

Financial Section

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Financial Summary (Unaudited)

Historical Operating Trends
For the 13th–17th Fiscal Periods

Period	Unit	13th Period (as of Oct. 31, 2011)	14th Period (as of Apr. 30, 2012)	15th Period (as of Oct. 31, 2012)	16th Period (as of Apr. 30, 2013)	17th Period (as of Oct. 31, 2013)
Operating revenues	mn yen	9,044	9,090	10,212	9,867	9,819
(Rental revenues)	mn yen	8,498	9,090	9,617	9,306	9,501
Operating expenses	mn yen	4,618	5,004	5,696	5,465	5,578
(Property-related expenses)	mn yen	3,961	4,284	4,822	4,740	4,845
Operating income	mn yen	4,425	4,086	4,516	4,401	4,240
Ordinary income	mn yen	3,040	2,551	3,011	3,003	2,832
Net income (a)	mn yen	3,052	2,540	3,009	3,002	2,831
Total assets (b)	mn yen	274,973	303,284	306,734	308,172	316,753
(Period-on-period change)	%	(+5.0)	(+10.3)	(+1.1)	(+0.5)	(+2.8)
Interest-bearing debt (c)	mn yen	110,914	137,372	140,581	142,369	150,558
(Period-on-period change)	%	(-1.6)	(+23.9)	(+2.3)	(+1.3)	(+5.8)
Unitholders' equity (d)	mn yen	150,272	150,063	150,389	150,653	150,781
(Period-on-period change)	%	(+10.9)	(-0.1)	(+0.2)	(+0.2)	(+0.1)
Unitholders' capital	mn yen	147,153	147,153	147,153	147,153	147,153
(Period-on-period change)	%	(+10.5)	(0.0)	(0.0)	(0.0)	(0.0)
Number of investment units issued and outstanding (e)	unit	286,550	286,550	286,550	286,550	286,550
Unitholders' equity per unit (d)/(e)	yen	524,419	523,688	524,828	525,747	526,195
Total distribution (f)	mn yen	2,749	2,683	2,738	2,703	2,665
Distribution per unit (f)/(e)	yen	9,596	9,364	9,557	9,434	9,302
(Earnings distributed per unit)	yen	9,596	9,364	9,557	9,434	9,302
(Distribution in excess of earnings per unit)	yen	—	—	—	—	—
Return on assets (annualized) (Notes 1 and 2)	%	1.1 (2.2)	0.9 (1.8)	1.0 (2.0)	1.0 (2.0)	0.9 (1.8)
Return on net assets (annualized) (Notes 2 and 3)	%	2.1 (4.2)	1.7 (3.4)	2.0 (4.0)	2.0 (4.0)	1.9 (3.7)
Net assets ratio at end of period (d)/(b)	%	54.6	49.5	49.0	48.9	47.6
(Period-on-period change)	%	(+2.9)	(-5.2)	(-0.5)	(-0.1)	(-1.3)
Interest-bearing debt ratio at end of period (c)/(b)	%	40.3	45.3	45.8	46.2	47.5
(Period-on-period change)	%	(-2.7)	(+5.0)	(+0.5)	(+0.4)	(+1.3)
Payout ratio (Note 4) (f)/(a)	%	90.0	105.6	90.9	90.0	94.1
Other references						
Number of properties	properties	74	83	84	83	85
Total leasable floor area	m ²	300,016.89	340,589.96	351,153.72	347,853.97	358,517.31
Occupancy ratio at end of period	%	94.7	95.4	95.5	93.9	95.8
Depreciation expenses for the period	mn yen	1,442	1,578	1,621	1,662	1,696
Capital expenditures for the period	mn yen	674	918	904	772	894
Leasing NOI (Net Operating Income) (Note 5)	mn yen	5,980	6,384	6,416	6,228	6,352
FFO (Funds From Operation) (Note 6)	mn yen	3,950	4,119	4,187	4,202	4,293
FFO per unit (Note 7)	yen	13,786	14,374	14,612	14,664	14,984

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 13th Fiscal Period are calculated based on a period of 184 days, 182 days for the 14th Fiscal Period, 184 days for the 15th Fiscal Period, 181 days for the 16th Fiscal Period and 184 days for the 17th 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

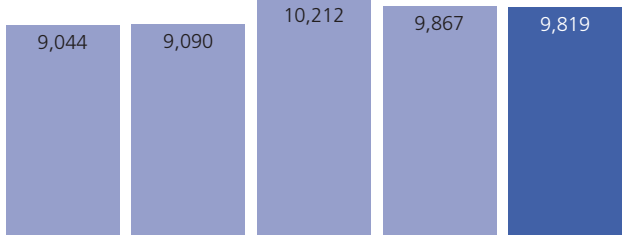
6. FFO = Net income + Depreciation expenses for the period – Gain on sale of real estate property + Loss on sale of real estate property

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.

Operating Revenues

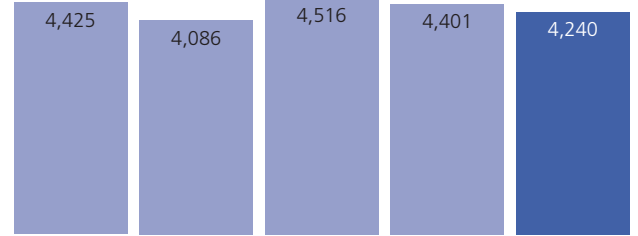
9,819 million yen



13th Period (Ended Oct. 31, 2011) 14th Period (Ended Apr. 30, 2012) 15th Period (Ended Oct. 31, 2012) 16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013)

Operating Income

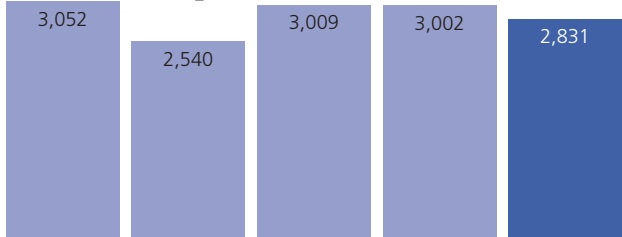
4,240 million yen



13th Period (Ended Oct. 31, 2011) 14th Period (Ended Apr. 30, 2012) 15th Period (Ended Oct. 31, 2012) 16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013)

Net Income

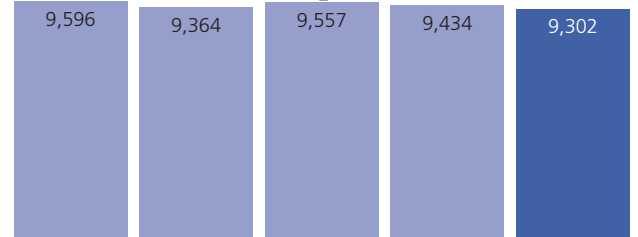
2,831 million yen



13th Period (Ended Oct. 31, 2011) 14th Period (Ended Apr. 30, 2012) 15th Period (Ended Oct. 31, 2012) 16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013)

Distribution per Unit

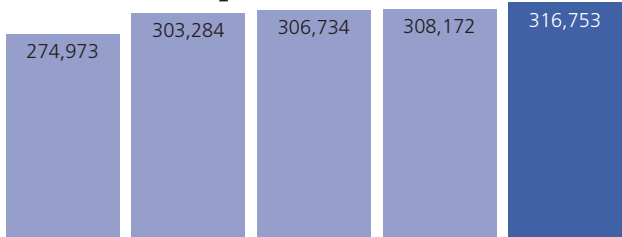
9,302 yen



13th Period (Ended Oct. 31, 2011) 14th Period (Ended Apr. 30, 2012) 15th Period (Ended Oct. 31, 2012) 16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013)

Total Assets

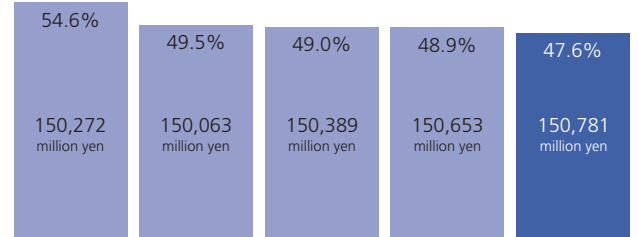
316,753 million yen



13th Period (Ended Oct. 31, 2011) 14th Period (Ended Apr. 30, 2012) 15th Period (Ended Oct. 31, 2012) 16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013)

Net Assets Ratio / Unitholders' Equity

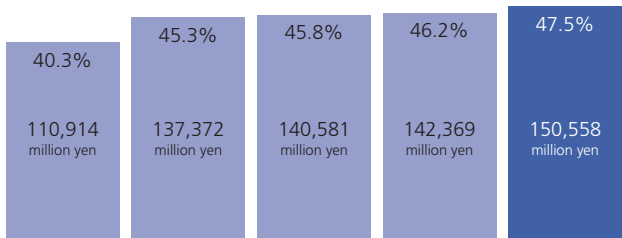
47.6%



13th Period (Ended Oct. 31, 2011) 14th Period (Ended Apr. 30, 2012) 15th Period (Ended Oct. 31, 2012) 16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013)

Interest-Bearing Debt Ratio (LTV Ratio) / Interest-Bearing Debt

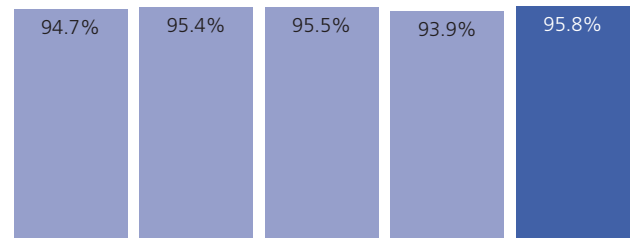
47.5%



13th Period (Ended Oct. 31, 2011) 14th Period (Ended Apr. 30, 2012) 15th Period (Ended Oct. 31, 2012) 16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013)

Occupancy Ratio

95.8%



13th Period (Ended Oct. 31, 2011) 14th Period (Ended Apr. 30, 2012) 15th Period (Ended Oct. 31, 2012) 16th Period (Ended Apr. 30, 2013) 17th Period (Ended Oct. 31, 2013)



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Independent Auditor's Report

The Board of Directors
 Kenedix Realty Investment Corporation

Pursuant to Article 130 of the Act on Investment Trusts and Investment Corporations, we have audited the accompanying financial statements of Kenedix Realty Investment Corporation (“the Investment Corporation”), which comprise the balance sheet as of October 31, 2013, 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 Realty Investment Corporation as of October 31, 2013, and its financial performance for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

December 12, 2013
 Tokyo, Japan

Ernst & Young ShinNihon LLC

Balance Sheets

Kenedix Realty Investment Corporation
As of October 31, 2013 and April 30, 2013

	In thousands of yen	
	As of October 31, 2013	As of April 30, 2013
ASSETS		
Current assets:		
Cash and bank deposits (Note 12)	¥ 11,452,986	¥ 14,813,927
Rental receivables	254,059	185,047
Consumption tax refundable	100,159	—
Other current assets (Note 7)	228,433	76,501
Total current assets	12,035,637	15,075,475
Property and equipment, at cost: (Notes 3, 11 and 13)		
Land	215,346,646	205,702,745
Buildings and structures (Note 5)	103,827,730	100,488,908
Machinery and equipment	1,766,278	1,557,795
Tools, furniture and fixtures	455,837	446,748
Construction in progress	4,914	6,699
Less-accumulated depreciation	(19,630,791)	(17,966,695)
Net property and equipment	301,770,614	290,236,200
Other assets:		
Ground leasehold (Notes 11 and 13)	356,332	357,106
Investment securities (Note 12)	1,106,339	896,655
Corporate bond issuance costs	35,651	26,043
Unit issuance costs	18,903	37,806
Other assets (Notes 11 and 13)	1,429,698	1,542,881
Total assets	¥316,753,174	¥308,172,166
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Trade and other payables	¥ 810,169	¥ 863,231
Current portion of corporate bonds (Notes 4 and 12)	—	1,500,000
Short-term debt and current portion of long-term debt (Notes 4 and 12)	46,800,000	30,000,000
Deposits received	6,162	16,967
Rents received in advance	1,506,618	1,686,455
Other current liabilities	202,575	366,030
Total current liabilities	49,325,524	34,432,683
Corporate bonds (Notes 4 and 12)	6,300,000	4,500,000
Long-term debt (Notes 4 and 12)	97,458,000	106,369,500
Leasehold and security deposits received	12,888,425	12,216,921
Total liabilities	165,971,949	157,519,104
Net Assets		
Unitholders' equity		
Unitholders' capital	147,153,820	147,153,820
Units authorized: 2,000,000 units		
Units issued and outstanding: 286,550 units		
As of October 31, 2013 and April 30, 2013, respectively		
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	795,928	497,043
Retained earnings	2,831,477	3,002,199
Total surplus	3,627,405	3,499,242
Total unitholders' equity	150,781,225	150,653,062
Total net assets (Note 8)	150,781,225	150,653,062
Total liabilities and net assets	¥316,753,174	¥308,172,166

See accompanying notes to the financial statements.

Statements of Income and Retained Earnings

Kenedix Realty Investment Corporation

For the six months period from May 1, 2013 to October 31, 2013 and November 1, 2012 to April 30, 2013

	In thousands of yen	
	From May 1, 2013 to October 31, 2013	From November 1, 2012 to April 30, 2013
Operating revenues:		
Rental revenues (Notes 10 and 11)	¥9,501,700	¥9,306,087
Gain on sale of real estate property (Note 10)	234,506	462,044
Dividends income	82,984	99,168
Total operating revenues	9,819,190	9,867,299
Operating expenses:		
Property-related expenses (Notes 10 and 11)	4,845,827	4,740,084
Asset management fees	549,899	553,018
Administrative service and custodian fees	69,226	69,474
Other operating expenses	113,451	103,073
Total operating expenses	5,578,403	5,465,649
Operating income	4,240,787	4,401,650
Non-operating expenses:		
Interest expense	1,050,678	1,046,727
Financing-related expenses	321,587	315,050
Amortization of unit issuance costs	18,903	18,903
Amortization of corporate bond issuance costs	6,143	6,626
Others, net	10,495	10,939
Total non-operating expenses	1,407,806	1,398,245
Ordinary income	2,832,981	3,003,405
Income before income taxes	2,832,981	3,003,405
Income taxes (Note 7)	1,504	1,329
Net income	2,831,477	3,002,076
Retained earnings at the beginning of period	—	123
Retained earnings at the end of period	¥2,831,477	¥3,002,199

See accompanying notes to the financial statements.

Statements of Changes in Net Assets

Kenedix Realty Investment Corporation

For the six months period from May 1, 2013 to October 31, 2013 and November 1, 2012 to April 30, 2013

	In thousands of yen					
	Unitholders' capital	Unitholders' equity			Total unitholders' equity	Total
		Surplus		Total surplus		
		Voluntary retained earnings	Retained earnings			
Reserve for reduction entry						
Balance as of October 31, 2012	¥147,153,820	¥225,796	¥3,009,928	¥3,235,724	¥150,389,544	¥150,389,544
Changes during the fiscal period						
Provision of reserve for reduction entry	—	271,247	(271,247)	—	—	—
Payments of dividends	—	—	(2,738,558)	(2,738,558)	(2,738,558)	(2,738,558)
Net income	—	—	3,002,076	3,002,076	3,002,076	3,002,076
Total changes during the fiscal period	—	271,247	(7,729)	263,518	263,518	263,518
Balance as of April 30, 2013	¥147,153,820	¥497,043	¥3,002,199	¥3,499,242	¥150,653,062	¥150,653,062
Changes during the fiscal period						
Provision of reserve for reduction entry	—	298,885	(298,885)	—	—	—
Payments of dividends	—	—	(2,703,314)	(2,703,314)	(2,703,314)	(2,703,314)
Net income	—	—	2,831,477	2,831,477	2,831,477	2,831,477
Total changes during the fiscal period	—	298,885	(170,722)	128,163	128,163	128,163
Balance as of October 31, 2013	¥147,153,820	¥795,928	¥2,831,477	¥3,627,405	¥150,781,225	¥150,781,225

See accompanying notes to the financial statements.

Notes to Financial Statements

Kenedix Realty Investment Corporation

For the six months period from May 1, 2013 to October 31, 2013 and November 1, 2012 to April 30, 2013

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Kenedix Realty 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 four public offerings and other means including global offerings. As a result, as of October 31, 2013, the end of the seventeenth fiscal period, the number of investment units issued and outstanding totaled 286,550 units.

The Investment Corporation is externally managed by Kenedix Real Estate Fund Management, Inc. (Note) (“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. (Note: On effective from October 1, 2013, the Asset Management Company for the Investment Corporation, Kenedix Office Partners, Inc. was integrated with Kenedix Advisors, Inc. and with Kenedix Residential Partners, Inc. as the surviving corporation. Kenedix Residential Partners, Inc. was renamed Kenedix Real Estate Fund Management, Inc. as part of the integration.)

During the period ended October 31, 2013, the Investment Corporation acquired two office buildings (Itopia Nihonbashi SA Building: acquisition price of ¥2,200 million, Welship Higashi-Shinjuku: acquisition price of ¥1,900 million) located in the Tokyo Metropolitan Area, one central urban retail property (Ginza 4chome Tower: acquisition price of ¥9,800 million), an equity interest in a Japanese silent partnership (tokumei kumiai, “TK”) for a trust beneficiary interest in DNI Mita Building (acquisition price of ¥200 million) and sold Ikebukuro Nikko Building (initial acquisition price of ¥1,653 million). As of October 31, 2013, the Investment Corporation had total unitholders’ capital of ¥147,154 million with 286,550 investment units outstanding. The balance of interest-bearing debt amounted to ¥150,558 million as of October 31, 2013, comprising ¥144,258 million in borrowings (¥135,158 million in long-term borrowings and ¥9,100 million in short-term borrowings) and ¥6,300 million in investment corporation bonds. The Investment Corporation owned a portfolio of 85 properties with a total acquisition price of ¥304,800 million containing a total leasable area of 358,517.31m² and preferred two investment securities with a total acquisition price of ¥1,091 million. The occupancy ratio was approximately 95.8%. A portfolio of 85 properties consists of 79 office buildings, 3 residential properties, 3 central urban retail properties. 69 properties are located in the Tokyo Metropolitan Area and 16 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 year’s comparatives as supplemental information in the English translated financial statements although the Japanese audited financial statements only need to disclose the current year’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, 2013 to October 31, 2013	From November 1, 2012 to April 30, 2013
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 buildings 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 ¥26,946 thousand and ¥10,265 thousand as of October 31, 2013 and April 30, 2013, 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-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, 2013			As of April 30, 2013		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥215,346	¥ —	¥215,346	¥205,703	¥ —	¥205,703
Buildings and structures	103,828	18,638	85,190	100,489	17,042	83,447
Machinery and equipment	1,766	732	1,034	1,558	683	875
Tools, furniture and fixtures	456	260	196	447	242	205
Construction in progress	5	—	5	6	—	6
Total	¥321,401	¥19,630	¥301,771	¥308,203	¥17,967	¥290,236

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, 2013:

Classification	Drawdown date	Last Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Short-term debt	January 31, 2013	January 31, 2014	0.68%	¥ 1,200
	August 19, 2013	November 29, 2013	0.55%	1,000
	August 19, 2013	November 29, 2013	0.60%	1,000
	August 19, 2013	February 19, 2014	0.60%	1,000
	September 13, 2013	March 13, 2014	0.57%	1,000
	September 13, 2013	March 13, 2014	0.57%	900
	October 31, 2013	October 31, 2014	0.55%	3,000
	Subtotal			
Current portion of long-term debt	November 12, 2010	November 12, 2013	1.58%	¥ 1,500
	November 12, 2010	November 12, 2013	1.58%	800
	November 12, 2010	November 12, 2013	1.58%	400
	December 1, 2010	November 12, 2013	1.32%	500
	December 1, 2010	November 12, 2013	1.32%	200
	December 1, 2010	November 12, 2013	1.32%	100
	July 30, 2010	January 31, 2014	1.66%	3,700
	January 31, 2011	January 31, 2014	1.57%	1,300
	March 12, 2012	March 12, 2014	0.96%	2,250
	March 12, 2012	March 12, 2014	0.96%	1,800
	March 12, 2012	March 12, 2014	0.96%	1,800
	March 12, 2012	March 12, 2014	0.96%	450
	September 30, 2011	March 31, 2014	1.16%	2,500
	July 13, 2011	July 14, 2014	1.54%	1,000
	July 30, 2010	July 31, 2014	1.73%	3,700
	July 29, 2011	July 31, 2014	1.03%	2,200
July 29, 2011	July 31, 2014	1.03%	1,000	

Classification	Drawdown date	Last Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Current portion of long-term debt	July 29, 2011	July 31, 2014	1.40%	¥ 300
	September 1, 2011	August 29, 2014	1.15%	1,000
	March 22, 2011	September 22, 2014	1.63%	2,700
	September 30, 2011	September 30, 2014	1.27%	1,000
	December 26, 2011	October 31, 2014	1.24%	2,500
	December 26, 2011	October 31, 2014	1.26%	2,000
	December 26, 2011	October 31, 2014	1.26%	2,000
	December 26, 2011	October 31, 2014	1.26%	1,000
Subtotal				37,700
Long-term debt	May 1, 2006	April 30, 2016	2.73%	¥ 5,000
	January 29, 2010	January 30, 2015	2.17%	1,008
	February 18, 2010	February 18, 2015	2.19%	1,840
	February 18, 2010	February 18, 2015	2.19%	1,360
	February 18, 2010	February 18, 2015	2.19%	800
	February 18, 2010	February 18, 2015	2.19%	400
	April 2, 2010	April 2, 2015	2.22%	1,650
	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	1.46%	800
	December 1, 2010	November 12, 2015	1.46%	200
	December 1, 2010	November 12, 2017	2.21%	700
	January 31, 2011	January 29, 2016	1.94%	800
	February 28, 2011	August 31, 2015	1.91%	3,000
	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	1.31%	1,000
	April 28, 2011	October 31, 2015	1.86%	1,500
	April 28, 2011	January 29, 2016	1.89%	1,000
	August 31, 2011	February 27, 2015	0.99%	1,500
	September 30, 2011	March 31, 2015	1.29%	2,500
	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
	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
	January 31, 2012	January 30, 2015	1.19%	1,500
	March 12, 2012	March 12, 2015	1.08%	1,000
	March 28, 2012	March 28, 2017	1.36%	500
	March 28, 2012	March 28, 2019	1.77%	1,400
	March 28, 2012	March 28, 2019	1.77%	1,000
	March 30, 2012	September 30, 2015	1.21%	2,000
	April 27, 2012	October 30, 2015	1.27%	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	April 30, 2015	1.01%	2,500
	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, 2017	0.84%	1,500	
March 26, 2013	March 26, 2018	1.04%	1,000	
March 26, 2013	March 26, 2018	1.04%	1,000	

Classification	Drawdown date	Last Repayment date	Weighted-average interest rate	Balance (In millions of yen)
Long-term debt	April 30, 2013	April 30, 2016	0.73%	¥ 1,000
	July 31, 2013	July 29, 2016	0.63%	1,500
	July 31, 2013	July 31, 2018	0.73%	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	0.95%	500
	August 19, 2013	August 19, 2018	0.97%	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
Subtotal				97,458
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
Subtotal				6,300
Total				¥150,558

5. REDUCTION ENTRY

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

	In thousands of yen	
	As of October 31, 2013	As of April 30, 2013
Buildings and structures	¥26,230	¥26,230

6. PER UNIT INFORMATION

	Yen	
	From May 1, 2013 to October 31, 2013	From November 1, 2012 to April 30, 2013
Net asset value per unit	¥526,195	¥525,748
Net income per unit	¥ 9,881	¥ 10,477
Weighted average number of units (units)	286,550	286,550

The weighted average number of units outstanding of 286,550 as of October 31, 2013 and April 30, 2013 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 37%. 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 our 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 ¥2,665 million (deducting ¥166 million as the provision of reserve for reduction entry) and ¥2,703 million (deducting ¥299 million as the provision of reserve for reduction entry) for the periods ended October 31, 2013 and April 30, 2013. Such distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rate on the Investment Corporation's income was 0.05% and 0.04% for the periods ended October 31, 2013 and April 30, 2013.

The following summarizes the significant difference between the statutory tax rate and the effective tax rate:

	As of October 31, 2013	As of April 30, 2013
Statutory tax rate	36.59%	36.59%
Deductible cash distributions	(34.43)	(32.93)
Provision of reserve for reduction entry	(2.14)	(3.64)
Others	0.03	0.02
Effective tax rate	0.05%	0.04%

The significant components of deferred tax assets and liabilities as of October 31, 2013 and April 30, 2013 were as follows:

	In thousands of yen	
	As of October 31, 2013	As of April 30, 2013
Deferred tax assets:		
Enterprise tax payable	¥ 47	¥ 36
Amortization of leasehold rights	1,543	1,278
Subtotal deferred tax assets	1,590	1,314
Valuation allowance	1,543	1,278
Total deferred tax assets	¥ 47	¥ 36

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 ¥362 million to Kenedix Real Estate Fund Management, Inc.

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

Rental and other operating revenues, property-related expenses, gain on sale of real estate property for the six months periods from May 1, 2013 to October 31, 2013 and November 1, 2012 to April 30, 2013 consist of the following:

	In thousands of yen	
	From May 1, 2013 to October 31, 2013	From November 1, 2012 to April 30, 2013
Rental and other operating revenues:		
Rental revenues	¥6,649,670	¥6,628,333
Common area charges	1,587,331	1,589,549
Subtotal	8,237,001	8,217,882
Others:		
Parking space rental revenues	299,884	292,402
Utility charge reimbursement	851,381	681,272
Miscellaneous	113,434	114,531
Subtotal	1,264,699	1,088,205
Total rental and other operating revenues	9,501,700	9,306,087
Property-related expenses:		
Property management fees and facility management fees	951,025	951,905
Depreciation	1,696,849	1,662,016
Utilities	928,822	753,048
Taxes	851,090	820,158
Insurance	14,372	14,837
Repairs and maintenance	173,604	322,652
Trust fees	42,377	42,926
Loss on retirement of fixed assets	10,114	5,193
Others	177,574	167,349
Total property-related expenses	¥4,845,827	¥4,740,084

Gain on sale of real estate property:

Revenue from sale of investment property	¥1,970,000	¥3,180,000
Cost of investment property	1,672,153	2,641,181
Other sales expenses	63,341	76,775
Gain on sale of real estate property	¥ 234,506	¥ 462,044

11

PROPERTY INFORMATION

Type	Office Buildings		Residential Properties		Central Urban Retail Properties
	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area	Other Regional Areas	Tokyo Metropolitan Area
Number of properties	64	15	2	1	3

Property information	(In millions of yen)				
Acquisition price	¥221,923	¥52,295	¥6,603	¥1,800	¥22,180
Percentage of total acquisition price	72.81%	17.16%	2.17%	0.58%	7.28%
Net book value	221,450	50,919	5,994	1,745	22,019
Appraisal value	205,818	44,417	5,573	1,560	21,870
Percentage of total appraisal value	73.71%	15.91%	2.00%	0.55%	7.83%

Financial results for the period from May 1, 2013 to October 31, 2013

	(In thousands of yen)				
Rental and other operating revenues	¥6,601,873	¥2,162,391	¥188,186	¥91,588	¥457,662
Rental revenues	5,757,566	1,825,792	167,392	81,547	404,704
Other revenues	844,307	336,599	20,794	10,041	52,958
Property-related expenses	2,119,341	847,177	55,248	32,414	94,798
Property management fees	621,588	270,775	19,350	8,255	31,057
Taxes	602,884	207,590	13,006	7,608	20,002
Utilities	647,058	238,328	2,696	2,174	38,566
Repairs and maintenance	104,826	52,181	7,176	7,643	1,778
Insurance	8,484	4,963	357	311	257
Trust fees and other expenses	134,501	73,340	12,663	6,423	3,138
NOI (Net Operating Income)	4,482,532	1,315,214	132,938	59,174	362,864
Depreciation expenses	1,117,815	414,689	57,561	21,437	85,347
Operating income from property leasing activities	3,364,717	900,525	75,377	37,737	277,517
Capital expenditures	513,966	376,034	2,908	—	1,120
NCF (Net Cash Flow)	¥3,968,566	¥ 939,180	¥130,030	¥59,174	¥361,744

A breakdown of property-type as of October 31, 2013 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	¥221,450	69.9%
		Other Regional Areas	50,919	16.1%
	Subtotal	272,369	86.0%	
	Residential Properties	Tokyo Metropolitan Area	5,994	1.9%
		Other Regional Areas	1,745	0.6%
	Subtotal	7,739	2.4%	
Central Urban Retail Properties	Tokyo Metropolitan Area	22,019	7.0%	
Subtotal	22,019	7.0%		
Total			302,127	95.4%
Investment securities			1,106	0.3%
Bank deposits and other assets			13,520	4.3%
Total assets			316,753	100.0%
Total liabilities			165,972	52.4%
Net assets			¥150,781	47.6%

12 ■ FINANCIAL INSTRUMENTS

Seventeenth Fiscal Period (May 1, 2013 to October 31, 2013)

(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 seven 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 transaction 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, 2013 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	¥ 11,452,986	¥ 11,452,986	¥ —
Subtotal	11,452,986	11,452,986	—
① Short-term debt	9,100,000	9,100,000	—
② Corporate bonds (including current portion of corporate bonds)	6,300,000	6,482,910	182,910
③ Long-term debt (including current portion of long-term debt)	135,158,000	135,751,380	593,380
Subtotal	¥150,558,000	¥151,334,290	¥776,290
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 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	¥26,700,000	¥20,700,000	*	—
Special treatment of interest-rate cap	Interest-rate cap	Long-term debt	3,000,000	3,000,000	*	—
Total			¥29,700,000	¥23,700,000		—

(*) 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	¥1,106,339

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	¥11,452,986
Total	¥11,452,986

*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	¥ 9,100,000	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds	—	—	—	4,500,000	1,800,000	—
Long-term debt	¥37,700,000	¥30,558,000	¥30,800,000	¥15,000,000	¥14,500,000	¥6,600,000

13. INVESTMENT AND RENTAL PROPERTIES

Seventeenth Fiscal Period (May 1, 2013 to October 31, 2013)

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, 2013 (In thousands of yen)
As of April 30, 2013	Net change	As of October 31, 2013	
¥290,593,741	¥11,533,520	¥302,127,261	¥279,238,000

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 3 properties totaling ¥14,020,279 thousand, the sale of 1 property totaling ¥1,672,153 thousand and depreciation amounting to ¥1,696,849 thousand.

Income and loss in the fiscal period ended October 31, 2013 for real estate for rental purposes is listed in the Note "10.

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

14. SUBSEQUENT EVENTS

ISSUANCE OF THE NEW INVESTMENT UNITS

On October 24, 2013 and November 6, 2013, the Board of Directors of the Investment Corporation resolved to issue new investment units as detailed below. The payments were completed on November 13, 2013 through issuance of public offering, and the payments were completed on December 10, 2013 through issuance of third-party allotment. As a result of the issuance of new investment units, the Investment Corporation had total unitholders' capital of ¥166,261,745,670 with 332,540 investment units outstanding as of December 10, 2013.

(Issuance of New Investment Units through Public Offering)

Issuance of New Investment Units	: 43,800 units (Domestic Offering 21,900 units, International Offering 21,900 units)
Issue Price (Offer Price)	: ¥430,950 per unit
Aggregate Issue Price (Total Offer Price)	: ¥18,875,610,000
Issue Amount (Paid-in Value)	: ¥415,480 per unit
Total Issue Amount (Aggregate Paid-in Value)	: ¥18,198,024,000
Payment Date	: November 13, 2013

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

Issuance of New Investment Units	: 2,190 units
Issue Amount (Paid-in Value)	: ¥415,480 per unit
Total Issue Amount (Aggregate Paid-in Value)	: ¥909,901,200
Payment Date	: December 10, 2013
Allottee	: Nomura Securities Co., Ltd.

(Use of proceeds)

The funds from the Domestic Offering and International Offering, allocated as a portion of the funds for the acquired properties in Eighteenth Fiscal Period and residual amounts allocated as a portion of the funds for the repayment of borrowings alongside the acquisition of assets acquired in the Seventeenth Fiscal Period. Furthermore, because cash on hand was allocated as a portion of the funds for the acquisition of properties acquired in the Seventeenth Fiscal Period, the funds from the issuance of new Investment Units by third-party allotment are allocated to as proceed to compensate for the decrease of cash on hand resulting from the allocation.

Statements of Cash Flows (Unaudited)

Kenedix Realty Investment Corporation

For the six months period from May 1, 2013 to October 31, 2013 and November 1, 2012 to April 30, 2013

	In thousands of yen	
	From May 1, 2013 to October 31, 2013	From November 1, 2012 to April 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income taxes	¥ 2,832,981	¥ 3,003,405
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	2,023,561	1,981,289
Interest income	(565)	(558)
Interest expense	1,050,678	1,046,727
Loss on retirement of fixed assets	10,114	5,193
Changes in assets and liabilities:		
Rental receivables	(69,012)	240,699
Consumption tax refundable	(100,159)	—
Accrued consumption tax	(155,406)	68,323
Trade and other payables	109,022	(102,818)
Rents received in advance	(179,837)	203,593
Property and equipment due to sale	1,672,153	2,641,181
Others, net	(212,763)	(129,157)
Subtotal	6,980,767	8,957,877
Interest income received	565	558
Cash payments of interest expense	(1,056,258)	(1,076,960)
Cash payments of income taxes	(890)	(1,092)
Net cash provided by operating activities	5,924,184	7,880,383
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(15,090,275)	(2,860,168)
Purchases of investment securities	(202,400)	—
Proceeds from leasehold and security deposits received	1,161,189	639,486
Payments of leasehold and security deposits received	(623,098)	(1,409,380)
Payments of restricted bank deposits	(94,092)	—
Proceeds from restricted bank deposits	32,279	569,851
Others, net	(292)	—
Net cash used in investing activities	(14,816,689)	(3,060,211)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term debt	7,900,000	1,200,000
Payments of short-term debt	(4,500,000)	(1,200,000)
Proceeds from long-term debt	11,700,000	9,000,000
Payments of long-term debt	(7,211,500)	(7,211,500)
Proceeds from issuance of investment corporation bonds	1,784,250	—
Redemption of investment corporation bonds	(1,500,000)	—
Payment of dividends	(2,702,999)	(2,738,824)
Net cash provided by (used in) financing activities	5,469,751	(950,324)
Net change in cash and cash equivalents	(3,422,754)	3,869,848
Cash and cash equivalents at the beginning of period	14,371,603	10,501,755
Cash and cash equivalents at the end of period	¥ 10,948,849	¥ 14,371,603

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, 2013 and April 30, 2013:

	In thousands of yen	
	As of October 31, 2013	As of April 30, 2013
Cash and bank deposits	¥ 11,452,986	¥ 14,813,927
Restricted bank deposits (Note)	(504,137)	(442,324)
Cash and cash equivalents	¥ 10,948,849	¥ 14,371,603

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