

## Financial Section

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## Financial Summary (Unaudited)

Historical Operating Trends  
For the 15th–19th Fiscal Periods

Period	Unit	15th Period (as of Oct. 31, 2012)	16th Period (as of Apr. 30, 2013)	17th Period (as of Oct. 31, 2013)	18th Period (as of Apr. 30, 2014)	19th Period (as of Oct. 31, 2014)
Operating revenues	mn yen	10,212	9,867	9,819	10,895	12,928
(Rental revenues)	mn yen	9,617	9,306	9,501	10,330	11,295
Operating expenses	mn yen	5,696	5,465	5,578	6,611	7,899
(Property-related expenses)	mn yen	4,822	4,740	4,845	5,047	5,557
Operating income	mn yen	4,516	4,401	4,240	4,283	5,028
Ordinary income	mn yen	3,011	3,003	2,832	2,887	3,570
Net income (a)	mn yen	3,009	3,002	2,831	2,885	3,569
Total assets (b)	mn yen	306,734	308,172	316,753	355,167	388,169
(Period-on-period change)	%	(+1.1)	(+0.5)	(+2.8)	(+12.1)	(+9.3)
Interest-bearing debt (c)	mn yen	140,581	142,369	150,558	167,746	187,685
(Period-on-period change)	%	(+2.3)	(+1.3)	(+5.8)	(+11.4)	(+11.9)
Unitholders' equity (d)	mn yen	150,389	150,653	150,781	170,109	180,844
(Period-on-period change)	%	(+0.2)	(+0.2)	(+0.1)	(+12.8)	(+6.3)
Unitholders' capital	mn yen	147,153	147,153	147,153	166,261	176,632
(Period-on-period change)	%	(0.0)	(0.0)	(0.0)	(+13.0)	(+6.2)
Number of investment units issued and outstanding (e)	unit	286,550	286,550	286,550	332,540	355,010
Unitholders' equity per unit (d)/(e)	yen	524,828	525,747	526,195	511,546	509,407
Total distribution (f)	mn yen	2,738	2,703	2,665	3,205	3,571
Distribution per unit (f)/(e)	yen	9,557	9,434	9,302	9,638	10,060
(Earnings distributed per unit)	yen	9,557	9,434	9,302	9,638	10,060
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.0 (2.0)	1.0 (2.0)	0.9 (1.8)	0.9 (1.7)	1.0 (1.9)
Return on net assets (annualized) (Notes 2 and 3)	%	2.0 (4.0)	2.0 (4.0)	1.9 (3.7)	1.8 (3.6)	2.0 (4.0)
Net assets ratio at end of period (d)/(b)	%	49.0	48.9	47.6	47.9	46.6
(Period-on-period change)	%	(-0.5)	(-0.1)	(-1.3)	(+0.3)	(-1.3)
Interest-bearing debt ratio at end of period (c)/(b)	%	45.8	46.2	47.5	47.2	48.4
(Period-on-period change)	%	(+0.5)	(+0.4)	(+1.3)	(-0.3)	(+1.1)
Payout ratio (Note 4) (f)/(a)	%	90.9	90.0	94.1	111.0	100.0
<b>Other references</b>						
Number of properties	properties	84	83	85	89	94
Total leasable floor area	m <sup>2</sup>	351,153.72	347,853.97	358,517.31	386,659.01	437,233.24
Occupancy ratio at end of period	%	95.5	93.9	95.8	96.0	95.6
Depreciation expenses for the period	mn yen	1,621	1,662	1,696	1,826	2,022
Capital expenditures for the period	mn yen	904	772	894	711	550
Leasing NOI (Net Operating Income) (Note 5)	mn yen	6,416	6,228	6,352	7,109	7,760
FFO (Funds From Operation) (Note 6)	mn yen	4,187	4,202	4,293	5,031	7,116
FFO per unit (Note 7)	yen	14,612	14,664	14,984	15,130	20,045

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 15th Fiscal Period are calculated based on a period of 184 days, 181 days for the 16th Fiscal Period, 184 days for the 17th Fiscal Period, 181 days for the 18th Fiscal Period and 184 days for the 19th 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 – Rental expenses + Depreciation expenses for the period

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

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

8. Where applicable, figures are rounded down to the nearest million.



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## Independent Auditor's Report

The Board of Directors  
 Kenedix Office Investment Corporation

Pursuant to Article 130 of the Act on Investment Trusts and Investment Corporations, we have audited the accompanying financial statements of Kenedix Office Investment Corporation ("the Investment Corporation"), which comprise the balance sheet as of October 31, 2014, and the statement of income and retained earnings, statement of changes in net assets and notes to the financial statements for the six-month period then ended and a summary of significant accounting policies and other explanatory information.

### *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 of October 31, 2014, and its financial performance for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

December 15, 2014  
 Tokyo, Japan

## Balance Sheets

Kenedix Office Investment Corporation  
As of October 31, 2014 and April 30, 2014

	In thousands of yen	
	As of October 31, 2014	As of April 30, 2014
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits (Note 12)	¥ 16,469,910	¥ 18,055,433
Rental receivables	293,161	252,557
Consumption tax refundable	752,671	219,447
Other current assets (Note 7)	402,016	74,267
<b>Total current assets</b>	<b>17,917,758</b>	<b>18,601,704</b>
<b>Property and equipment, at cost: (Notes 3, 11 and 13)</b>		
Land	257,050,371	238,469,273
Buildings and structures (Note 5)	128,517,097	112,658,980
Machinery and equipment	1,959,350	1,973,320
Tools, furniture and fixtures	507,707	472,990
Construction in progress	—	1,785
Less-accumulated depreciation	(22,554,292)	(21,048,808)
<b>Net property and equipment</b>	<b>365,480,233</b>	<b>332,527,540</b>
<b>Other assets:</b>		
Ground leasehold (Notes 11 and 13)	354,783	355,557
Investment securities (Note 12)	2,679,139	2,006,886
Corporate bond issuance costs	44,639	31,328
Unit issuance costs	164,421	107,995
Other assets (Notes 11 and 13)	1,528,661	1,536,342
<b>Total assets</b>	<b>¥388,169,634</b>	<b>¥355,167,352</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade and other payables	¥ 1,000,282	¥ 978,541
Short-term debt and current portion of long-term debt (Notes 4 and 12)	46,035,000	42,246,500
Deposits received	15,695	29,071
Rents received in advance	1,868,868	1,792,248
Other current liabilities	133,808	164,039
<b>Total current liabilities</b>	<b>49,053,653</b>	<b>45,210,399</b>
Corporate bonds (Notes 4 and 12)	8,300,000	6,300,000
Long-term debt (Notes 4 and 12)	133,350,000	119,200,000
Leasehold and security deposits received	16,621,220	14,347,418
<b>Total liabilities</b>	<b>207,324,873</b>	<b>185,057,817</b>
<b>Net Assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	176,632,550	166,261,746
Units authorized: 2,000,000 units		
Units issued and outstanding: 355,010 and 332,540 units as of October 31, 2014 and April 30, 2014, respectively		
<b>Surplus</b>		
Voluntary retained earnings		
Reserve for reduction entry	642,566	961,750
Retained earnings	3,569,645	2,886,039
<b>Total surplus</b>	<b>4,212,211</b>	<b>3,847,789</b>
<b>Total unitholders' equity</b>	<b>180,844,761</b>	<b>170,109,535</b>
<b>Total net assets (Note 8)</b>	<b>180,844,761</b>	<b>170,109,535</b>
<b>Total liabilities and net assets</b>	<b>¥388,169,634</b>	<b>¥355,167,352</b>

See accompanying notes to the financial statements.

## Statements of Income and Retained Earnings

Kenedix Office Investment Corporation

For the six months period from May 1, 2014 to October 31, 2014 and November 1, 2013 to April 30, 2014

	In thousands of yen	
	From May 1, 2014 to October 31, 2014	From November 1, 2013 to April 30, 2014
<b>Operating revenues:</b>		
Rental revenues (Notes 10 and 11)	¥11,295,407	¥10,330,338
Gain on sale of real estate property (Note 10)	—	497,482
Dividends income	1,632,716	67,467
Total operating revenues	12,928,123	10,895,287
<b>Operating expenses:</b>		
Property-related expenses (Notes 10 and 11)	5,557,660	5,047,051
Loss on sale of real estate property (Note 10)	1,524,518	816,665
Asset management fees	643,211	564,461
Administrative service and custodian fees	72,536	69,161
Other operating expenses	101,500	114,550
Total operating expenses	7,899,425	6,611,888
<b>Operating income</b>	<b>5,028,698</b>	<b>4,283,399</b>
<b>Non-operating expenses:</b>		
Interest expense	1,115,016	1,039,564
Financing-related expenses	288,414	301,079
Amortization of unit issuance costs	37,204	40,502
Amortization of corporate bond issuance costs	4,888	4,323
Others, net	12,519	10,793
Total non-operating expenses	1,458,041	1,396,261
<b>Ordinary income</b>	<b>3,570,657</b>	<b>2,887,138</b>
Income before income taxes	3,570,657	2,887,138
Income taxes (Note 7)	1,215	1,266
<b>Net income</b>	<b>3,569,442</b>	<b>2,885,872</b>
Retained earnings at the beginning of period	203	167
<b>Retained earnings at the end of period</b>	<b>¥ 3,569,645</b>	<b>¥ 2,886,039</b>

See accompanying notes to the financial statements.

## Statements of Changes in Net Assets

Kenedix Office Investment Corporation

For the six months period from May 1, 2014 to October 31, 2014 and November 1, 2013 to April 30, 2014

	In thousands of yen					
	Unitholders' capital	Unitholders' equity			Total unitholders' equity	Total
		Voluntary retained earnings	Retained earnings	Total surplus		
<b>Balance as of October 31, 2013</b>	<b>¥147,153,820</b>	<b>¥795,928</b>	<b>¥2,831,477</b>	<b>¥3,627,405</b>	<b>¥150,781,225</b>	<b>¥150,781,225</b>
Changes during the fiscal period						
New unit issuance	19,107,926	—	—	—	19,107,926	19,107,926
Provision of reserve for reduction entry	—	165,822	(165,822)	—	—	—
Payments of dividends	—	—	(2,665,488)	(2,665,488)	(2,665,488)	(2,665,488)
Net income	—	—	2,885,872	2,885,872	2,885,872	2,885,872
Total changes during the fiscal period	19,107,926	165,822	54,562	220,384	19,328,310	19,328,310
<b>Balance as of April 30, 2014</b>	<b>¥166,261,746</b>	<b>¥961,750</b>	<b>¥2,886,039</b>	<b>¥3,847,789</b>	<b>¥170,109,535</b>	<b>¥170,109,535</b>
Changes during the fiscal period						
New unit issuance	10,370,804	—	—	—	10,370,804	10,370,804
Reversal of reserve for reduction entry	—	(319,184)	319,184	—	—	—
Payments of dividends	—	—	(3,205,020)	(3,205,020)	(3,205,020)	(3,205,020)
Net income	—	—	3,569,442	3,569,442	3,569,442	3,569,442
Total changes during the fiscal period	10,370,804	(319,184)	683,606	364,422	10,735,226	10,735,226
<b>Balance as of October 31, 2014</b>	<b>¥176,632,550</b>	<b>¥642,566</b>	<b>¥3,569,645</b>	<b>¥4,212,211</b>	<b>¥180,844,761</b>	<b>¥180,844,761</b>

See accompanying notes to the financial statements.

## Notes to Financial Statements

Kenedix Office Investment Corporation

For the six months period from May 1, 2014 to October 31, 2014 and November 1, 2013 to April 30, 2014

### 1. ORGANIZATION AND BASIS OF PRESENTATION

#### ORGANIZATION

Kenedix Office Investment Corporation (“the Investment Corporation”) was established on May 6, 2005 under the Act on Investment Trusts and Investment Corporations of Japan (“the Investment Trust Act”). 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 six public offerings and other means including global offerings. As a result, as of October 31, 2014, the end of the nineteenth fiscal period, the number of investment units issued and outstanding totaled 355,010 units.

The Investment Corporation is externally managed by Kenedix Real Estate Fund Management, Inc. (“the Asset Management Company”) as its asset management company. The Investment Corporation entrusts the Asset Management Company and in collaboration 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 the basic policy of conducting dynamic and flexible investment stance that seeks to respond to its environment and market trends, and endeavors to ensure a timely response to opportunities.

During the period ended October 31, 2014, the Investment Corporation acquired four office buildings (KDX Toyosu Grand Square: acquisition price of ¥8,666 million, Grace Building Takadanobaba: acquisition price of ¥3,650 million, Tosen Ikebukuro Building: acquisition price of ¥1,934 million, Urban Square Yokohama: acquisition price of ¥7,210 million) located in the Tokyo Metropolitan Area, three office buildings (Fumix STM Building: acquisition price of ¥2,350 million, Hiroshima Ekimae-dori Mark Building: acquisition price of ¥1,300 million, Senri Life Science Center Building: acquisition price of ¥13,000 million) located in Other Regional Areas, preferred equity securities (Toyonaka Property TMK: investment of ¥1,583 million) and sold KDX Minami Semba Dai-1 Building (initial acquisition price of ¥1,610 million) and Nissou Dai-17 Building (initial acquisition price of ¥2,710 million) (with a total disposition price of ¥2,600 million). As of October 31, 2014, the Investment Corporation had total unitholders’ capital of ¥176,633 million with 355,010 investment units outstanding. The balance of interest-bearing debt amounted to ¥187,685 million as of October 31, 2014, comprising ¥179,385 million in borrowings (¥163,485 million in long-term borrowings and ¥15,900 million in short-term borrowings) and ¥8,300 million in investment corporation bonds. The Investment Corporation owned a portfolio of 94 properties with a total acquisition price of ¥369,954 million containing a total leasable area of 437,233.24m<sup>2</sup> and 2 investment securities with a total acquisition price of ¥2,690 million. The occupancy ratio was approximately 95.6%. The portfolio of 94 properties consists of 88 office buildings, 2 residential properties, 3 central urban retail properties and 1 other property. 77 properties are located in the Tokyo Metropolitan Area and 17 properties are located in Other Regional Areas.

#### BASIS OF PRESENTATION

The Investment Corporation maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The financial statements are prepared in accordance with the Investment Trust Act.

The financial statements are basically a translation of the Japanese audited financial statements of the Investment Corporation. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a format which is familiar to readers outside Japan. Certain information in the business report and supplementary schedule has been omitted. Additional information has been added to the Japanese audited financial statements for the convenience of readers outside Japan and this includes disclosing the prior period’s comparatives as supplemental information in the English translated financial statements although the Japanese audited financial statements only need to disclose the current period’s information.

### 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 TK is adopted.

#### (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 May 1, 2014 to October 31, 2014	From November 1, 2013 to April 30, 2014
Buildings and structures	2-49 years	2-49 years
Machinery and equipment	3-17 years	3-17 years
Tools, furniture and fixtures	3-20 years	3-20 years

**(C) UNIT ISSUANCE COSTS**

Unit issuance costs are amortized over a period of 3 years under the straight-line method.

**(D) CORPORATE BOND ISSUANCE COSTS**

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

**(E) 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 within trust are recorded in the relevant balance sheets and statements of income and retained earnings.

**(F) GROUND LEASEHOLD**

Fixed term leasehold on a building and the special agreement on building sales, and the building are amortized over a contractual period of 48 years and 9 months under the straight-line method.

**(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 revenues and expenses 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. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to said period. 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 purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥87,637 thousand and ¥84,126 thousand as of October 31, 2014 and April 30, 2014, respectively. In subsequent calendar years, such property-related taxes are charged as operating expenses in the fiscal period to which the installments of such taxes correspond.

**(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) 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.

**(K) DERIVATIVE FINANCIAL INSTRUMENTS**

The Investment Corporation utilizes interest-rate swap and interest-rate cap contracts as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. The Investment Corporation deferred recognition of gains or losses resulting from changes in fair value of interest-rate swap and interest-rate cap contracts because these contracts met the criteria for deferral hedging accounting. However, the Investment Corporation adopted the special treatment for interest-rate swap and interest-rate cap contracts if they met the criteria for hedging accounting under this treatment, whereby the net amount to be paid or received under the interest-rate swap or interest-rate cap contract is added to or deducted from the interest on the assets or liabilities for which the swap or cap contract was executed. The hedge effectiveness for interest-rate swap and interest-rate cap contracts is assessed each fiscal period except for those that meet the criteria of special treatment.

**(L) 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. SCHEDULE OF PROPERTY AND EQUIPMENT

	In millions of yen					
	As of October 31, 2014			As of April 30, 2014		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥257,050	¥ —	¥257,050	¥238,469	¥ —	¥238,469
Buildings and structures	128,517	21,473	107,044	112,659	20,012	92,647
Machinery and equipment	1,959	820	1,139	1,973	787	1,186
Tools, furniture and fixtures	508	261	247	473	249	224
Construction in progress	—	—	—	2	—	2
Total	¥388,034	¥22,554	¥365,480	¥353,576	¥21,048	¥332,528

### 4. SHORT-TERM DEBT, LONG-TERM DEBT AND CORPORATE BONDS

The following summarizes short-term debt, long-term debt and corporate bonds outstanding as of October 31, 2014:

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	May 30, 2014	May 29, 2015	0.55%	¥ 500
	July 31, 2014	July 31, 2015	0.50%	1,000
	October 15, 2014	October 15, 2015	0.55%	8,000
	October 29, 2014	October 29, 2015	0.54%	3,000
	October 29, 2014	October 29, 2015	0.54%	2,000
	October 29, 2014	October 29, 2015	0.54%	1,400
	Subtotal			
Current portion of long-term debt	January 29, 2010	January 30, 2015	2.17%	¥ 960
	January 31, 2012	January 30, 2015	1.19%	1,500
	February 18, 2010	February 18, 2015	2.19%	1,725
	February 18, 2010	February 18, 2015	2.19%	1,275
	February 18, 2010	February 18, 2015	2.19%	750
	February 18, 2010	February 18, 2015	2.19%	375
	August 31, 2011	February 27, 2015	0.96%	1,500
	March 12, 2012	March 12, 2015	1.08%	1,000
	September 30, 2011	March 31, 2015	1.29%	2,500
	April 2, 2010	April 2, 2015	2.22%	1,550
	October 31, 2012	April 30, 2015	1.01%	2,500
	February 28, 2011	August 31, 2015	1.91%	3,000
	March 30, 2012	September 30, 2015	1.21%	2,000
	April 27, 2012	October 30, 2015	1.27%	1,000
	April 28, 2011	October 31, 2015	1.86%	1,500
	December 26, 2011	October 31, 2015	1.34%	2,500
December 26, 2011	October 31, 2015	1.32%	2,500	
December 26, 2011	October 31, 2015	1.34%	2,000	
Subtotal				30,135
Long-term debt	May 1, 2006	April 30, 2016	2.73%	¥ 5,000
	November 12, 2010	November 12, 2015	1.79%	1,200
	November 12, 2010	November 12, 2015	1.79%	800
	November 12, 2010	November 12, 2017	2.02%	2,300
	December 1, 2010	November 12, 2015	1.41%	800
	December 1, 2010	November 12, 2015	1.41%	200
	December 1, 2010	November 12, 2017	2.21%	700
	January 31, 2011	January 29, 2016	1.94%	800
	February 28, 2011	January 29, 2016	1.95%	500
	March 31, 2011	January 29, 2016	1.91%	2,000
	March 31, 2011	March 31, 2016	1.26%	1,000
	April 28, 2011	January 29, 2016	1.89%	1,000
	December 26, 2011	October 31, 2016	1.44%	2,500
	December 26, 2011	October 31, 2016	1.42%	2,500
	December 26, 2011	October 31, 2016	1.44%	2,000
	January 10, 2012	January 29, 2016	1.27%	2,500
	March 28, 2012	March 28, 2017	1.36%	500
	March 28, 2012	March 28, 2019	1.77%	1,400

Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	March 28, 2012	March 28, 2019	1.77%	¥ 1,000
	June 29, 2012	June 30, 2017	1.29%	1,500
	September 21, 2012	September 21, 2017	1.16%	5,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	September 21, 2012	September 21, 2017	1.16%	1,000
	October 31, 2012	October 31, 2016	1.06%	2,500
	October 31, 2012	October 31, 2016	1.05%	1,500
	October 31, 2012	October 31, 2017	1.10%	2,500
	October 31, 2012	October 31, 2018	1.25%	2,500
	December 10, 2012	December 12, 2016	0.98%	500
	December 28, 2012	December 28, 2016	1.01%	2,000
	December 28, 2012	December 28, 2017	1.09%	500
	December 28, 2012	December 29, 2017	1.09%	500
	January 15, 2013	January 15, 2017	0.97%	1,000
	February 18, 2013	February 18, 2016	0.84%	1,500
	March 26, 2013	March 26, 2018	1.04%	1,000
	March 26, 2013	March 26, 2018	1.04%	1,000
	April 30, 2013	April 30, 2016	0.71%	1,000
	July 31, 2013	July 29, 2016	0.61%	1,500
	July 31, 2013	July 31, 2018	0.71%	500
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	1,000
	August 19, 2013	August 19, 2018	0.95%	500
	August 19, 2013	August 19, 2018	0.97%	500
	August 19, 2013	August 19, 2018	0.95%	500
	August 30, 2013	August 31, 2018	1.08%	700
	August 30, 2013	August 31, 2018	1.08%	500
	August 30, 2013	August 31, 2018	1.08%	300
	August 30, 2013	August 31, 2020	1.42%	1,500
	September 30, 2013	September 30, 2019	1.06%	1,800
	September 30, 2013	September 30, 2019	1.06%	900
	October 31, 2013	October 31, 2018	0.89%	500
	November 12, 2013	November 12, 2018	0.82%	1,000
	November 12, 2013	November 12, 2020	1.07%	2,000
	November 12, 2013	November 12, 2020	1.07%	500
	November 29, 2013	November 30, 2018	0.84%	200
	November 29, 2013	November 30, 2020	1.12%	1,000
	November 29, 2013	November 30, 2020	1.12%	900
	January 10, 2014	January 31, 2021	1.21%	1,300
	January 31, 2014	January 31, 2017	0.67%	1,200
	January 31, 2014	January 31, 2020	0.93%	3,700
	January 31, 2014	January 31, 2021	1.13%	2,300
	March 12, 2014	March 12, 2018	0.75%	2,250
	March 12, 2014	March 31, 2019	0.78%	450
	March 12, 2014	March 12, 2020	0.92%	1,800
	March 12, 2014	March 12, 2023	1.36%	1,800
	March 20, 2014	March 12, 2020	0.91%	3,000
	March 20, 2014	September 20, 2021	1.01%	4,000
	March 20, 2014	March 20, 2022	1.20%	3,000
	March 20, 2014	March 12, 2023	1.35%	2,000
	March 31, 2014	March 31, 2019	0.76%	2,500
	April 22, 2014	October 31, 2020	0.95%	2,900
July 10, 2014	July 10, 2019	0.64%	500	
July 10, 2014	July 10, 2021	0.90%	2,000	
July 10, 2014	July 10, 2021	0.90%	500	
July 14, 2014	July 31, 2019	0.68%	1,000	
July 31, 2014	July 31, 2019	0.62%	1,000	
July 31, 2014	July 31, 2020	0.74%	2,700	
July 31, 2014	October 31, 2020	0.76%	300	
July 31, 2014	July 31, 2022	1.01%	2,200	
August 29, 2014	July 31, 2019	0.65%	1,000	
September 1, 2014	August 31, 2021	0.89%	800	



Classification	Drawdown date	Last repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	September 1, 2014	August 31, 2021	0.89%	¥ 500
	September 3, 2014	August 31, 2022	0.98%	1,000
	September 3, 2014	August 31, 2022	0.98%	950
	September 22, 2014	September 30, 2020	0.80%	2,700
	September 30, 2014	September 30, 2021	0.89%	1,000
	October 31, 2014	October 31, 2021	0.80%	3,000
	October 31, 2014	October 31, 2023	1.07%	2,000
	October 31, 2014	October 31, 2023	1.13%	1,500
	October 31, 2014	October 31, 2023	1.07%	1,000
	October 31, 2014	October 31, 2024	1.26%	2,000
	October 31, 2014	October 31, 2024	1.26%	1,000
Subtotal				133,350
Corporate bonds	March 15, 2007	March 15, 2017	2.37%	¥ 3,000
	March 8, 2012	September 8, 2017	2.00%	1,500
	September 12, 2013	September 12, 2018	1.00%	1,800
	July 25, 2014	July 25, 2024	1.18%	2,000
Subtotal				8,300
Total				¥187,685

## 5. REDUCTION ENTRY

The amount of reduction entry of property and equipment acquired by government subsidy

	In thousands of yen	
	As of October 31, 2014	As of April 30, 2014
Buildings and structures	¥26,230	¥26,230

## 6. PER UNIT INFORMATION

	Yen	
	From May 1, 2014 to October 31, 2014	From November 1, 2013 to April 30, 2014
Net asset value per unit	¥509,408	¥511,546
Net income per unit	¥ 10,150	¥ 8,767
Weighted average number of units (units)	351,672	329,164

The weighted average number of units outstanding of 351,672 and 329,164 as of October 31, 2014 and April 30, 2014 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.

## 7. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 34%. 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 distributes in excess of 90% of its distributable profits as defined in the Special Taxation Measures Law of Japan 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 in excess of 90% of its distributable profit in the form of cash distributions totaling ¥3,571 million (adding ¥2 million as the reversal of reserve for reduction entry) and ¥3,205 million (adding ¥319 million as the reversal of reserve for reduction entry) for the periods ended October 31, 2014 and April 30, 2014, such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.03% and 0.04% for the periods ended October 31, 2014 and April 30, 2014. The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	As of October 31, 2014	As of April 30, 2014
Statutory tax rate	34.16%	36.59%
Deductible cash distributions	(34.17)	(40.62)
Others	0.04	4.07
Effective tax rate	0.03%	0.04%

The significant components of deferred tax assets and liabilities as of October 31, 2014 and April 30, 2014 were as follows:

	In thousands of yen	
	As of October 31, 2014	As of April 30, 2014
Deferred tax assets:		
Enterprise tax payable	¥ 30	¥ 34
Amortization of leasehold rights	2,071	1,808
Subtotal deferred tax assets	2,101	1,842
Valuation allowance	2,071	1,808
Total deferred tax assets	¥ 30	¥ 34

Tax rate changes after the nineteenth fiscal period

With the Local Corporation Tax Act (Act No. 11 of 2014) and the Act for Partial Amendment to Local Tax Law, Etc. (Act No. 4 of 2014) promulgated on March 31, 2014, the local corporation tax has been established and part of the special local corporation tax has been restored to corporate enterprise tax, becoming effective fiscal years starting on October 1, 2014 and after. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities concerning temporary differences, etc. expected to be resolved in accounting periods starting on October 1, 2014 and after will be changed to 34.15%. The effect of the announced tax rate changes is immaterial.

## 8. 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.

## 9. RELATED-PARTY TRANSACTIONS

### TRANSACTIONS WITH KENEDIX REAL ESTATE FUND MANAGEMENT, INC.

Kenedix Real Estate Fund Management, Inc., a consolidated subsidiary of Kenedix, Inc., provides the Investment Corporation with property management services and related services. For these services, the Investment Corporation pays Kenedix Real Estate Fund Management, Inc. property management fees in accordance with the terms of its Property Management Agreements. For these services, the Investment Corporation paid ¥254 million to Kenedix Real Estate Fund Management, Inc. The Investment Corporation had been entrusting all the Property Management Services to Kenedix Property Management, Inc. since September 1, 2014 for all its owned properties, except KDX Toyosu Grand Square, for which Kenedix Property Management, Inc. already conducts the property management services, and the Shinjuku 6-chome Building (Land).

### TRANSACTIONS WITH OTHER RELATED-PARTIES

Kenedix Property Management, Inc., a consolidated subsidiary of Kenedix, Inc., provides the Investment Corporation with property management services and related services. For these services, the Investment Corporation pays Kenedix Property Management, Inc. property management fees in accordance with the terms of its Property Management Agreements. For these services, the Investment Corporation paid ¥163 million to Kenedix Property Management, Inc.

The Investment Corporation acquired trust beneficiary interests in real estate from GK KRF 50 and YK KDX 6 with the acquisition prices of ¥8,667 million and ¥6,000 million, respectively. The acquisition prices were determined based on the related-parties' transaction rules.

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

Rental and other operating revenues, property-related expenses, gain and loss on sale of real estate property for the six months periods from May 1, 2014 to October 31, 2014 and November 1, 2013 to April 30, 2014 consist of the following:

	In thousands of yen	
	From May 1, 2014 to October 31, 2014	From November 1, 2013 to April 30, 2014
Rental and other operating revenues:		
Rental revenues	¥ 8,101,029	¥ 7,380,878
Common area charges	1,698,433	1,695,193
Subtotal	9,799,462	9,076,071
Others:		
Parking space rental revenues	350,221	326,300
Utility charge reimbursement	976,931	804,404
Miscellaneous	168,793	123,563
Subtotal	1,495,945	1,254,267
Total rental and other operating revenues	11,295,407	10,330,338

	In thousands of yen	
	From May 1, 2014 to October 31, 2014	From November 1, 2013 to April 30, 2014
<b>Property-related expenses:</b>		
Property management fees and facility management fees	¥ 1,074,236	¥ 1,016,938
Depreciation	2,022,380	1,826,542
Utilities	1,103,867	916,744
Taxes	916,289	847,466
Insurance	15,841	14,825
Repairs and maintenance	174,512	193,972
Trust fees	45,445	45,142
Others	205,090	185,422
<b>Total property-related expenses</b>	<b>5,557,660</b>	<b>5,047,051</b>

**Gain on sale of real estate property:**

Revenue from sale of investment property	—	2,929,105
Cost of investment property	—	2,405,839
Other sales expenses	—	25,784
<b>Gain on sale of real estate property</b>	<b>—</b>	<b>497,482</b>

**Loss on sale of real estate property:**

Revenue from sale of investment property	2,600,000	630,000
Cost of investment property	4,037,459	1,427,549
Other sales expenses	87,059	19,116
<b>Loss on sale of real estate property</b>	<b>¥ 1,524,518</b>	<b>¥ 816,665</b>

## 11 ■ PROPERTY INFORMATION

Type	Office Buildings		Residential Properties		Central Urban Retail Properties	Others
	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Tokyo Metropolitan Area
Number of properties	72	16	1	1	3	1

Property information	(In millions of yen)					
Acquisition price	¥271,712	¥66,030	¥5,353	¥1,800	¥22,180	¥2,880
Percentage of total acquisition price	73.44%	17.85%	1.45%	0.48%	6.00%	0.78%
Net book value	270,303	64,239	4,757	1,709	21,854	2,973
Appraisal value	265,242	60,538	4,900	1,590	23,240	2,960
Percentage of total appraisal value	73.99%	16.89%	1.37%	0.44%	6.48%	0.83%

**Financial results for the period from May 1, 2014 to October 31, 2014**

	(In thousands of yen)					
Rental and other operating revenues	¥8,150,479	¥2,278,765	¥149,482	¥89,819	¥558,853	¥68,009
Rental revenues	7,128,160	1,894,974	132,064	78,353	497,907	68,004
Other revenues	1,022,319	383,791	17,418	11,466	60,946	5
Property-related expenses	2,437,863	872,036	36,726	36,666	151,773	216
Property management fees	734,161	277,430	14,579	8,096	39,970	—
Taxes	660,580	197,491	10,004	7,617	40,596	1
Utilities	786,159	261,346	1,816	2,277	52,269	—
Repairs and maintenance	109,017	44,345	6,117	10,096	4,937	—
Insurance	9,869	5,024	276	297	375	—
Trust fees and other expenses	138,077	86,400	3,934	8,283	13,626	215
NOI (Net Operating Income)	5,712,616	1,406,729	112,756	53,153	407,080	67,793
Depreciation expenses	1,402,748	449,504	45,901	21,463	102,764	—
Operating income from property leasing activities	4,309,868	957,225	66,855	31,690	304,316	67,793
Capital expenditures	450,192	53,957	911	5,764	39,631	—
NCF (Net Cash Flow)	¥5,262,424	¥1,352,772	¥111,845	¥47,389	¥367,449	¥67,793

A breakdown of property type as of October 31, 2014 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	¥270,303	69.6%	
		Other Regional Areas	64,239	16.6%	
		Subtotal	334,542	86.2%	
	Residential Properties	Tokyo Metropolitan Area	4,757	1.2%	
		Other Regional Areas	1,709	0.4%	
		Subtotal	6,466	1.6%	
	Central Urban Retail Properties	Tokyo Metropolitan Area	21,854	5.6%	
			Subtotal	21,854	5.6%
		Other	Tokyo Metropolitan Area	2,973	0.8%
		Subtotal	2,973	0.8%	
Total			365,835	94.2%	
Investment securities			2,679	0.7%	
Bank deposits and other assets			19,656	5.1%	
Total assets			388,170	100.0%	
Total liabilities			207,325	53.4%	
Net assets			¥180,845	46.6%	

## 12 ■ FINANCIAL INSTRUMENTS

Nineteenth Fiscal Period (May 1, 2014 to October 31, 2014)

### (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 corporate 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 are preferred equity securities issued by a special purpose entity (tokutei mokuteki kaisha, "TMK") as set forth by the Act on Securitization of Assets and Japanese silent partnership (tokumei kumiai, "TK") interests are exposed to credit risk of the issuer and risk of fluctuation of value of its property.

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

Interest-rate swap and interest-rate cap transactions are used as derivative financial instruments. Utilizing interest-rate swap and interest-rate cap transactions, the Investment Corporation fixes its interest expense for long-term debt 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 2. (K) 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 and interest-rate cap transactions in order to minimize risk arising from fluctuations in interest rates on funds procured. The Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to investment securities.

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

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.

**(B) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying value of financial instruments on the balance sheet as of October 31, 2014 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to \*2 below).

	In thousands of yen		
	Carrying value	Estimated fair value	Difference
① Cash and bank deposits	¥ 16,469,910	¥ 16,469,910	¥ —
Subtotal	16,469,910	16,469,910	—
① Short-term debt	15,900,000	15,900,000	—
② Corporate bonds (including current portion of corporate bonds)	8,300,000	8,522,510	222,510
③ Long-term debt (including current portion of long-term debt)	163,485,000	164,117,409	632,409
Subtotal	¥187,685,000	¥188,539,919	¥854,919
Derivative Transactions (*)	—	—	—

(\*) The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parentheses representing 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 bank deposits

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

**LIABILITIES**

## ① Short-term debt

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

## ② Corporate bonds

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

## ③ Long-term debt

The fair value of long-term debt 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 debt bearing interest at variable rates, 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**

## ① Hedge accounting not applied

Not applicable

## ② Hedge accounting applied

Hedge accounting method	Type of derivative transactions	Hedged items	Contracted amount (In thousands of yen)		Fair value (In thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Special treatment of interest-rate swaps	Interest-rate swaps: Receive/floating and pay/fixed	Long-term debt	¥77,850,000	¥71,850,000	*	—
Special treatment of interest-rate cap	Interest-rate cap	Long-term debt	3,000,000	3,000,000	*	—
Total			¥80,850,000	¥74,850,000		—

(\*) Interest-rate swaps and interest-rate caps 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 debt.

**\*2: FINANCIAL INSTRUMENTS FOR WHICH IT IS EXTREMELY DIFFICULT TO DETERMINE THE FAIR VALUE**

Classification	Carrying value (In thousands of yen)
Investment securities	¥2,679,139

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above preferred equity securities of TMK and 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 bank deposits	¥16,469,910
Total	¥16,469,910

**\*4: REDEMPTION SCHEDULE FOR DEBT AND CORPORATE BONDS**

	In thousands of yen					
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term debt	¥15,900,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	—	4,500,000	1,800,000	—	2,000,000
Long-term debt	¥30,135,000	¥30,800,000	¥16,200,000	¥16,750,000	¥12,750,000	¥56,850,000

**13. INVESTMENT AND RENTAL PROPERTIES**

Nineteenth Fiscal Period (May 1, 2014 to October 31, 2014)

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, 2014 (In thousands of yen)
	As of April 30, 2014	Net change	As of October 31, 2014	
	¥332,883,295	¥32,951,800	¥365,835,095	¥358,470,000

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

2: The fair value is the appraisal value or the survey 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 increases and decreases were the acquisition of 7 properties totaling ¥38,462,889 thousand, the sale of 2 properties totaling ¥4,037,459 thousand and depreciation amounting to ¥2,022,380 thousand.

Income and loss in the fiscal period ended October 31, 2014 for real estate for rental purposes is listed in Note "10. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES, GAIN AND LOSS ON SALE OF REAL ESTATE PROPERTY".

**14. SUBSEQUENT EVENTS****ISSUANCE OF NEW INVESTMENT UNITS**

On November 6, 2014 and November 19, 2014, the Board of Directors of the Investment Corporation resolved to issue new investment units as detailed below. The payments were completed on November 27, 2014 through a public offering. As a result of the issuance of new investment units, the Investment Corporation had total unitholders' capital of ¥204,901,648,020 with 402,695 investment units outstanding as of November 27, 2014.

Furthermore, when new investment units are issued through a third-party allotment with Nomura Securities Co., Ltd. as the allottee in connection with the secondary offering, the payment date will be December 24, 2014 (planned).

(Issuance of New Investment Units through Public Offering)

Issuance of New Investment Units	:47,685 units (Domestic Offering 23,750 units, International Offering 23,935 units)
Issue Price (Offer Price)	:¥614,250 per unit
Aggregate Issue Price (Total Offer Price)	:¥29,290,511,250
Issue Amount (Paid-in Value)	:¥592,830 per unit
Total Issue Amount (Aggregate Paid-in Value)	:¥28,269,098,550
Payment Date	:November 27, 2014

(Issuance of New Investment Units through Third-Party Allotment)

Issuance of New Investment Units (Maximum)	:2,190 units
Issue Amount (Paid-in Value)	:¥592,830 per unit
Total Issue Amount (Aggregate Paid-in Value) (Maximum)	:¥1,298,297,700
Payment Date	:December 24, 2014 (Planned)
Allottee	:Nomura Securities Co., Ltd.

(Use of proceeds)

The funds from the abovementioned public offering are allocated as the funds for acquiring properties in the twentieth fiscal period and a portion of the funds for the repayment of borrowings. Furthermore, the funds from the issuance of new investment units by third-party allotment are allocated as proceeds for a portion of the funds for future acquisition of specified assets and the repayment of borrowings.

## Statements of Cash Flows (Unaudited)

Kenedix Office Investment Corporation

For the six months period from May 1, 2014 to October 31, 2014 and November 1, 2013 to April 30, 2014

	In thousands of yen	
	From May 1, 2014 to October 31, 2014	From November 1, 2013 to April 30, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before income taxes	¥ 3,570,657	¥ 2,887,138
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	2,340,487	2,158,841
Interest income	(650)	(572)
Interest expense	1,115,016	1,039,564
<b>Changes in assets and liabilities:</b>		
Rental receivables	(40,604)	1,501
Consumption tax refundable	(533,224)	(119,288)
Accrued consumption tax	(24,357)	(24,903)
Trade and other payables	169,776	(40,304)
Rents received in advance	76,620	285,630
Property and equipment due to sale	4,037,460	3,833,388
Others, net	(614,600)	(375,523)
Subtotal	10,096,581	9,645,472
Interest income received	650	572
Cash payments of interest expense	(1,116,994)	(1,049,144)
Cash payments of income taxes	(810)	(946)
<b>Net cash provided by operating activities</b>	<b>8,979,427</b>	<b>8,595,954</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(39,025,487)	(36,179,723)
Purchases of investment securities	(1,592,392)	(1,109,906)
Proceeds from investment securities	919,815	213,076
Proceeds from leasehold and security deposits received	3,064,543	2,339,795
Payments of leasehold and security deposits received	(924,131)	(759,482)
Payments of restricted bank deposits	(1,834,660)	(94,114)
Proceeds from restricted bank deposits	88,375	80,657
Others, net	—	180
<b>Net cash used in investing activities</b>	<b>(39,303,937)</b>	<b>(35,509,517)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term debt	17,900,000	3,000,000
Payments of short-term debt	(8,000,000)	(6,100,000)
Proceeds from long-term debt	28,650,000	37,800,000
Payments of long-term debt	(20,611,500)	(17,511,500)
Proceeds from issuance of investment units	10,277,174	18,978,331
Proceeds from issuance of investment corporation bonds	1,981,801	—
Payment of dividends	(3,204,772)	(2,664,276)
<b>Net cash provided by financing activities</b>	<b>26,992,703</b>	<b>33,502,555</b>
Net change in cash and cash equivalents	(3,331,807)	6,588,992
Cash and cash equivalents at the beginning of period	17,537,841	10,948,849
<b>Cash and cash equivalents at the end of period</b>	<b>¥ 14,206,034</b>	<b>¥ 17,537,841</b>

See related notes.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (UNAUDITED)

#### 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.

#### CASH AND CASH EQUIVALENTS (UNAUDITED)

Cash and cash equivalents consisted of the following as of October 31, 2014 and April 30, 2014:

	In thousands of yen	
	As of October 31, 2014	As of April 30, 2014
Cash and bank deposits	¥16,469,910	¥18,055,433
Restricted bank deposits (Note)	(2,263,876)	(517,592)
<b>Cash and cash equivalents</b>	<b>¥14,206,034</b>	<b>¥17,537,841</b>

Note: Restricted bank deposits are retained for repayment of tenant leasehold and security deposits.