

# Financial Statements

(Second Fiscal Period: From November 1, 2005 to April 30, 2006)

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# Kenedix Realty Investment Corporation

## Report of Independent Auditors

To the Board of Directors and Unitholders of  
Kenedix Realty Investment Corporation

We have audited the accompanying balance sheets of Kenedix Realty Investment Corporation as of April 30, 2006 and October 31, 2005, and the related statements of income and retained earnings, and cash flows for the six-month periods ended April 30, 2006 and for the period from May 6, 2005 (inception date) to October 31, 2005, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Realty Investment Corporation at April 30, 2006 and October 31, 2005, and the results of its operations and its cash flows for the six-month periods ended April 30, 2006 and from the inception of the Company to October 31, 2005 in conformity with accounting principles generally accepted in Japan.

As described in Note 14, Subsequent Events, the Company issued new investments units and made bank borrowings.

*Ernest & Young Shin Nishimura*

July 20, 2006

**Kenedix Realty Investment Corporation**  
**BALANCE SHEETS**

As of April 30, 2006 and October 31, 2005

In thousands of yen

	As of April 30, 2006	As of October 31, 2005
<b>Assets</b>		
Current assets:		
Cash and bank deposits	¥ 7,843,092	¥ 5,175,750
Rental receivables	47,704	94,432
Consumption tax refundable	138,323	910,191
Other current assets	90,170	34,737
Total current assets	8,119,289	6,215,110
Property and equipment, at cost:		
Land	52,329,667	44,730,358
Buildings and structures	30,980,765	25,483,112
Machinery and equipment	442,540	373,723
Tools, furniture and fixtures	600,118	592,488
Less-accumulated depreciation	(918,354)	(268,161)
Net property and equipment	83,434,736	70,911,520
Other assets:		
Organization costs	40,717	45,807
Others	458,296	153,040
<b>Total assets</b>	¥ 92,053,038	¥ 77,325,477
<b>Liabilities and Unitholders' Equity</b>		
<b>Liabilities</b>		
Current liabilities:		
Trade and other payables	¥ 188,956	¥ 260,400
Short-term debt	11,500,000	10,000,000
Deposits received	4,463	71,142
Rents received in advance	529,895	380,244
Other current liabilities	16,574	1,515
Total current liabilities	12,239,888	10,713,301
Long-term debt	30,500,000	19,000,000
Leasehold and security deposits received	3,528,348	2,976,381
Others	397,786	108,541
<b>Total liabilities</b>	46,666,022	32,798,223
<b>Unitholders' equity</b>		
Unitholders' capital	44,285,003	44,285,003
Units Authorized: 2,000,000 units		
Units Issued and outstanding: 79,370 units		
Retained earnings	1,102,013	242,251
<b>Total unitholders' equity</b>	45,387,016	44,527,254
<b>Total liabilities and unitholders' equity</b>	¥ 92,053,038	¥ 77,325,477

**Kenedix Realty Investment Corporation**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS**

For the period from May 6, 2005 to October 31, 2005 and the period from November 1, 2005 to April 30, 2006

In thousands of yen

	From November 1, 2005 to April 30, 2006	From May 6, 2005 to October 31, 2005
<b>Operating Revenues:</b>		
Rental revenues	¥ 2,871,789	¥ 1,196,027
<b>Total operating revenues</b>	<b>2,871,789</b>	<b>1,196,027</b>
<b>Operating Expenses:</b>		
Property-related expenses	1,265,552	518,875
Asset management fees	150,114	56,239
Administrative service and custodian fees	37,777	12,381
Other operating expenses	74,363	18,671
<b>Total operating expenses</b>	<b>1,527,806</b>	<b>606,166</b>
<b>Operating income</b>	<b>1,343,983</b>	<b>589,861</b>
<b>Non-Operating Expenses:</b>		
Interest expense	164,607	57,741
Financing related expense	11,743	85,496
Amortization of organization costs	5,090	5,090
New unit issuance costs	55,119	66,675
Initial public offering related costs	-	124,978
Others, net	4,410	6,789
<b>Income before income taxes</b>	<b>1,103,014</b>	<b>243,092</b>
Income taxes	1,015	841
<b>Net income</b>	<b>1,101,999</b>	<b>242,251</b>
<b>Retained earnings at the beginning of period</b>	<b>14</b>	<b>-</b>
<b>Retained earnings at the end of period</b>	<b>¥ 1,102,013</b>	<b>¥ 242,251</b>

**Kenedix Realty Investment Corporation**  
**STATEMENTS OF CASH FLOWS**

For the period from May 6, 2005 to October 31, 2005 and the period from November 1, 2005 to April 30, 2006

	In thousands of yen	
	From November 1, 2005 to April 30, 2006	From May 6, 2005 to October 31, 2005
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	¥ 1,103,014	¥ 243,092
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	661,924	275,432
Interest expense	164,607	57,741
Changes in assets and liabilities:		
Rental receivables	46,728	(94,432)
Consumption tax refundable	771,868	(910,191)
Trade and other payables	(73,711)	260,400
Rents received in advance	149,650	380,244
Others, net	(137,274)	(51,157)
Subtotal	2,686,806	161,129
Cash payments of interest expense	(149,708)	(57,082)
Cash payments of income taxes	(855)	-
<b>Net cash provided by operating activities</b>	<b>2,536,243</b>	<b>104,047</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(13,173,409)	(71,179,681)
Proceeds from leasehold and security deposits received	772,228	3,008,243
Payments of leasehold and security deposits received	(220,261)	(31,862)
Payments of restricted bank deposits	(82,013)	(884,940)
Proceeds from restricted bank deposits	181,004	-
Others, net	(7,489)	(10,000)
<b>Net cash used in investing activities</b>	<b>(12,529,940)</b>	<b>(69,098,240)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term debt	1,500,000	10,000,000
Proceeds from long-term debt	11,500,000	19,000,000
Proceeds from issuance of units	-	44,285,003
Payment of dividends	(239,970)	-
<b>Net cash provided by financing activities</b>	<b>12,760,030</b>	<b>73,285,003</b>
<b>Net change in cash and cash equivalents</b>	<b>2,766,333</b>	<b>4,290,810</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>4,290,810</b>	<b>-</b>
<b>Cash and cash equivalents at the end of period</b>	<b>¥ 7,057,143</b>	<b>¥ 4,290,810</b>

# Kenedix Realty Investment Corporation

## Notes to Financial Statements

For the period from May 6, 2005 to October 31, 2005 and the period from November 1, 2005 to April 30, 2006

### 1. ORGANIZATION AND BASIS OF PRESENTATION

#### Organization

Kenedix Realty 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 ownership and operation of selected office buildings, residential and retail properties in Japan. The Investment Corporation was incorporated as an investment corporation under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. Pursuant to this law, the Investment Corporation is externally managed by a licensed asset management company, Kenedix REIT Management, Inc. ("Asset Management Company"), a wholly-owned subsidiary of Kenedix, Inc. ("Kenedix")

On May 6, 2005, the Investment Corporation was originally formed with ¥200 million of initial capital contributions from Kenedix, Inc., Asset Management Company and their executives and employees. On July 20, 2005, the Investment Corporation raised ¥41,869 million of equity capital through an initial public offering of 75,000 investment units and was listed on the J-REIT section of the Tokyo Stock Exchange on the following day.

On August 1, 2005, 29 properties with an aggregate purchase price of ¥61,083 million were acquired with additional debt proceeds of ¥23,000 million and substantial operations of the Investment Corporation were commenced from that date.

On August 16, 2005, the Investment Corporation completed third-party allotment of 3,970 investment units, generating an additional ¥2,216 million. Subsequent to that, the Investment Corporation acquired 2 additional properties in September, 2005. During the period ended April 30, 2006, the Investment Corporation acquired 4 additional properties by utilizing internal cash and bank borrowing.

At April 30, 2006, the Investment Corporation had total unitholders' capital of ¥44,285 million with 79,370 investment units outstanding. The Investment Corporation owned a portfolio of 35 properties with total acquisition costs of ¥81,435 million containing total leasable area of 104,869 m<sup>2</sup>. The occupancy ratio was approximately 94.9%. A portfolio of 35 properties consists of 15 office buildings, 18 residential properties and 2 retail properties. 30 properties are located in the Tokyo Metropolitan Area and 5 properties are located in Other Regional Areas.

#### Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Law of Japan, the Japanese Commercial Code, the Securities 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 from the application and disclosure requirements of International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements are 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 Securities and Exchange Law. In preparing the accompanying financial statements, relevant notes have been added and certain reclassifications have been made from 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 first fiscal period began on May 6, 2005 and ended on October 31, 2005. The Investment Corporation's fiscal period is a six-month period which ends at the end of April and October of each year, respectively. The Investment Corporation does not prepare consolidated financial statements because it has no subsidiaries.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) 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.

### (b) Property and Equipment

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

	From November 1, 2005 to April 30, 2006	From May 6, 2005 to October 31, 2005
Buildings and structures .....	2-46 years	2-46 years
Machinery and equipment .....	3-17 years	3-15 years
Tools, furniture and fixtures .....	3-15 years	3-15 years

### (c) Impairment of Fixed Assets

Beginning the fiscal period ended October 31, 2005, the Investment Corporation adopted "Accounting Standard for Impairment of Fixed Assets" ("Opinion on Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council in Japan on August 9, 2002) and "Implementation Guidance for the Accounting Standards for Impairments of Fixed Assets" ("Financial Accounting Guidance No. 6" issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard was applicable for all reporting periods beginning after April 1, 2005. The Investment Corporation has not recognized an impairment loss on any of the properties during the fiscal periods ended October 31, 2005 and April 30, 2006.

### (d) Organization Costs

Organization costs are amortized over a period of five years, comprised of ten fiscal periods, with an equal amount amortized in each fiscal period.

### (e) Unit Issuance Costs

Unit issuance costs are expensed as incurred. Underwriters' commissions in connection with the issuance of unitholders' equity are offset against proceeds raised since the "Spread Method" was used for the unit issuance. Under the Spread Method, securities underwriters underwrite the units at the issue price and offer them to investors at the offer price, which is different from the issue price. The difference between the offer price and the issue price represents the underwriting commission received by the securities underwriters, eliminating the need for the issuer to pay underwriting commissions. If securities underwriters had underwritten the units at the issue price and offered the units to investors at an offer price equal to the issue price (known as the "Conventional Method"), a commission would have been incurred and it would have been expensed as new unit issuance costs. Therefore, the Spread Method decreased new unit issuance costs by ¥1.631 billion and increased income before income taxes by the same amount compared to the Conventional Method for the period from May 6, 2005 through October 31, 2005.

### (f) 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 and through which the Investment Corporation holds all of its real property, all assets and liabilities within trust are recorded in the relevant balance sheet and income statement accounts.

### (g) Revenue Recognition

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

### (h) Taxes on Property and Equipment

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. Under the Japanese tax rule, the seller of the 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 reimbursed by the purchaser for these accrued property-related tax liabilities.

When the Investment Corporation purchase properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥32 million and ¥121 million as of April 30, 2006 and October 31, 2005. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period in which the installments of such taxes are paid to the relevant tax authorities.

### (i) 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.

### (j) Derivative Financial Instruments

The Investment Corporation utilizes interest-rate swap agreements 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 agreements because its interest-rate swap agreements met the criteria for deferral hedging accounting.

### (k) Rounding of Amounts Presented

Amounts have been truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan, whereas amounts have been rounded to the nearest million 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 consisted of the following as of April 30, 2006 and October 31, 2005:

	In thousands of yen	
	As of April 30, 2006	As of October 31, 2005
Cash and bank deposits .....	¥ 7,843,092	¥ 5,175,750
Restricted bank deposits held in trust .....	(785,949)	(884,940)
Cash and cash equivalents .....	¥ 7,057,143	¥ 4,290,810

Restricted bank deposits held in trust are retained for repayment of tenant leasehold and security deposits.



#### 4. SCHEDULE OF PROPERTY

	In millions of yen					
	As of April 30, 2006			As of October 31, 2005		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥ 52,330	¥ -	¥ 52,330	¥ 44,730	¥ -	¥ 44,730
Buildings and structures	30,981	847	30,134	25,483	246	25,237
Machinery and equipment	442	32	410	374	10	364
Tools, furniture and fixtures	600	39	561	592	12	580
<b>Total</b>	<b>¥ 84,353</b>	<b>¥ 918</b>	<b>¥ 83,435</b>	<b>¥ 71,179</b>	<b>¥ 268</b>	<b>¥ 70,911</b>

#### 5. SHORT-TERM AND LONG-TERM DEBTS

The following summarizes short-term and long term debt outstanding as of April 30, 2006 and October 31, 2005:

(As of April 30, 2006)

Classification	Drawdown Date	Repayment Date	Weighted-average interest rate	Balance (In millions of yen)
Unsecured short-term debt	August 1, 2005	July 31, 2006	0.40%	¥ 4,000
	September 21, 2005	September 20, 2006	0.35%	6,000
	November 1, 2005	October 31, 2006	0.35%	1,000
	March 1, 2006	February 28, 2007	0.36%	500
<b>Subtotal</b>				<b>11,500</b>
Unsecured long-term debt	August 1, 2005	July 31, 2008	0.87%	9,500
	August 1, 2005	July 31, 2010	1.29%	9,500
	November 1, 2005	October 31, 2007	0.77%	1,500
	November 1, 2005	October 31, 2008	1.09%	3,500
	December 8, 2005	December 7, 2008	1.10%	2,000
	March 1, 2006	February 28, 2009	1.45%	2,000
	March 16, 2006	March 16, 2009	1.48%	2,500
<b>Subtotal</b>				<b>30,500</b>
<b>Total</b>				<b>¥ 42,000</b>

(As of October 31, 2005)

Classification	Drawdown Date	Repayment Date	Weighted-average interest rate	Balance (In millions of yen)
Unsecured short-term debt	August 1, 2005	July 31, 2006	0.39%	¥ 4,000
	September 21, 2005	September 20, 2006	0.32%	6,000
<b>Subtotal</b>				<b>10,000</b>
Unsecured long-term debt	August 1, 2005	July 31, 2008	0.87%	9,500
	August 1, 2005	July 31, 2010	1.29%	9,500
<b>Subtotal</b>				<b>19,000</b>
<b>Total</b>				<b>¥ 29,000</b>

## 6. PER UNIT INFORMATION

The net asset value per unit as of April 30, 2006 and October 31, 2005 was ¥571,840 and ¥561,008. Net income per unit as of April 30, 2006 and October 31, 2005 was ¥13,884 and ¥5,303.

The weighted average number of units outstanding of 79,370 and 45,683 was used for the computation of the amount of net income per unit as of April 30, 2006 and October 31, 2005.

## 7. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 40%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measure Law of Japan. Under this law, the Investment Corporation must meet a number of tax requirements, including a requirement it currently distribute in excess of 90% of its taxable 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. Since the Investment Corporation distributed approximately 100% of its distributable income in the form of cash distributions totaling ¥1,102 million and ¥242 million for the periods ended April 30, 2006 and October 31, 2005. Such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.09% and 0.34% for the periods ended April 30, 2006 and October 31, 2005. The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	From November 1, 2005 to April 30, 2006	From May 6, 2005 to October 31, 2005
Statutory tax rate .....	39.39%	39.39%
Deductible cash distributions .....	(39.35)	(39.25)
Other .....	0.05	0.20
Effective tax rate .....	0.09%	0.34%

## 8. UNITHOLDERS' EQUITY

The Investment Corporation issues only non-par value units in accordance with the Investment Trust Law. 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 Law.

## 9. RELATED-PARTY TRANSACTIONS

### (a) Transactions with Kenedix Advisors Co., Ltd. ("Kenedix Advisors")

Kenedix Advisors, a wholly-owned subsidiary of Kenedix, provides the Investment Corporation with property management services and related services. For these services, the Investment Corporation pays Kenedix Advisors property management fees and other fees in accordance with the terms of its Property Management Agreements. Transactions with Kenedix Advisors are as follows:

	In thousands of yen	
	From November 1, 2005 to April 30, 2006	From May 6, 2005 to October 31, 2005
Property management fees .....	¥ 104,453	¥ 43,711
Management transfer fees .....	8,400	62,000
Construction management fees .....	16,306	2,334

(b) Transactions with Y.K. KDX1 (“KDX1”)

KDX1 is a wholly owned subsidiary of Kenedix, Inc.. On August 1, 2005 the Investment Corporation acquired 2 properties from KDX1 for ¥4,483 million. On November 1, 2005, the Investment Corporation acquired additional property from KDX1 for ¥5,950 million. The purchase price of these properties was determined based on an independently appraised value at the time of acquisition.

(c) Transactions with Kenedix, Inc.

Kenedix, Inc. provides the Investment Corporation with real estate brokerage services. For these services, the Investment Corporation pays Kenedix brokerage fees. Transactions with Kenedix are as follows:

	In thousands of yen	
	From November 1, 2005 to April 30, 2006	From May 6, 2005 to October 31, 2005
Brokerage fees .....	-	¥ 786,890

## 10. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES AND PROPERTY-RELATED EXPENSES

Rental and other operating revenues and property-related expenses for the periods from May 6, 2005 to October 31, 2005 and from November 1, 2005 to April 30, 2006 consist of the following:

	In thousands of yen	
	From November 1, 2005 to April 30, 2006	From May 6, 2005 to October 31, 2005
Rental and other operating revenues:		
Rental revenues .....	¥ 2,220,814	¥ 930,805
Common area charges .....	353,853	136,844
Subtotal .....	2,574,667	1,067,649
Others:		
Parking space rental revenues .....	86,129	30,728
Utility charge reimbursement .....	152,653	76,389
Miscellaneous .....	58,340	21,261
Subtotal .....	297,122	128,378
Total rental and other operating revenues .....	¥ 2,871,789	¥ 1,196,027
Property management fees and facility management fees .....	¥ 322,416	¥ 124,553
Depreciation .....	650,193	268,161
Utilities .....	146,890	68,784
Taxes .....	9,328	-
Insurance .....	8,621	2,603
Repairs and maintenance .....	55,117	21,807
Trust fees .....	21,337	9,322
Others .....	51,650	23,645
Total property-related expenses .....	¥ 1,265,552	¥ 518,875

## 11. LEASES

The Investment Corporation, as lessor, has entered into leases whose fixed monthly rents are due in advance with lease term of generally two years for office buildings and residential properties and with lease term ranging from two to ten years for retail properties. The future minimum rental revenues under existing non-cancelable operating leases as of April 30, 2006 and October 31, 2005 are as follows:

	In thousands of yen	
	As of April 30, 2006	As of October 31, 2005
Due within one year .....	¥ 811,080	¥ 973,916
Due after one year .....	3,273,632	3,864,685
Total .....	¥ 4,084,712	¥ 4,838,601

## 12. DERIVATIVES AND HEDGE ACCOUNTING

The Investment Corporation has entered into interest-rate swap agreements with several Japanese financial institutions to hedge its variable rate long-term debt obligations. The Investment Corporation utilizes interest-rate swap agreements, which are derivative financial instruments, only for the purpose of mitigating future risks of fluctuations of interest rates, but does not enter into such transactions for speculative or trading purposes. The Investment Corporation entered into such derivative transactions to hedge risk in accordance with its Articles of Incorporation and the established risk management policies of the Asset Management Company.

The following summarizes the notional amounts and the estimated fair value of the interested-related positions outstanding as of April 30, 2006:

(As of April 30, 2006)			
Type	Notional amount	Fair value	Unrealized gain
Interest-rate swap: Fixed rate payable and floating rate receivable	¥36,300 million	¥398 million	¥398 million

### 13. PROPERTY INFORMATION

Details of the property portfolio as of April 30, 2006 were as follows:

Type	Office Buildings		Residential Properties		Retail Properties
Location	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area
Number of properties	13	2	15	3	2
Property information (In millions of yen)					
Acquisition price	¥ 41,269	¥ 7,000	¥ 18,135	¥ 2,651	¥ 12,380
Percentage of total acquisition costs	50.7%	8.6%	22.3%	3.3%	15.2%
Net book value	42,018	7,127	18,708	2,827	12,756
Appraisal value at year end	42,422	7,080	18,438	2,660	13,500
Percentage of total appraisal value	50.4%	8.4%	21.9%	3.2%	16.1%
Financial results for the period ended April 30, 2006 (In thousands of yen)					
Rental and other operating revenues	¥ 1,374,031	¥ 398,814	¥ 613,346	¥ 92,236	¥ 393,362
Rental revenues	1,220,100	335,345	572,382	84,423	362,417
Other revenues	153,931	63,469	40,964	7,813	30,945
Property-related expenses	290,610	129,492	100,532	35,005	59,720
Property management fees	141,856	91,581	47,444	15,381	26,154
Taxes	-	2,498	872	5,958	-
Utilities	89,753	22,017	7,810	2,535	24,775
Repairs and maintenance	30,572	6,447	12,986	3,275	1,837
Insurance	2,905	3,269	1,399	646	402
Trust fees and other expenses	25,524	3,680	30,021	7,210	6,552
NOI (Net Operating Income)	1,083,421	269,322	512,814	57,231	333,642
Depreciation expenses	280,142	124,457	150,163	30,533	64,898
Operating income from property leasing activities	803,279	144,865	362,651	26,698	268,744
Capital expenditures	337,621	43,986	24,837	17,706	86,301
NCF (Net Cash Flow)	745,800	225,336	487,977	39,525	247,341

A breakdown of property-type as of April 30, 2006 was as follows:

Class of assets	Property type	Area	Balance at the end of period (In millions of yen)	Percentage of total assets
Property and equipment	Office Buildings	Tokyo Metropolitan Area	¥ 42,018	45.6
		Other Regional Areas	7,127	7.7
	Subtotal		49,145	53.3
	Residential Properties	Tokyo Metropolitan Area	18,708	20.3
		Other Regional Areas	2,827	3.1
	Subtotal		21,535	23.4
	Retail Properties	Tokyo Metropolitan Area	12,756	13.9
	Subtotal		12,756	13.9
Total			83,436	90.6
Bank deposits and other assets			8,617	9.4
Total assets			92,053	100.0
Total liabilities			46,666	50.7
Net assets			¥ 45,387	49.3

## 14. Subsequent Events

### 1. Issuance of New Investment Units

On April 3, 2006 and April 19, 2006, the Board of Directors of the Investment Corporation resolved to issue new investment units as follows. The payments were completed on May 1, 2006 and May 26, 2006, respectively. As a result of the issuance of additional investment units, the Investment Corporation had total unitholders' capital of ¥88,729,652,470, with 157,000 investment units outstanding as of May 26, 2006.

(1) Issuance of New Investment Units through Public Offering	
Total number of newly issued units:	73,660 units
Japanese Primary Offering:	50,370 units
International Offering:	23,290 units
Offer price per unit:	¥593,096
Total amount of offerings:	¥43,687,451,360
Issue price per unit:	¥572,519
Net proceeds:	¥42,171,749,540
Payment date:	May 1, 2006
Delivery date of investment unit certificates:	May 2, 2006
Starting date of the computation for cash distribution:	May 1, 2006
(2) Issuance of New Investment Units through Third-party Allotment	
Total number of newly issued units:	3,970 per unit
Issue price per unit:	¥572,519
Net proceeds:	¥2,272,900,430
Payment date:	May 26, 2006
Delivery date of investment unit certificates:	May 26, 2006
Starting date of the computation for cash distribution:	May 1, 2006

## 2. Debt Financing

On May 1, 2006, the Investment Corporation obtained debt financing as follows:

### (1) Series 7-A

Lenders:	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Amount Borrowed:	¥2,000 million
Interest Rate:	0.36909% floating rate of interest (Note)
Repayment Due Date:	April 30, 2007
Collateral:	Unsecured, unguaranteed

Note: The interest rate covers the period commencing May 1, 2006 through July 31, 2006. Thereafter, the interest rate shall be calculated based on the three-month yen TIBOR +0.23%.

### (2) Series 7-B

Lenders:	The Chuo Mitsui Trust and Banking Co., Limited Aozora Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Resona Bank, Ltd.
Amount Borrowed:	¥6,500 million
Interest Rate:	0.53909% floating rate of interest (Note)
Repayment Due Date:	April 30, 2009
Collateral:	Unsecured, unguaranteed

Note: The interest rate covers the period commencing May 1, 2006 through July 31, 2006. Thereafter, the interest rate shall be calculated based on the three-month yen TIBOR +0.40%. Interest on variable interest rate loans has been fixed at 1.62875% until April 30, 2009, through interest-rate swap transactions.

### (3) Series 7-C

Lenders:	Aozora Bank, Ltd. Mitsui Sumitomo Insurance Co., Ltd.
Amount Borrowed:	¥2,500 million
Interest Rate:	0.63909% floating rate of interest (Note) 2.19875% fixed rate of interest
Repayment Due Date:	April 30, 2011
Collateral:	Unsecured, unguaranteed

Note: The interest rate covers the period commencing May 1, 2006 through July 31, 2006. Thereafter, the interest rate shall be calculated based on the three-month yen TIBOR +0.50%. Interest on variable interest rate loans has been fixed at 2.19875% until April 30, 2011, through interest-rate swap transactions.

### (4) Series 7-D

Lender:	Development Bank of Japan
Amount Borrowed:	¥5,000 million
Interest Rate:	2.73125% fixed rate of interest
Repayment Due Date:	April 30, 2016
Collateral:	Unsecured, unguaranteed