

3. Financial Statements

(1) Balance Sheets

	(in thousands of yen)	
	Third Fiscal Period (As of July 31, 2013)	Fourth Fiscal Period (As of January 31, 2014)
Assets		
Current assets		
Cash and deposits	507,326	2,159,067
Cash and deposits in trust	*1 637,662	2,390,547
Operating accounts receivable	4,399	16,105
Prepaid expenses	9,925	7,282
Deferred tax assets	16	20
Consumption taxes receivable	-	128,538
Other	-	3,835
Total current assets	1,159,330	4,705,395
Noncurrent assets		
Property, plant and equipment		
Land	2,787,376	2,787,376
Buildings in trust	14,727,698	41,974,470
Accumulated depreciation	-460,293	-990,704
Buildings in trust, net	*1 14,267,405	40,983,765
Structures in trust	118,903	294,630
Accumulated depreciation	-8,530	-18,269
Structures in trust, net	*1 110,373	276,360
Machinery and equipment in trust	318,149	672,251
Accumulated depreciation	-16,176	-30,908
Machinery and equipment in trust, net	*1 301,972	641,343
Tools, furniture and fixtures in trust	5,714	11,525
Accumulated depreciation	-105	-267
Tools, furniture and fixtures in trust, net	*1 5,609	11,257
Land in trust	*1 13,766,909	56,889,348
Construction in progress in trust	-	1,567
Total property, plant and equipment, net	31,239,647	101,591,020
Investments and other assets		
Investment securities	405,922	405,922
Lease and guarantee deposits	10,156	10,982
Long-term prepaid expenses	93,439	489,832
Other	39,497	20,053
Total investments and other assets	549,014	926,790
Total noncurrent assets	31,788,662	102,517,810
Deferred assets		
Deferred organization costs	34,627	29,327
Investment unit issuance costs	43,009	148,462
Total deferred assets	77,637	177,789
Total assets	33,025,629	107,400,995

(in thousands of yen)

	Third Fiscal Period (As of July 31, 2013)	Fourth Fiscal Period (As of January 31, 2014)
Liabilities		
Current liabilities		
Operating accounts payable	57,095	222,804
Short-term loans payable	*1 2,830,000	-
Current portion of long-term loans payable	*1 5,500,000	7,200,000
Accounts payable-other	49,024	126,021
Accrued expenses	405	6,932
Income taxes payable	944	705
Accrued consumption taxes	1,836	-
Advances received	160,145	492,315
Deposits received	9,670	40,000
Total current liabilities	8,609,122	8,088,779
Noncurrent liabilities		
Long-term loans payable	*1 10,000,000	48,000,000
Tenant leasehold and security deposits in trust	245,320	1,103,239
Total noncurrent liabilities	10,245,320	49,103,239
Total liabilities	18,854,443	57,192,018
Net assets		
Unitholders' equity		
Unitholders' capital	13,773,456	48,592,739
Surplus		
Unappropriated retained earnings (undisposed loss)	406,661	1,632,542
Total surplus	406,661	1,632,542
Total unitholders' equity	14,180,117	50,225,281
Valuation and translation adjustments		
Deferred gains or losses on hedges	-8,930	-16,305
Total valuation and translation adjustments	-8,930	-16,305
Total net assets	*2 14,171,186	*2 50,208,976
Total liabilities and net assets	33,025,629	107,400,995

(2) Statements of Income and Retained Earnings

(in thousands of yen)

	Third Fiscal Period February 1, 2013 to July 31, 2013		Fourth Fiscal Period August 1, 2013 to January 31, 2014	
Operating revenues				
Rent revenue-real estate	*1	1,018,433	*1	3,312,812
Other lease business revenue	*1	117,075	*1	283,257
Dividends income		-		20,095
Total operating revenues		1,135,509		3,616,165
Operating expenses				
Expenses related to rent business	*1	442,618	*1	1,230,090
Asset management fees		70,886		136,124
Asset custody fees		2,074		7,400
Administrative service fees		11,017		21,965
Directors' compensation		4,500		4,500
Other operating expenses		51,247		90,741
Total operating expenses		582,345		1,490,822
Operating income		553,163		2,125,342
Non-operating income				
Interest income		37		210
Total non-operating income		37		210
Non-operating expenses				
Interest expenses		74,611		227,924
Derivatives-related expenses		11,913		12,070
Borrowing expenses		41,592		211,368
Amortization of deferred organization costs		5,214		5,300
Amortization of investment unit issuance costs		12,298		35,373
Total non-operating expenses		145,629		492,037
Ordinary income		407,571		1,633,516
Income before income taxes		407,571		1,633,156
Income taxes				
Current		952		1,016
Deferred		-0		-3
Total income taxes		952		1,013
Net income		406,619		1,632,502
Retained earnings brought forward		41		39
Unappropriated retained earnings (undisposed loss)		406,661		1,632,542

(3) Statements of Changes in Net Assets

Third Fiscal Period February 1, 2013 to July 31, 2013

(In thousands of yen)

	Unitholders' equity			Valuation and translation adjustments			Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	Deferred gains and losses on hedges	Total valuation and translation adjustments	
		Unappropriated retained earnings (undisposed loss)	Total surplus				
Balance at the beginning of current period	13,773,456	463,620	463,620	14,237,076	-24,023	-24,023	14,213,052
Changes of items during the period							
Dividends from surplus		-463,578	-463,578	-463,578			-463,578
Net income		406,619	406,619	406,619			406,619
Net changes of items other than unitholders' equity					15,092	15,092	15,092
Total changes of items during the period	-	-56,958	-56,958	-56,958	15,092	15,092	-41,866
Balance at the end of current period	13,773,456	406,661	406,661	14,180,117	-8,930	-8,930	14,171,186

Fourth Fiscal Period August 1, 2013 to January 31, 2014

(In thousands of yen)

	Unitholders' equity			Valuation and translation adjustments			Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	Deferred gains and losses on hedges	Total valuation and translation adjustments	
		Unappropriated retained earnings (undisposed loss)	Total surplus				
Balance at the beginning of current period	13,773,456	406,661	406,661	14,180,117	-8,930	-8,930	14,171,186
Changes of items during the period							
Issuance of investment units	34,819,283			34,819,283			34,819,283
Dividends from surplus		-406,621	-406,621	-406,621			-406,621
Net income		1,632,502	1,632,502	1,632,502			1,632,502
Net changes of items other than unitholders' equity					-7,374	-7,374	-7,374
Total changes of items during the period	34,819,283	1,225,880	1,225,880	36,045,164	-7,374	-7,374	36,037,790
Balance at the end of current period	48,592,739	1,632,542	1,632,542	50,225,281	-16,305	-16,305	50,208,976

(4) Distributions

	Third Fiscal Period (From February 1, 2013 to July 31, 2013)	Fourth Fiscal Period (From August 1, 2013 to January 31, 2014)
I. Retained earnings at the end of period	¥406,661,143	¥1,632,542,142
II. Total distributions	¥406,621,600	¥1,632,398,232
Distributions per unit	¥5,390	¥6,756
III. Retained earnings brought forward to the next period	¥39,543	¥143,910
Method of calculating distribution amount	In accordance with the policy described in Article 38-1 of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law, and shall be up to its profits as the maximum amount. Following this policy, the Investment Corporation has decided that it shall distribute ¥406,621,600 which is the maximum integral multiple to 75,440 units issued and outstanding as the distribution of earnings. Procedures for the distribution of amounts exceeding distributable income are outlined in Article 38-2 of the Investment Corporation's Articles of Incorporation. In the third fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.	In accordance with the policy described in Article 38-1 of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law, and shall be up to its profits as the maximum amount. Following this policy, the Investment Corporation has decided that it shall distribute ¥1,632,398,232 which is the maximum integral multiple to 241,622 units issued and outstanding as the distribution of earnings. Procedures for the distribution of amounts exceeding distributable income are outlined in Article 38-2 of the Investment Corporation's Articles of Incorporation. In the fourth fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.

(5) Statements of Cash Flows

(in thousands of yen)

	Third Fiscal Period February 1, 2013 to July 31, 2013	Fourth Fiscal Period August 1, 2013 to January 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes	407,571	1,633,516
Depreciation and amortization	194,877	555,044
Amortization of deferred organization costs	5,214	5,300
Amortization of investment unit issuance costs	12,298	35,373
Interest income	-37	-210
Interest expenses	74,611	227,924
Derivatives-related expenses	11,913	12,070
Decrease (increase) in operating accounts receivable	1,103	-11,705
Decrease (increase) in consumption taxes refund receivable	-	-128,538
Decrease (increase) in prepaid expenses	-5,689	2,643
Increase (decrease) in operating accounts payable	23,036	138,382
Increase (decrease) in accounts payable-other	7,207	77,003
Increase (decrease) in accrued consumption taxes	-2,321	-1,836
Increase (decrease) in advances received	2,506	332,170
Decrease (increase) in long-term prepaid expenses	29,232	-396,393
Other, net	657	26,183
Subtotal	762,181	2,506,927
Interest income received	37	210
Interest expenses paid	-74,630	-221,397
Income taxes paid	-946	-944
Net cash provided by (used in) operating activities	686,642	2,284,795
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	-11,690	-70,879,091
Purchase of investment securities	-405,011	-
Repayments of tenant leasehold and security deposits in trust	-	-1,005
Proceeds from tenant leasehold and security deposits in trust	-	179
Repayments of tenant leasehold and security deposits in trust	-41,264	-85,024
Proceeds from tenant leasehold and security deposits in trust	46,569	942,943
Net cash provided by (used in) investing activities	-411,396	-70,021,999
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	2,830,000	-
Decrease in short-term loans payable	-3,000,000	-2,830,000
Increase in long-term loans payable	-	39,700,000
Proceeds from issuance of investment units	-	34,678,457
Dividends paid	-462,889	-406,628
Net cash provided by (used in) financing activities	-632,889	71,141,829
Net increase (decrease) in cash and cash equivalents	-357,643	3,404,626
Cash and cash equivalents at the beginning of period	1,502,632	1,144,988
Cash and cash equivalents at the end of period	*1 1,144,988	*1 4,549,614

(6) Notes to the Going Concern

Not applicable

(7) Important Accounting Standards

1. Evaluation standards and evaluation method of assets	<p>Securities</p> <p>Other securities</p> <p>Those with no fair value</p> <p>Cost method through moving-average method</p> <p>Concerning anonymous association equity interests, the method of incorporating the amount equivalent to equity interests corresponding to net amount of gain or loss from anonymous association is adopted.</p>
2. Depreciation of fixed assets	<p>(1) Property, plant and equipment (includes trust assets)</p> <p>The straight-line method is applied.</p> <p>Useful lives of the assets ranging are as follows:</p> <p>Buildings: 3 to 62 years</p> <p>Structures: 3 to 25 years</p> <p>Machinery and equipment: 8 to 30 years</p> <p>Tools, furniture and fixtures: 30 years</p> <p>(2) Long-term prepaid expenses</p> <p>The straight-line method is applied.</p>
3. Accounting policies for deferred assets	<p>(1) Deferred organization costs</p> <p>Deferred organization costs are amortized over a period of 5 years under the straight-line method.</p> <p>(2) Unit issuance costs</p> <p>Unit issuance costs are amortized over a period of 3 years under the straight-line method.</p>
4. Accounting standards for revenues and expenses	<p>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 Japanese tax regulations, the seller of the property 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.</p> <p>When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. There were no capitalized property-related taxes as of July 31, 2013 and ¥115,480 thousand as of January 31, 2014, respectively.</p>
5. Accounting for hedges	<p>(1) Hedge accounting method</p> <p>The deferred hedge method is applied. However, the special treatment is applied for the interest-rate swap agreements that meet the criteria.</p> <p>(2) Hedging instruments and risks hedged</p> <p>Hedge instruments</p> <p>The Investment Corporation enters into interest-rate swap transactions.</p> <p>The Investment Corporation enters into interest-rate cap transactions.</p> <p>Risks hedged</p> <p>Interest rates on debt.</p> <p>(3) Hedging policy</p> <p>The Investment Corporation enters into derivative transactions based on its risk management policies with the objective of hedging risks in accordance with its Articles of Incorporation.</p> <p>(4) Method of evaluating the effectiveness of hedging</p> <p>As for the method of assessment of the effectiveness of the hedge in the period from the inception of the hedge to the time of judgment of its effectiveness, the cumulative changes in cash flow of the hedged items and hedging instruments are compared and a judgment is made based on changed amount, etc. However, assessment of the effectiveness of hedging activities is omitted in the case of interest rate swaps and interest rate caps that meet the</p>

	<p>requirements for special treatment. Furthermore, assessment of the effectiveness of hedging activities is omitted in the case of interest rate caps that do not meet the requirements for special treatment as the important conditions regarding hedged items and hedging instruments are the same and are clearly expected to have the effect of limiting the impact of interest rate volatility within a certain range on an ongoing basis.</p>
<p>6. The scope of cash and cash equivalents on statements of cash flows</p>	<p>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 3 months or less from the date of purchase.</p>
<p>7. Other significant accounting policies utilized in the preparation of financial statements</p>	<p>(1) Accounting method for trust beneficiary interests in real estate and other assets The assets and liabilities as well as revenues and expenses of financial assets held in the form of trust beneficiary interests in real estate and other assets are recorded in full in the Investment Corporation's balance sheets and statements of income. Important line items included in accounting for financial assets and liabilities in the Investment Corporation's balance sheet are as follows:</p> <ol style="list-style-type: none"> 1. Cash and deposits in trust 2. Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, land in trust and construction in progress in trust 3. Tenant leasehold and security deposits in trust <p>(2) Accounting method for consumption tax Consumption taxes are separately recorded. Non-deductible consumption taxes applicable to the acquisition of assets are included in the cost of acquisition for each asset.</p>

(8) Notes to the Financial Statements

(Notes to the Balance Sheets)

* 1. Assets pledged as collateral and relevant secured liabilities as of July 31, 2013 and January 31, 2014 are as follows:

(in thousands of yen)

Assets pledged as collateral	As of July 31, 2013	As of January 31, 2014
Cash and deposits in trust	637,662	-
Buildings in trust	14,267,405	-
Structures in trust	110,373	-
Machinery and equipment in trust	301,972	-
Tools, furniture and fixtures in trust	5,609	-
Land in trust	13,766,909	-
Total	29,089,932	-
Secured liabilities		
Short-term loans payable	2,830,000	-
Current portion of long-term loans payable	5,500,000	-
Long-term loans payable	10,000,000	-
Total	18,330,000	-

* 2. Minimum unitholders' equity pursuant to Article 67-4 of the Law Concerning Investment Trusts and Investment Corporations

Law

(in thousands of yen)

	As of July 31, 2013	As of January 31, 2014
	50,000	50,000

(Notes to the Statements of Income and Retained Earnings)

* 1. Breakdown of real estate rental business profit and loss

	(in thousands of yen)	
	From February 1, 2013 to July 31, 2013	From August 1, 2013 to January 31, 2014
Rental and other operating revenues:		
Rental revenues	884,944	3,070,936
Rental revenues from limited proprietary rights of land	78,310	78,309
Common area charges	55,178	163,566
Subtotal	1,018,433	3,312,812
Others:		
Parking space rental revenues	40,673	120,609
Miscellaneous	76,402	162,648
Subtotal	117,075	283,257
Total rental and other operating revenues	1,135,509	3,596,069
Property management fees and facility management fees	84,437	279,243
Utilities	16,378	67,738
Taxes	59,695	59,820
Repairs and maintenance	37,243	127,176
Insurance	2,230	5,649
Trust fees	8,700	33,077
Depreciation	194,877	555,044
Others	39,056	102,339
Total property-related expenses	442,618	1,230,090
Net operating income	692,890	2,365,978

(Notes to the Statements of Changes in Net Assets)

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

	From February 1, 2013 to July 31, 2013	From August 1, 2013 to January 31, 2014
Total number of authorized investment units	5,000,000	5,000,000
Total number of investment units issued and outstanding	75,440	241,622

(Notes to the Statements of Cash Flow)

* 1. Reconciliation of balance sheet items to cash and cash equivalents at end of period in the cash flows statements

	(in thousands of yen)	
	As of July 31, 2013	As of January 31, 2014
Cash and deposits	507,326	2,159,067
Cash and deposits in trust	637,662	2,390,547
Cash and cash equivalents	1,144,988	4,549,614

(Notes to the Lease Transactions)

Operating lease transactions (Lessor)

Unearned lease payments

	(in thousands of yen)	
	As of July 31, 2013	As of January 31, 2014
Due in 1 year	204,104	204,104
Due after 1 year	5,884,373	5,782,321
Total	6,088,478	5,986,425

(Notes to the Financial Instruments)

(A). Overview

(1) Policy for financial instruments

The Investment Corporation procures funds for asset acquisitions, repairs, payment of distributions, repayment of loans, etc. through loans from financial institutions, issuance of investment units and other means. With regard to the procurement of interest-bearing debts, the Investment Corporation ensures that it can effectively combine stable long-term funds with flexible short-term funds. Management of surplus funds is undertaken through various bank deposits focusing on safety, liquidity and effectiveness. The Investment Corporation uses derivatives for the purpose of hedging its exposure to changes in interest rates and other risks and does not enter into derivative transactions for speculative or trading purposes.

(2) Types of financial instruments and related risk

Bank deposits are for managing the Investment Corporation's surplus funds and are exposed to credit risk such as the bankruptcy of financial institutions at which funds are deposited. Investment securities represent equity investments in an anonymous association, and are exposed to credit risk of the issuer and interest rate fluctuation risk.

Borrowings, which are made primarily for the purpose of procuring funds for the acquisition of real estate and trust beneficiary interests in real estate and have a repayment date of a maximum of 7 years and 6 months as of January 31, 2014, the end of the fourth fiscal period, are exposed to liquidity risk where alternative funds may not be procured by the repayment date. Also, borrowings with floating interest rates are exposed to interest rate fluctuation risk. Derivatives are used for the purpose of hedging interest rate fluctuation risk for a certain portion of the borrowings.

(3) Risk management for financial instruments

a. Credit risk

While bank deposits are exposed to credit risk such as the bankruptcy of financial institutions at which funds are deposited, such risk is monitored by deposits in non-interest bearing ordinary savings accounts or with financial institutions with credit ratings above a certain level. Investment securities represent equity investments in an anonymous association, and are exposed to credit risk of the issuer and interest rate fluctuation risk. The Investment Corporation regularly evaluates the results of operations and the financial condition of the issuer, etc. In utilizing derivatives, the Investment Corporation aims to mitigate counterparty risk such as by transacting with financial institutions with favorable ratings.

b. Market risk

While borrowings with floating rates are exposed to interest rate volatility risk, such risk is monitored by adjusting the rate of the balance of borrowings with floating rates against the total borrowings according to the financial environment, interest rate forecasts by continuous monitoring, etc. and by using derivatives, etc. A risk management policy is established with regard to the execution and management of derivatives and such transactions are conducted based on this policy.

c. Liquidity risk

Though borrowings are subject to liquidity risk, the Investment Corporation reduces such risk by spreading out payment due dates and by diversifying financial institutions. 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 and estimated fair value are shown in the following table.
As of July 31, 2013

(in thousands of yen)

	Carrying amount	Estimated fair value	Difference
(1) Cash and deposits	507,326	507,326	-
(2) Cash and deposits in trust	637,662	637,662	-
Subtotal	1,144,988	1,144,988	-
(1) Short-term loans payable	2,830,000	2,830,000	-
(2) Current portion of long-term loans payable	5,500,000	5,500,000	-
(3) Long-term loans payable	10,000,000	10,000,000	-
Subtotal	18,330,000	18,330,000	-
Derivative transactions	39,497	39,497	-

As of January 31, 2014

(in thousands of yen)

	Carrying amount	Estimated fair value	Difference
(1) Cash and deposits	2,159,067	2,159,067	-
(2) Cash and deposits in trust	2,390,547	2,390,547	-
Subtotal	4,549,614	4,549,614	-
(1) Short-term loans payable	-	-	-
(2) Current portion of long-term loans payable	7,200,000	7,200,000	-
(3) Long-term loans payable	48,000,000	48,085,192	85,192
Subtotal	55,200,000	55,285,192	85,192
Derivative transactions	20,053	20,053	-

Note 1: Methods to determine the estimated fair value of financial instruments and matters related to derivative transactions

Assets

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

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

Liabilities

(1) Short-term loans payable

Since these items are settled in a short period of time with floating interest rates, their carrying amount approximates fair value.

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

Among these items, the fair value of loans payable having fixed interest rates is calculated based on the present value that discounts the total amount of principal and interest by using the estimated interest rate in the event that the Investment Corporation conducts new borrowings of the same type. As for the fair value of loans payable having floating interest rates, it is based on the carrying amount since market interest rates are reflected in the short term and the fair value is believed to approximate the carrying amount as the credit standing of the Investment Corporation has not changed significantly since the loans were made. (However, the fair value of long-term loans payable which is subject to special treatment applied to interest-rate 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 which can be estimated rationally in the event that the Investment Corporation conducts borrowings of the same type.)

Derivative transactions

Please refer to “Notes to the Derivative Transactions”.

Note 2: Financial instruments whose fair values are recognized to be extremely difficult to grasp

(in thousands of yen)

Classification	As of July 31, 2013	As of January 31, 2014
Investment securities *	405,922	405,922

*Fair values of investment securities are not subject to disclosure of fair value as they have no market value and their fair values are recognized to be extremely difficult to grasp.

Note 3: Redemption schedule for financial assets with maturities

As of July 31, 2013

(in thousands of yen)

	Due in 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
Cash and deposits	507,326	-	-	-	-	-
Cash and deposits in trust	637,662	-	-	-	-	-
Total	1,144,988	-	-	-	-	-

As of January 31, 2014

(in thousands of yen)

	Due in 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
Cash and deposits	2,159,067	-	-	-	-	-
Cash and deposits in trust	2,390,547	-	-	-	-	-
Total	4,549,614	-	-	-	-	-

Note 4: Redemption schedule for loans payable

As of July 31, 2013

(in thousands of yen)

	Due in 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 loans payable	2,830,000	-	-	-	-	-
Long-term loans payable	5,500,000	6,500,000	3,500,000	-	-	-
Total	8,330,000	6,500,000	3,500,000	-	-	-

As of January 31, 2014

(in thousands of yen)

	Due in 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 loans payable	—	—	—	—	—	—
Long-term loans payable	7,200,000	12,000,000	12,000,000	11,000,000	11,000,000	2,000,000
Total	7,200,000	12,000,000	12,000,000	11,000,000	11,000,000	2,000,000

(Notes to the Derivative Transactions)

(1) Transactions not subject to hedge accounting

As of July 31, 2013 and as of January 31, 2014 : Not applicable

(2) Transactions subject to hedge accounting

As of July 31, 2013

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Accounting method, in principle	Interest-rate cap transaction:	Long-term loans payable	10,000,000	10,000,000	39,497	Based on the amount provided by counterparty financial institutions

As of January 31, 2014

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
				Maturing after 1 year		
Accounting method, in principle	Interest rate cap transaction:	Long-term loans payable	10,000,000	10,000,000	20,053	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	29,500,000	29,500,000	*	-
Total			39,500,000	39,500,000	20,053	

*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.

(Notes to the Tax-Effect Accounting)

The significant components of deferred tax assets and liabilities:

(in thousands of yen)

	As of July 31, 2013	As of January 31, 2014
Deferred tax assets:		
Enterprise tax payable	16	20
Deferred gains or losses on hedges	3,855	5,846
Subtotal deferred tax assets	3,872	5,846
Valuation allowance	-3,855	-5,846
Total deferred tax assets	16	20

The significant differences between the statutory tax rate and the effective tax rate:

	From February 1, 2013 to July 31, 2013	From August 1, 2013 to January 31, 2014
Statutory tax rate	36.59%	36.59%
Deductible cash distributions	-36.50	-36.56
Others	0.14	0.03
Effective tax rate	0.23%	0.06%

(Notes to the Related-Party Transactions)

1. Parent Company, major corporate unitholders and other

Third Fiscal Period (February 1, 2013 to July 31, 2013) and Fourth Fiscal Period (August 1, 2013 to January 31, 2014): Not applicable

2. Affiliated companies and other

Third Fiscal Period (February 1, 2013 to July 31, 2013) and Fourth Fiscal Period (August 1, 2013 to January 31, 2014) : Not applicable

3. Fellow subsidiary companies and other

Third Fiscal Period (February 1, 2013 to July 31, 2013) and Fourth Fiscal Period (August 1, 2013 to January 31, 2014): Not applicable

4. Directors, major individual unitholders and other

Third Fiscal Period (February 1, 2013 to July 31, 2013)									
Classification	Name	Principal business / Position	Ratio of voting rights held (%)	Relationship		Nature of transaction	Transaction amount (in thousands of yen) (Note 2) (Note 3)	Account	Balance at the end of period (in thousands of yen) (Note 3)
				Position held concurrently	Relation to the entity				
Directors and Close Relatives	Akira Tanaka	Executive Director for the Investment Corporation and CEO and President of Kenedix Residential Partners, Inc.	—	Executive Director for the Investment Corporation and CEO and President of Kenedix Residential Partners, Inc.		Payment of asset management fee to Kenedix Residential Partners, Inc. (Note 1)	74,886	Accounts payable-other	22,577

Note 1: Akira Tanaka serves as a representative of the third party (Kenedix Residential Partners, Inc.), and the asset management fee is established in the Articles of Incorporation of the Investment Corporation.

Note 2: Asset management fee includes ¥4,000 thousand related to the acquisition of investment securities and is accounted for in the book value for the individual assets.

Note 3: Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.

Fourth Fiscal Period (August 1, 2013 to January 31, 2014)									
Classification	Name	Principal business / Position	Ratio of voting rights held (%)	Relationship		Nature of transaction	Transaction amount (in thousands of yen) (Note 3) (Note 4)	Account	Balance at the end of period (in thousands of yen) (Note 4)
				Position held concurrently	Relation to the entity				
Directors and Close Relatives	Akira Tanaka	Executive Director for the Investment Corporation and CEO and President of Kenedix Residential Partners, Inc.	Possession of Right 0.0% (Direct)	Executive Director for the Investment Corporation and CEO and President of Kenedix Residential Partners, Inc. (Note 1)		Payment of asset management fee to Kenedix Residential Partners, Inc (Note 2)	821,684	Accounts payable-other	90,487

Note 1: Kenedix Residential Partners, Inc. succeeded to the business of Kenedix Advisors, Inc. and Kenedix Office Partners, Inc. as of October 1, 2013, and changed corporate name to Kenedix Real Estate Fund Management, Inc. Furthermore, Ryosuke Homma appointed as CEO and President of Kenedix Real Estate Fund Management, Inc., as of October 1, 2013. The deal amount and the balance of period end are showing the Fourth Fiscal Period of amounts, which deal with Kenedix Residential Partners, Inc. and after October 1, 2013 with Kenedix Real Estate Fund Management, Inc.

Note 2: Akira Tanaka serves as a representative of the third party (Kenedix Residential Partners, Inc.), and the asset management fee is established in the Articles of Incorporation of the Investment Corporation.

Note 3: Asset management fee includes ¥685,560 thousand related to the acquisition of investment securities and is accounted for in the book value for the individual assets.

Note 4: Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.

(Notes to the Investment and Rental Properties)

The Investment Corporation owns real estate for rental purposes in the Tokyo Metropolitan Area and other regional areas for the purpose of generating rental revenues.

The book value and fair value concerning the above real estate for rental purposes are as follows.

(in thousands of yen)

		Third Fiscal Period from February 1, 2013 to July 31, 2013	Fourth Fiscal Period from August 1, 2013 to January 31, 2014
Book value			
	Balance at the beginning of period	31,418,684	31,239,647
	Changes during the period	-179,036	70,351,372
	Balance at the end of period	31,239,647	101,591,020
	Fair value at the end of period	32,180,000	103,878,000

Note 1: Book value excludes accumulated depreciation from acquisition costs.

Note 2: Among changes in the amount of real estate for rental purposes that occurred during the third fiscal period, the principal decrease was depreciation (¥194,877 thousand), and during the fourth fiscal period, principal increase was the acquisition of real estate trust beneficiary interests to 60 properties (¥70,859,613 thousand) and the principal decrease was depreciation (¥555,044 thousand).

Note 3: The fair value is the appraisal value or the survey value determined by outside appraisers.

Income and loss in the fiscal periods ended July 31, 2013 and January 31, 2014 for real estate for rental purposes is listed in “Notes to the Statements of Income and Retained Earnings”.

(Notes to the Segment Information)

Segment information for the period end from February 1, 2013 to July 31, 2013 and from August 1, 2013 to January 31, 2014 is as follows:

(A) Segment information

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

(B) Related information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

(Notes to the Per Unit Information)

	From February 1, 2013 to July 31, 2013	From August 1, 2013 to January 31, 2014
Net asset value per unit	¥187,847	¥207,800
Net income per unit	¥5,389	¥6,890
Weighted average number of units (units)	75,440	236,920

Note 1: The weighted average number of units outstanding of 75,440 and 236,920 were used for the computation of the amount of net income per unit for the periods ended July 31, 2013 and January 31, 2014, respectively. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

Note 2: The basis for calculating net income per unit is as follows:

	From February 1, 2013 to July 31, 2013	From August 1, 2013 to January 31, 2014
Net income (in thousands of yen)	406,619	1,632,502
Net income not available to ordinary unitholders (in thousands of yen)	-	-
Net income available to ordinary unitholders (in thousands of yen)	406,619	1,632,502
Weighted average number of units during the period (units)	75,440	236,920

(Notes to Important Subsequent Events)

Not applicable

(Omission of Disclosure)

Notes to the Marketable Securities, the Equity-Method Income and Retained Earnings, Retirement Payment and Asset Retirement Obligations are omitted as immaterial to disclose.

(【Reference】 Borrowings)

Borrowings on a financial institution basis as of January 31, 2014 are as follows:

(in thousands of yen)

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 3) (Note 4)	Payment due date (Note 9)	Use	Remarks
Short-term loans payable	Sumitomo Mitsui Banking Corporation (Note 7)	1,000,000	-	1,000,000	-	0.649%	April 30,2014	(Note 6)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	1,000,000	-	1,000,000	-	0.649%			
	Sumitomo Mitsui Banking Corporation (Note 8)	830,000	-	830,000	-	1.100%	April 30,2014		
	Sub Total	2,830,000	-	2,830,000	-				
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.779%	April 30,2014	(Note 6)	Unsecured/ Non-guaranteed
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000				
	Resona Bank, Ltd.	1,000,000	-	-	1,000,000	0.549%	August 31,2014		
	Sumitomo Mitsui Banking Corporation (Note 2)	-	600,000	-	600,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 2)	-	600,000	-	600,000				
	Aozora Bank, Ltd. (Note 2)	-	500,000	-	500,000				
Sub Total	5,500,000	1,700,000	-	7,200,000					
Long-term loans payable	Aozora Bank, Ltd.	2,000,000	-	-	2,000,000	1.060%	April 30,2015	(Note 6)	Unsecured/ Non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000,000	-	-	2,000,000				
	Resona Bank, Ltd.	1,500,000	-	-	1,500,000				
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	1.014%	April 30,2016		
	Sumitomo Mitsui Banking Corporation	2,500,000	-	-	2,500,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	0.599%	August 31,2017		
	Sumitomo Mitsui Banking Corporation	-	1,750,000	-	1,750,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,500,000	-	1,500,000				
	Aozora Bank, Ltd.	-	500,000	-	500,000				
	Resona Bank, Ltd.	-	500,000	-	500,000				
	Sumitomo Mitsui Trust Bank, Limited	-	500,000	-	500,000				
	The Mizuho Trust and Banking Co., Limited	-	500,000	-	500,000	0.787%	August 31,2018		
	Mizuho Bank, Ltd.	-	250,000	-	250,000				
	Sumitomo Mitsui Banking Corporation	-	3,000,000	-	3,000,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	2,000,000	-	2,000,000				
	Aozora Bank, Ltd.	-	1,000,000	-	1,000,000				
	Sumitomo Mitsui Trust Bank, Limited	-	1,000,000	-	1,000,000				
	Resona Bank, Ltd.	-	500,000	-	500,000	0.910%	August 31,2019		
	Mizuho Bank, Ltd.	-	500,000	-	500,000				
	The Mizuho Trust and Banking Co., Limited	-	500,000	-	500,000				
	Sumitomo Mitsui Banking Corporation	-	4,000,000	-	4,000,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	2,500,000	-	2,500,000				
	Aozora Bank, Ltd.	-	1,500,000	-	1,500,000				
	Resona Bank, Ltd.	-	1,000,000	-	1,000,000	1.052%	August 31,2020		
	Sumitomo Mitsui Trust Bank, Limited	-	1,000,000	-	1,000,000				
	Mizuho Bank, Ltd.	-	500,000	-	500,000				
	The Mizuho Trust and Banking Co., Limited	-	500,000	-	500,000				
	Sumitomo Mitsui Banking Corporation	-	3,250,000	-	3,250,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	2,000,000	-	2,000,000				
	Aozora Bank, Ltd.	-	1,000,000	-	1,000,000	1.088% (Note 5)	August 31,2020		
	Resona Bank, Ltd.	-	500,000	-	500,000				
	Sumitomo Mitsui Trust Bank, Limited	-	500,000	-	500,000				
	The Mizuho Trust and Banking Co., Limited	-	500,000	-	500,000				
Mizuho Bank, Ltd.	-	250,000	-	250,000					
Development Bank of Japan Inc.	-	3,000,000	-	3,000,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,000,000	-	1,000,000	1.109%	January 31,2023			
Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	1.221%	July 31,2023			
Sub Total	10,000,000	38,000,000	-	48,000,000					
Total	18,330,000	39,700,000	2,830,000	55,200,000					

Note 1: Annual repayments of long-term loans payable (except for current portion of long-term loans payable) scheduled after the balance sheet date are as follows:

	(in thousands of yen)				
	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
Long-term loans payable	12,000,000	12,000,000	11,000,000	11,000,000	2,000,000

Note 2: Long-term loans payable conducted during the fiscal period and listed in the current portion of long-term loans payable.

Note 3: Except for the following (Note 5), borrowings at a floating rate.

Note 4: Average interest rates are the weighted average during the period and figures are rounded to the nearest third decimal place. Also, with regard to borrowings for which interest rate swap and interest rate cap transactions were implemented in order to hedge the interest rate volatility risk, the weighted average interest rates taking into consideration the effects of the interest swaps and interest rate caps are indicated.

Note 5: Borrowings at a fixed rate.

Note 6: All debts were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate (ancillary expenses are included) and repayment of debts.

Note 7: Early repayment was made on January 31, 2014.

Note 8: Early repayment was made on August 7, 2013.

Note 9: Except for the above (Note 7 and 8), all the repayment methods of debt financing are lump-sum repayments on the due date.