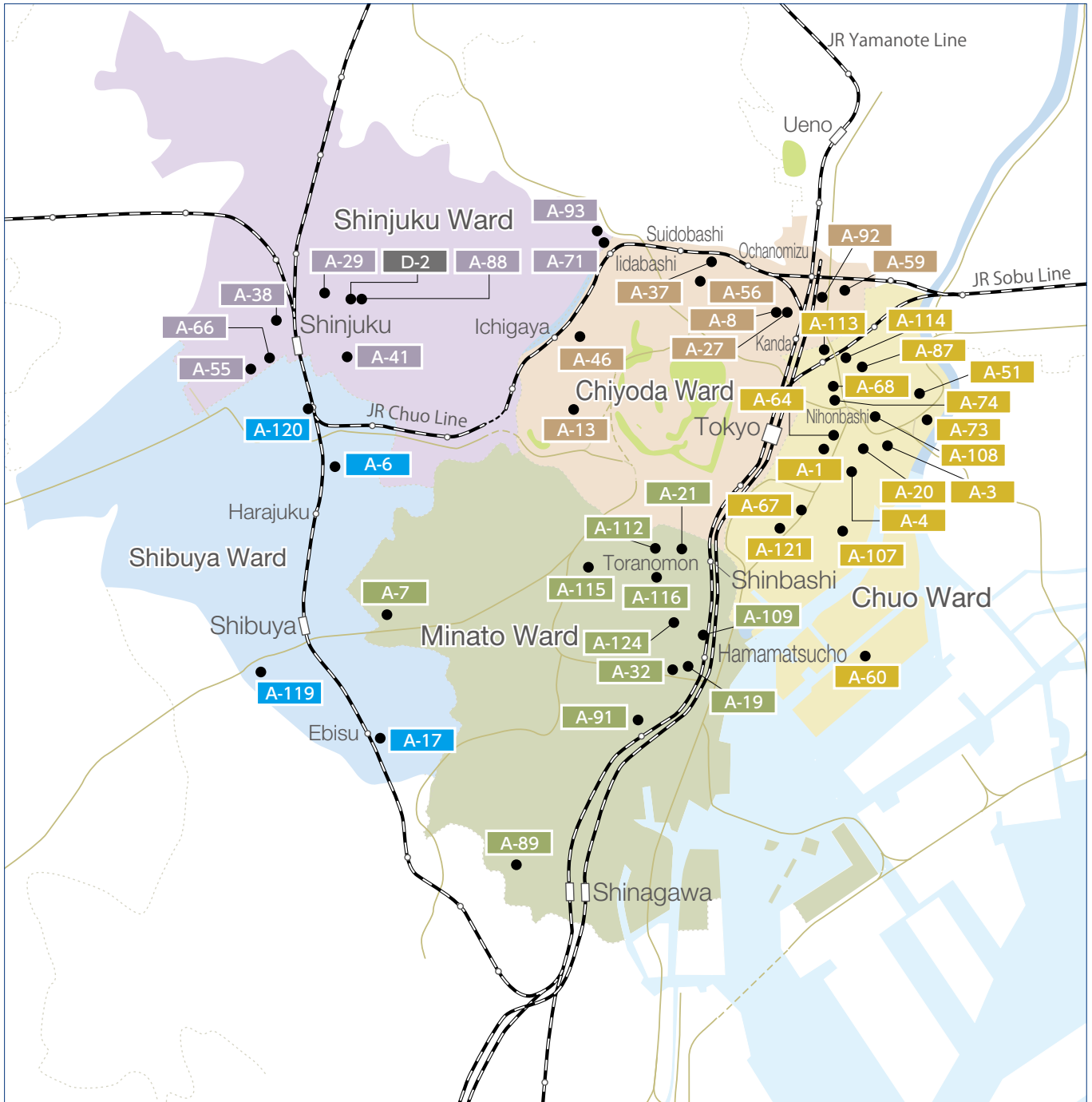
● Receipt of Distribution

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 dividends	Distributions can be paid by remittances to bank or ordinary postal savings accounts. If transfer designations or other procedures are preferred, you should, in principle, contact the brokerage with which you have an account. 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 KDO, you cannot receive distributions after three years have passed since distribution payments start, so please receive them as soon as possible.

Portfolio

Portfolio Map (as of October 31, 2019)

Tokyo metropolitan area (central 5 wards) **49** properties

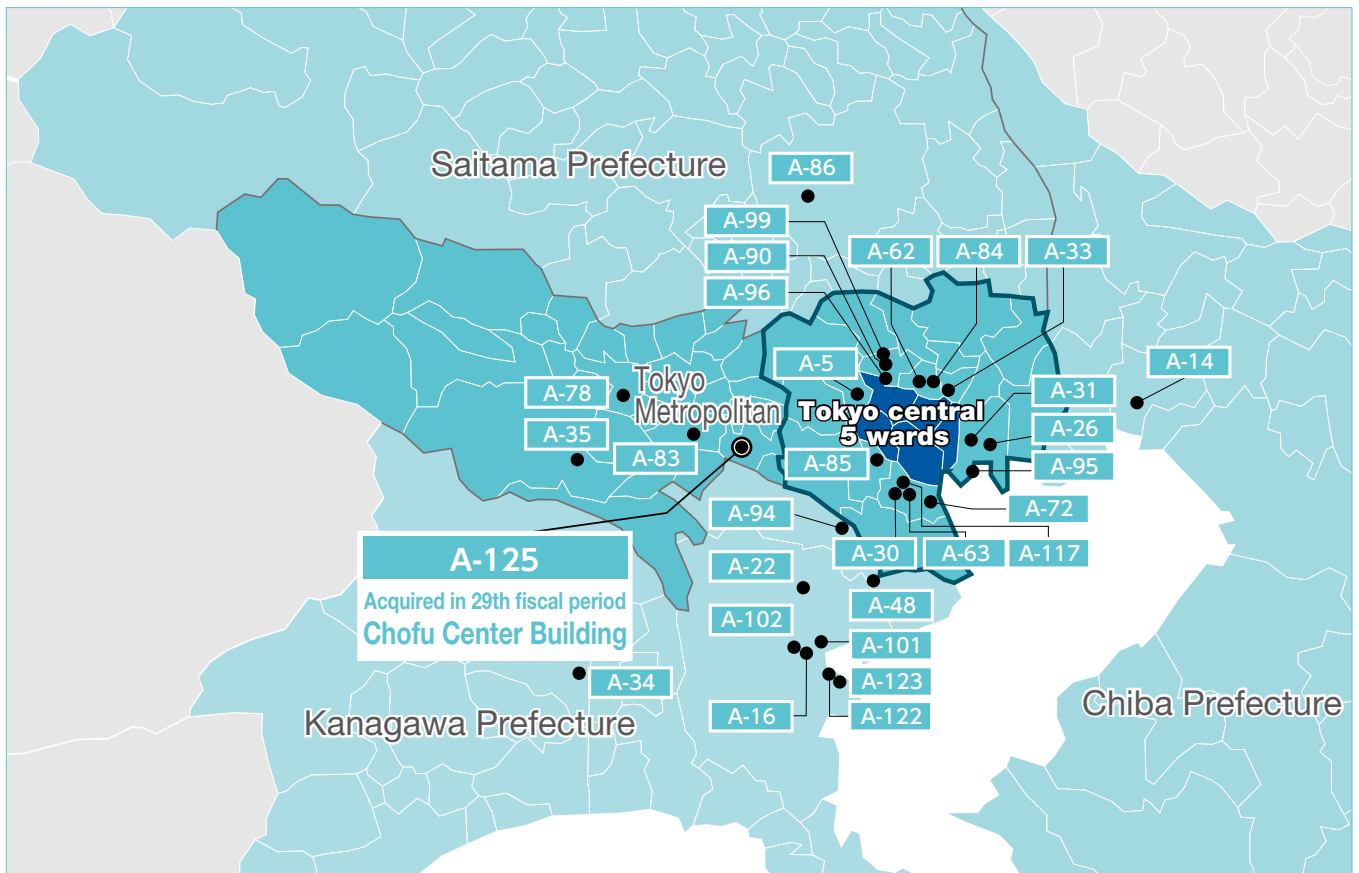




Portfolio Map (as of October 31, 2019)

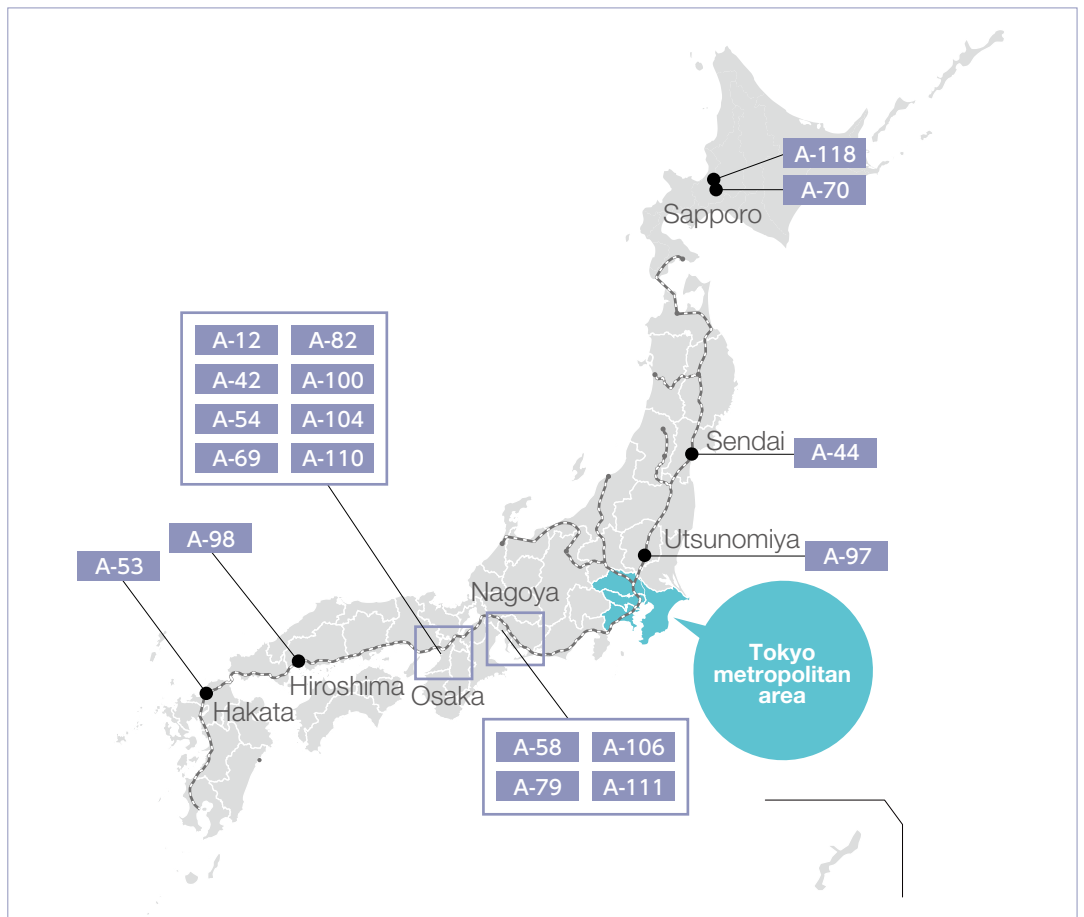
30 properties

Tokyo metropolitan area (excluding central 5 wards)



Other regional areas

18 properties





Portfolio

As of the end of 29th fiscal period (October 31, 2019)

Office Buildings (Tokyo Metropolitan Area (central 5 wards))

Type	Area	No.	Property Name	Location	Acquisition Price (mn yen) ^(Note 1)	Year Built ^(Note 2)	Occupancy Rate ^(Note 3)
Office Building	Tokyo Metropolitan Area (central 5 wards)	A-1	KDX Nihonbashi 313 Building	Chuo-ku, Tokyo	5,940	Apr. 1974	100.0%
		A-3	Higashi-Kayabacho Yuraku Building	Chuo-ku, Tokyo	4,450	Jan. 1987	100.0%
		A-4	KDX Hatchobori Building	Chuo-ku, Tokyo	3,680	Jun. 1993	100.0%
		A-20	KDX Kayabacho Building	Chuo-ku, Tokyo	2,780	Oct. 1987	100.0%
		A-51	KDX Hamacho Nakanohashi Building	Chuo-ku, Tokyo	2,310	Sep. 1988	100.0%
		A-60	KDX Harumi Building	Chuo-ku, Tokyo	10,250	Feb. 2008	100.0%
		A-64	KDX Nihonbashi 216 Building	Chuo-ku, Tokyo	2,010	Oct. 2006	100.0%
		A-67	KDX Ginza 1chome Building	Chuo-ku, Tokyo	4,300	Nov. 1991	100.0%
		A-68	KDX Nihonbashi Honcho Building	Chuo-ku, Tokyo	4,000	Jan. 1984	100.0%
		A-73	KDX Hakozaki Building	Chuo-ku, Tokyo	2,710	Nov. 1993	100.0%
		A-74	KDX Shin-Nihonbashi Building	Chuo-ku, Tokyo	2,300	Nov. 2002	100.0%
		A-87	Itopia Nihonbashi SA Building	Chuo-ku, Tokyo	2,200	Jul. 1995	100.0%
		A-107	KDX Ginza East Building	Chuo-ku, Tokyo	3,600	Aug. 1991	100.0%
		A-108	Pentel Building	Chuo-ku, Tokyo	3,350	Nov. 1990	100.0%
		A-113	KDX Shin-Nihonbashi Ekimae Building	Chuo-ku, Tokyo	3,829	May 1992	100.0%
		A-114	KDX Nihonbashi Edo-dori Building	Chuo-ku, Tokyo	1,350	Mar. 1985	100.0%
		A-121	Ginza 4chome Tower	Chuo-ku, Tokyo	9,800	Nov. 2008	98.2%
		A-7	KDX Minami Aoyama Building	Minato-ku, Tokyo	2,270	Nov. 1988	100.0%
		A-19	KDX Hamamatsucho Building	Minato-ku, Tokyo	3,460	Sep. 1999	100.0%
		A-21	KDX Shinbashi Building	Minato-ku, Tokyo	3,728	Feb. 1992	100.0%
		A-32	KDX Shiba-Daimon Building	Minato-ku, Tokyo	6,090	Jul. 1986	100.0%
		A-89	KDX Takanawadai Building	Minato-ku, Tokyo	5,250	Oct. 1985	100.0%
		A-91	KDX Mita Building	Minato-ku, Tokyo	3,180	Mar. 1993	100.0%
		A-109	KDX Hamamatsucho Center Building	Minato-ku, Tokyo	3,950	Dec. 1985	100.0%
		A-112	KDX Toranomom 1chome Building	Minato-ku, Tokyo	15,550	Oct. 2013	100.0%
		A-115	ARK Mori Building	Minato-ku, Tokyo	4,169	Mar. 1986	100.0%
		A-116	KDX Nishi-Shinbashi Building	Minato-ku, Tokyo	8,400	Aug. 1992	100.0%
		A-124	KDX Hamamatsucho Place	Minato-ku, Tokyo	20,700	Feb. 2015	100.0%
		A-8	KDX Kanda Kitaguchi Building	Chiyoda-ku, Tokyo	1,950	May 1993	100.0%
		A-13	KDX Kojimachi Building	Chiyoda-ku, Tokyo	5,950	May 1994	100.0%
		A-27	KDX Kajicho Building	Chiyoda-ku, Tokyo	2,350	Mar. 1990	100.0%
		A-37	KDX Ochanomizu Building	Chiyoda-ku, Tokyo	6,400	Aug. 1982	100.0%
		A-46	Hiei Kudan-Kita Building	Chiyoda-ku, Tokyo	7,600	Mar. 1988	100.0%
		A-56	KDX Jimbocho Building	Chiyoda-ku, Tokyo	2,760	May 1994	100.0%
		A-59	KDX Iwamoto-cho Building	Chiyoda-ku, Tokyo	1,864	Mar. 2008	100.0%
		A-92	KDX Akihabara Building	Chiyoda-ku, Tokyo	2,600	Dec. 1973	100.0%
		A-29	KDX Higashi-Shinjuku Building	Shinjuku-ku, Tokyo	2,950	Jan. 1990	100.0%
		A-38	KDX Nishi-Shinjuku Building	Shinjuku-ku, Tokyo	1,500	Oct. 1992	100.0%
		A-41	KDX Shinjuku 286 Building	Shinjuku-ku, Tokyo	2,300	Aug. 1989	100.0%
		A-55	Shin-toshin Maruzen Building	Shinjuku-ku, Tokyo	2,110	Jul. 1990	100.0%
		A-66	KDX Shinjuku Building	Shinjuku-ku, Tokyo	6,800	May 1993	100.0%
		A-71	KDX Iidabashi Building	Shinjuku-ku, Tokyo	4,670	Mar. 1990	100.0%
		A-88	KDX Shinjuku 6-chome Building	Shinjuku-ku, Tokyo	1,900	Mar. 1990	100.0%
		A-93	KDX Iidabashi Square	Shinjuku-ku, Tokyo	4,350	Jan. 1994	100.0%
		A-6	Harajuku F.F. Building	Shibuya-ku, Tokyo	2,450	Nov. 1985	100.0%
		A-17	KDX Ebisu Building	Shibuya-ku, Tokyo	4,640	Jan. 1992	100.0%
		A-119	KDX Shibuya Nanpeidai Building	Shibuya-ku, Tokyo	3,500	Dec. 2003	100.0%
		A-120	KDX Yoyogi Building	Shibuya-ku, Tokyo	2,479	Aug. 1991	100.0%
Office Buildings (Tokyo Metropolitan Area (central 5 wards)) Subtotal (48 properties)					216,730	—	99.9%

Office Buildings (Tokyo Metropolitan Area (excluding central 5 wards))

Type	Area	No.	Property Name	Location	Acquisition Price (mn yen) ^(Note 1)	Year Built ^(Note 2)	Occupancy Rate ^(Note 3)
Office Building	Tokyo Metropolitan Area (excluding central 5 wards)	A-5	KDX Nakano-Sakaue Building	Nakano-ku, Tokyo	2,533	Aug. 1992	98.2%
		A-14	KDX Funabashi Building	Funabashi, Chiba	2,252	Apr. 1989	100.0%
		A-16	Toshin 24 Building	Yokohama, Kanagawa	5,300	Sep. 1984	100.0%
		A-22	KDX Shin-Yokohama Building	Yokohama, Kanagawa	2,520	Sep. 1990	95.0%
		A-26	KDX Kiba Building	Koto-ku, Tokyo	1,580	Oct. 1992	100.0%
		A-30	KDX Nishi-Gotanda Building	Shinagawa-ku, Tokyo	4,200	Nov. 1992	100.0%
		A-31	KDX Monzen-Nakacho Building	Koto-ku, Tokyo	1,400	Sep. 1986	100.0%
		A-33	KDX Okachimachi Building	Taito-ku, Tokyo	2,000	Jun. 1988	100.0%
		A-34	KDX Hon-Atsugi Building	Atsugi, Kanagawa	1,305	May 1995	70.6%
		A-35	KDX Hachioji Building	Hachioji, Tokyo	1,155	Dec. 1985	100.0%
		A-48	KDX Kawasaki-Ekimae Hon-cho Building	Kawasaki, Kanagawa	3,760	Feb. 1985	100.0%
		A-62	Koishikawa TG Building	Bunkyo-ku, Tokyo	3,080	Nov. 1989	100.0%

Type	Area	No.	Property Name	Location	Acquisition Price (mn yen) ^(Note 1)	Year Built ^(Note 2)	Occupancy Rate ^(Note 3)
Office Building	Tokyo Metropolitan Area (excluding central 5 wards)	A-63	KDX Gotanda Building	Shinagawa-ku, Tokyo	2,620	Apr. 1988	100.0%
		A-72	KDX Higashi-Shinagawa Building	Shinagawa-ku, Tokyo	4,590	Jan. 1993	100.0%
		A-78	KDX Tachikawa Ekimae Building	Tachikawa, Tokyo	1,267	Feb. 1990	100.0%
		A-83	KDX Fuchu Building	Fuchu, Tokyo	6,120	Mar. 1996	100.0%
		A-84	KDX Kasuga Building	Bunkyo-ku, Tokyo	2,800	Jun. 1992	100.0%
		A-85	KDX Nakameguro Building	Meguro-ku, Tokyo	1,880	Oct. 1985	100.0%
		A-86	KDX Omiya Building	Saitama, Saitama	2,020	Apr. 1993	100.0%
		A-90	KDX Ikebukuro Building	Toshima-ku, Tokyo	3,900	Mar. 2009	100.0%
		A-94	KDX Musashi-Kosugi Building	Kawasaki, Kanagawa	12,000	May 2013	100.0%
		A-95	KDX Toyosu Grand Square	Koto-ku, Tokyo	8,666	Apr. 2008	100.0%
		A-96	KDX Takadanobaba Building	Toshima-ku, Tokyo	3,650	Oct. 1988	100.0%
		A-99	KDX Ikebukuro West Building	Toshima-ku, Tokyo	1,934	Jul. 1988	100.0%
		A-101	KDX Yokohama Building	Yokohama, Kanagawa	7,210	Mar. 1994	100.0%
		A-102	KDX Yokohama Nishiguchi Building	Yokohama, Kanagawa	2,750	Oct. 1988	100.0%
		A-117	BR Gotanda	Shinagawa-ku, Tokyo	2,200	Sep. 1991	100.0%
		A-122	Mitsubishijuko Yokohama Building	Yokohama, Kanagawa	14,720	Feb. 1994	100.0%
A-123	KDX Yokohama Kannai Building	Yokohama, Kanagawa	9,500	Sep. 2007	100.0%		
A-125	Chofu Center Building	Chofu, Tokyo	8,700	Jan. 1995	100.0%		
Office Buildings (Tokyo Metropolitan Area (excluding central 5 wards)) Subtotal (30 properties)					127,612	—	99.3%

Office Buildings (Other Regional Areas)

Type	Area	No.	Property Name	Location	Acquisition Price (mn yen) ^(Note 1)	Year Built ^(Note 2)	Occupancy Rate ^(Note 3)
Office Building	Other Regional Areas	A-12	Portus Center Building	Sakai, Osaka	5,570	Sep.1993	97.3%
		A-42	KDX Karasuma Building	Kyoto, Kyoto	5,400	Oct. 1982	100.0%
		A-44	KDX Sendai Building	Sendai, Miyagi	2,100	Feb. 1984	100.0%
		A-53	KDX Hakata-Minami Building	Fukuoka, Fukuoka	4,900	Jun. 1973	98.5%
		A-54	KDX Kitahama Building	Osaka, Osaka	2,220	Jul. 1994	100.0%
		A-58	KDX Nagoya Sakae Building	Nagoya, Aichi	7,550	Apr. 2009	100.0%
		A-69	KDX Kobayashi-Doshomachi Building	Osaka, Osaka	2,870	Jul. 2009	100.0%
		A-70	KDX Sapporo Building	Sapporo, Hokkaido	2,005	Oct. 1989	100.0%
		A-79	KDX Nagoya Ekimae Building	Nagoya, Aichi	7,327	Apr. 1986	100.0%
		A-82	KDX Higashi Umeda Building	Osaka, Osaka	2,770	Jul. 2009	100.0%
		A-97	KDX Utsunomiya Building	Utsunomiya, Tochigi	2,350	Feb.1999	100.0%
		A-98	KDX Hiroshima Building	Hiroshima, Hiroshima	1,300	Jan. 1990	96.6%
		A-100	Senri Life Science Center Building	Toyonaka, Osaka	13,000	Jun. 1992	99.0%
		A-104	KDX Minami-Honmachi Building	Osaka, Osaka	2,200	Dec. 2009	96.1%
		A-106	KDX Sakura-dori Building	Nagoya, Aichi	5,900	Aug.1992	100.0%
		A-110	KDX Shin-Osaka Building	Osaka, Osaka	4,550	May 1992	100.0%
A-111	KDX Nagoya Nichigin-mae Building	Nagoya, Aichi	3,500	Sep. 2006	100.0%		
A-118	KDX Sapporo Kitaguchi Building	Sapporo, Hokkaido	1,800	Sep. 1992	100.0%		
Office Buildings (Other Regional Areas) Subtotal (18 properties)					77,312	—	99.2%
Office Buildings Total (96 properties)					421,655	Avg. 23.9 years	99.5%

Others

Type	Area	No.	Property Name	Location	Acquisition Price (mn yen) ^(Note 1)	Year Built ^(Note 2)	Occupancy Rate ^(Note 3)
Others	Tokyo Metropolitan Area	D-2	Shinjuku 6chome Building (Land)	Shinjuku-ku, Tokyo	2,880	—	100.0%
Others Subtotal (1 property)					2,880	—	100.0%
Portfolio Total (97 properties)					424,535	Avg. 23.9 years	99.5%

Investment Security

Category	Investment Security Name	Underlying Asset Name	Underlying Asset Location	Investment Security Price (mn yen) ^(Note 1)	Underlying Asset Year Built
Investment Security	G.K. KRF 43 Silent Partnership Equity Interest ^(Note 4)	Shinjuku Sanei Building	Shinjuku-ku, Tokyo	1,107	Dec. 1979
Investment Security Total (1 security)				1,107	

Note 1: Acquisition price is only the acquisition (investment) price of real estate or trust beneficiary interests in real estate (excluding any expenses, taxes, etc.) acquired by KDO. Figures are truncated to the nearest million yen.

Note 2: Year built shows the completion date recorded in the real estate register. The average value shown in the subtotal or total section is a weighted-average number calculated based on acquisition price with a base date of October 31, 2019. Figures are truncated to the first decimal place.

Note 3: Occupancy rate is calculated by dividing leased area as of October 31, 2019 by leasable area and is rounded to the first decimal place. The subtotal and total lines show the figures calculated by dividing the subtotal (total) of the leased area for the property associated with each subtotal and total by the subtotal (total) of the leasable area. For the Pentel Building, this includes the leasable area associated with the land (land interest) specified in the lease agreement. For the Shinjuku 6chome Building (Land), the calculation is based on the leasable area of the land specified in the lease agreement.

Note 4: The said maps and photographs do not include investment securities owned by KDO.

KENEDIX

Office Investment Corporation

www.kdo-reit.com/en/

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The financial statements of KDO have been prepared in accordance with generally accepted accounting principles in Japan (Japanese GAAP), which may materially differ in certain respects from generally accepted accounting principles of other jurisdictions.

This semiannual report contains forward-looking statements. These statements appear in a number of places in this semiannual report and include statements regarding the intent, belief, or current and future expectations of KDO or KFM with respect to its business, financial condition, and results of operations. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance, or achievements, or those of the industries in which we operate, may differ materially from any future results, performance, or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates, and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Accordingly, readers of this document should not interpret the forward-looking statements included herein as predictions or representations of future events or circumstances.

Potential risks and uncertainties also include those identified and discussed in this document. Given these risks and uncertainties, readers of this document are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of information produced herein. We disclaim any obligation to update or, except in the limited circumstances required by the Tokyo Stock Exchange, announce publicly any revisions to any of the forward-looking statements contained in this document.