

## Financial Statements

(12th Fiscal Period: From August 1, 2017 to January 31, 2018)

(11th Fiscal Period: From February 1, 2017 to July 31, 2017)

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## Independent Auditor's Report

The Board of Directors  
Kenedix Residential Next Investment Corporation

We have audited the accompanying financial statements of Kenedix Residential Next Investment Corporation (formerly, Kenedix Residential Investment Corporation), which comprise the balance sheet as at January 31, 2018, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenedix Residential Next Investment Corporation (formerly, Kenedix Residential Investment Corporation) as at January 31, 2018, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

### *Emphasis of Matter*

We draw attention to Note 15 to the financial statements, which describes that Kenedix Residential Next Investment Corporation merged with Japan Senior Living Investment Corporation on March 1, 2018. Our opinion is not qualified in respect of this matter.

*Ernst & Young ShinNihon LLC*

April 26, 2018  
Tokyo, Japan

## KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

### Balance Sheets

As of January 31, 2018 and July 31, 2017

	12th Fiscal Period as of January 31, 2018	11th Fiscal Period as of July 31, 2017
(in thousands of yen)		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits (Notes 6 and 8)	¥6,551,666	¥6,405,982
Cash and deposits in trust (Notes 6 and 8)	3,928,017	3,778,959
Operating accounts receivable	24,913	24,821
Prepaid expenses	3,557	4,831
Deferred tax assets (Note 10)	-	9
Consumption taxes receivable	9,464	-
Other	1,893	503
<b>Total current assets</b>	<b>10,519,513</b>	<b>10,215,108</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment (Notes 12 and 17)</b>		
Land	1,798,041	1,798,041
Buildings in trust	68,843,600	65,654,206
Accumulated depreciation	(6,927,784)	(6,058,335)
Buildings in trust, net	61,915,815	59,595,871
Structures in trust	502,925	444,009
Accumulated depreciation	(114,924)	(100,446)
Structures in trust, net	388,001	343,563
Machinery and equipment in trust	1,317,786	1,259,827
Accumulated depreciation	(226,840)	(197,886)
Machinery and equipment in trust, net	1,090,946	1,061,940
Tools, furniture and fixtures in trust	338,646	263,829
Accumulated depreciation	(29,220)	(20,241)
Tools, furniture and fixtures in trust, net	309,425	243,587
Land in trust	99,538,715	93,118,700
<b>Total property, plant and equipment, net</b>	<b>165,040,946</b>	<b>156,161,704</b>
<b>Investments and other assets</b>		
Investment securities (Note 16)	221,707	91,579
Lease and guarantee deposits	10,397	10,397
Long-term prepaid expenses	915,782	764,254
Other (Notes 8 and 9)	80,743	26,626
<b>Total investments and other assets</b>	<b>1,228,631</b>	<b>892,858</b>
<b>Total noncurrent assets</b>	<b>166,269,577</b>	<b>157,054,563</b>
<b>Deferred assets</b>		
Investment corporation bond issuance costs	24,461	26,340
Investment unit issuance costs	421	20,039
<b>Total deferred assets</b>	<b>24,883</b>	<b>46,380</b>
<b>Total assets</b>	<b>¥176,813,974</b>	<b>¥167,316,051</b>

	12th Fiscal Period as of January 31, 2018	11th Fiscal Period as of July 31, 2017
(in thousands of yen)		
<b>LIABILITIES</b>		
Current liabilities		
Operating accounts payable	¥473,021	¥431,854
Short-term loans payable (Notes 8, 9 and 19)	2,630,000	1,000,000
Current portion of long-term loans payable (Notes 8, 9 and 19)	11,000,000	11,000,000
Accounts payable-other	239,241	203,876
Accrued expenses	26,142	24,212
Income taxes payable	604	799
Accrued consumption taxes	-	6,135
Advances received	779,137	766,964
Deposits received	53,143	50,111
<b>Total current liabilities</b>	<b>15,201,290</b>	<b>13,483,955</b>
Noncurrent liabilities		
Investment corporation bonds (Notes 8 and 18)	3,000,000	3,000,000
Long-term loans payable (Notes 8, 9 and 19)	74,500,000	66,800,000
Tenant leasehold and security deposits in trust	1,462,549	1,473,087
<b>Total noncurrent liabilities</b>	<b>78,962,549</b>	<b>71,273,087</b>
<b>Total liabilities</b>	<b>94,163,839</b>	<b>84,757,042</b>
<b>NET ASSETS</b>		
Unitholders' equity		
Unitholders' capital	80,132,379	80,132,379
Surplus		
Unappropriated retained earnings	2,437,011	2,400,002
<b>Total surplus</b>	<b>2,437,011</b>	<b>2,400,002</b>
<b>Total unitholders' equity</b>	<b>82,569,390</b>	<b>82,532,381</b>
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 8 and 9)	80,743	26,626
<b>Total valuation and translation adjustments</b>	<b>80,743</b>	<b>26,626</b>
<b>Total net assets (Note 3)</b>	<b>82,650,134</b>	<b>82,559,008</b>
<b>Total liabilities and net assets</b>	<b>¥176,813,974</b>	<b>¥167,316,051</b>

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

### Statements of Income and Retained Earnings

For the period from August 1, 2017 to January 31, 2018 and the period from February 1, 2017 to July 31, 2017

	12th Fiscal Period from August 1, 2017 to January 31, 2018	11th Fiscal Period from February 1, 2017 to July 31, 2017
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 4)	¥5,235,620	¥5,102,400
Other lease business revenue (Note 4)	435,685	472,418
Dividends income	10,132	-
Total operating revenues	5,681,438	5,574,819
Operating expenses		
Expenses related to rent business (Note 4)	2,107,064	2,124,246
Asset management fees	377,361	371,229
Asset custody fees	11,365	11,363
Administrative service fees	39,023	38,143
Directors' compensation	4,500	4,500
Merger expenses	67,446	-
Other operating expenses	184,719	192,121
Total operating expenses	2,791,481	2,741,604
Operating income	2,889,956	2,833,215
Non-operating income		
Interest income	12	12
Dividends and redemption-prescription	350	824
Total non-operating income	363	836
Non-operating expenses		
Interest expenses	410,074	385,660
Interest expenses on investment corporation bonds	7,806	7,629
Borrowing expenses	97,811	96,801
Amortization of investment corporation bond issuance costs	1,878	1,878
Amortization of investment unit issuance costs	19,618	25,790
Total non-operating expenses	537,188	517,760
Ordinary income	2,353,130	2,316,291
Income before income taxes	2,353,130	2,316,291
Income taxes (Note 10)		
Current	604	801
Deferred	9	51
Total income taxes	614	853
Net income	2,352,516	2,315,438
Retained earnings brought forward	84,495	84,564
Unappropriated retained earnings	¥2,437,011	¥2,400,002

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

### Statements of Changes in Net Assets

For the period from August 1, 2017 to January 31, 2018 and the period from February 1, 2017 to July 31, 2017

	Unitholders' equity				Valuation and translation adjustments	Total net assets
	Surplus			Total unitholders' equity	Deferred gains or losses on hedges	
	Unitholders' capital	Unappropriated retained earnings	Total surplus			
(in thousands of yen)						
<b>Balance as of January 31, 2017</b>	¥ 80,132,379	¥ 2,365,163	¥ 2,365,163	¥ 82,497,542	¥ 54,619	¥ 82,552,161
Changes of items during the period						
Dividends from surplus	-	(2,280,598)	(2,280,598)	(2,280,598)	-	(2,280,598)
Net income	-	2,315,438	2,315,438	2,315,438	-	2,315,438
Net changes of items other than unitholders' equity	-	-	-	-	(27,992)	(27,992)
<b>Total changes of items during the period</b>	-	34,839	34,839	34,839	(27,992)	6,847
<b>Balance as of July 31, 2017 (Note 5)</b>	¥ 80,132,379	¥ 2,400,002	¥ 2,400,002	¥ 82,532,381	¥ 26,626	¥ 82,559,008
Changes of items during the period						
Dividends from surplus	-	(2,315,507)	(2,315,507)	(2,315,507)	-	(2,315,507)
Net income	-	2,352,516	2,352,516	2,352,516	-	2,352,516
Net changes of items other than unitholders' equity	-	-	-	-	54,116	54,116
<b>Total changes of items during the period</b>	-	37,008	37,008	37,008	54,116	91,125
<b>Balance as of January 31, 2018 (Note 5)</b>	¥ 80,132,379	¥ 2,437,011	¥ 2,437,011	¥ 82,569,390	¥ 80,743	¥ 82,650,134

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

### Statements of Cash Flows

For the period from August 1, 2017 to January 31, 2018 and the period from February 1, 2017 to July 31, 2017

	12th Fiscal Period from August 1, 2017 to January 31, 2018	11th Fiscal Period from February 1, 2017 to July 31, 2017
(in thousands of yen)		
Net cash provided by (used in) operating activities		
Income before income taxes	¥2,353,130	¥2,316,291
Depreciation and amortization	921,858	884,713
Amortization of investment corporation bond issuance costs	1,878	1,878
Amortization of investment unit issuance costs	19,618	25,790
Interest income	(12)	(12)
Interest expenses	417,880	393,289
Decrease (increase) in operating accounts receivable	(92)	(31)
Decrease (increase) in consumption taxes refund receivable	(9,464)	-
Decrease (increase) in prepaid expenses	1,274	(1,475)
Increase (decrease) in operating accounts payable	68,569	(55,535)
Increase (decrease) in accounts payable-other	37,833	11,489
Increase (decrease) in accrued consumption taxes	(6,135)	(13,392)
Increase (decrease) in advances received	12,172	12,985
Decrease (increase) in long-term prepaid expenses	(151,528)	99,837
Other, net	3,018	(13,325)
<b>Subtotal</b>	<b>3,670,003</b>	<b>3,662,503</b>
Interest income received	12	12
Interest expenses paid	(415,950)	(393,545)
Income taxes (paid) refund	(2,693)	(1,696)
<b>Net cash provided by (used in) operating activities</b>	<b>3,251,371</b>	<b>3,267,273</b>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(9,828,503)	(155,506)
Purchase of investment securities	(133,725)	(90,000)
Proceeds from investment securities	3,240	-
Proceeds from collection of lease and guarantee deposits	-	164
Repayments of tenant leasehold and security deposits in trust	(142,165)	(147,418)
Proceeds from tenant leasehold and security deposits in trust	131,628	153,736
<b>Net cash provided by (used in) investing activities</b>	<b>(9,969,526)</b>	<b>(239,024)</b>
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	1,630,000	1,000,000
Decrease in short-term loans payable	-	(1,000,000)
Proceeds from long-term loans payable	18,700,000	-
Repayments of long-term loans payable	(11,000,000)	-
Dividends paid	(2,317,102)	(2,282,658)
<b>Net cash provided by (used in) financing activities</b>	<b>7,012,897</b>	<b>(2,282,658)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>294,741</b>	<b>745,590</b>
Cash and cash equivalents at the beginning of period	10,184,942	9,439,351
<b>Cash and cash equivalents at the end of period (Note 6)</b>	<b>¥10,479,684</b>	<b>¥10,184,942</b>

See accompanying notes to the financial statements.

# KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

## Notes to Financial Statements

For the period from August 1, 2017 to January 31, 2018 and the period from February 1, 2017 to July 31, 2017

### 1. ORGANIZATION AND BASIS OF PRESENTATION

#### Organization

Kenedix Residential Next Investment Corporation (Note) (“the Investment Corporation”) was established on November 15, 2011 under the Act on Investment Trusts and Investment Corporations of Japan (“the Investment Trust Act”). On April 26, 2012, the Investment Corporation was listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange (Securities Code: 3278). The Investment Corporation additionally issued 67,900 investment units on February 4, 2015 through most recent public offerings, and 2,067 investment units on March 4, 2015 by way of a third-party allotment. As the result, as of January 31, 2018, the end of the 12th fiscal period, the number of investment units issued and outstanding totaled 349,089 units.

(Note) On March 1, 2018 as the effective date, the Investment Corporation conducted an absorption-type merger (“the Merger”) whereby the Investment Corporation was the surviving corporation and Japan Senior Living Investment Corporation (“JSL”) was the dissolving corporation. The Investment Corporation also changed its corporate name from Kenedix Residential Investment Corporation to Kenedix Residential Next Investment Corporation on March 1, 2018.

The Investment Corporation is externally managed by Kenedix Real Estate Fund Management, Inc. (“the Asset Management Company”), a company that was formed with personnel from Kenedix, Inc. and adheres to the core philosophies of Kenedix, Inc., that is, to provide management services from the perspective of real estate investors as an independent real estate management company. As the asset manager, the Asset Management Company shall provide investment and management services based on the three core strategies of the Investment Corporation: “Consistent External Growth by Making Use of Good Judgment,” “Efficient Profit Management” and “Challenge to New Business Opportunities.”

During the 11th fiscal period, the Investment Corporation acquired and sold no properties. During the 12th fiscal period, the Investment Corporation acquired 2 properties (total acquisition price of ¥9,100 million). As the result, the Investment Corporation has a portfolio comprised of 115 properties (total acquisition price of ¥164,169 million) as of January 31, 2018, the end of the 12th fiscal period.

The occupancy rates of the overall portfolio excluding land with leasehold interest were 96.8% and 97.0% as of the end of the 11th and 12th fiscal period, respectively. Furthermore, the occupancy rates of the overall portfolio including land with leasehold interest were 96.9% and 97.0% as of the end of the 11th and 12th fiscal period.

During the 11th and 12th fiscal period, the Investment Corporation made borrowings of ¥1,000 million and ¥11,000 million for the repayment of debt matured. During the 12th fiscal period, the Investment Corporation made new borrowings of ¥9,330 million upon acquiring properties. As a result, balance of borrowings as of the end of the 11th and 12th fiscal period stood at ¥78,800 million and ¥88,130 million, respectively.

#### Basis of Presentation

The Investment Corporation maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan (Japanese GAAP), including provisions set forth in the Investment Trust Act, the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan and related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are a translation of the audited financial statements of the Investment Corporation, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of the Investment Corporation filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan. In addition, the notes to financial statements include certain information that might not be required under Japanese GAAP but is presented herein as additional information.

The Investment Corporation fiscal period is a six-month period which ends at the end of January or July. The Investment Corporation does not prepare consolidated financial statements because it has no subsidiaries.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (A) Securities

Other securities without market value are stated using the moving average cost method. Equity investments in an anonymous association are stated, the amount equivalent to the corresponding equity interests including net amount of gain or loss from the anonymous association.

### (B) Property and Equipment (including trust assets)

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 August 1, 2017 to January 31, 2018	From February 1, 2017 to July 31, 2017
Buildings	2-67 years	2-67 years
Structures	3-52 years	3-48 years
Machinery and equipment	8-34 years	8-30 years
Tools, furniture and fixtures	6-30 years	6-30 years

### (C) Long-term Prepaid Expenses

Long-term prepaid expenses are amortized by the straight-line method.

### (D) Unit Issuance Costs

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

### (E) Investment Corporation Bond Issuance Costs

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

### (F) Accounting Treatment of Trust Beneficiary Interests in Real Estate

For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan, all relevant assets and liabilities in trust are recorded on the balance sheet and the statement of income and retained earnings.

### (G) Revenue Recognition

Operating revenues consist of rental revenues including base rents and common area charges, and other operating revenues including parking space rental revenues and other miscellaneous revenues. Rental revenues are generally recognized on an accrual basis over the life of each lease.

### (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 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 generally reimbursed by the purchaser for these accrued property-related tax liabilities.

When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥6,024 thousand as of January 31, 2018. There were no capitalized property-related taxes as of July 31, 2017.

(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 enters into derivative transactions to hedge risks prescribed in its Articles of Incorporation based on its risk management policies. The Investment Corporation hedges interest rate volatility risk of its interest payments on its borrowings by utilizing and interest rate swap and other derivative transactions as hedging instruments.

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, an assessment of the effectiveness of hedging activities is omitted in the case of interest rate swaps and other derivatives that meet the requirements for special treatment.

(L) 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.

(M) Presentation of Amounts

Amounts of less than one thousand yen are truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan. Unless otherwise noted, amounts are rounded down and ratios are rounded off in the accompanying financial statements. Totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

### 3. 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.

### 4. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY

Rental and other operating revenues and property-related expenses for the periods from August 1, 2017 to January 31, 2018 and from February 1, 2017 to July 31, 2017 consist of the following:

	From August 1, 2017 to January 31, 2018	From February 1, 2017 to July 31, 2017
	(in thousands of yen)	
Rental and other operating revenues:		
Rental revenues	¥4,895,387	¥4,769,190
Rental revenues from limited proprietary rights of land	43,749	43,750
Common area charges	296,482	289,460
Subtotal	5,235,620	5,102,400
Others:		
Parking space rental revenues	181,133	173,218
Miscellaneous	254,551	299,200
Subtotal	435,685	472,418
Total rental and other operating revenues	¥5,671,305	¥5,574,819
Property-related expenses:		
Property management fees and facility management fees	¥362,432	¥386,322
Utilities	88,669	85,370
Taxes	323,667	324,067
Repairs and maintenance	228,410	234,429
Insurance	8,399	7,984
Trust fees	42,467	41,900
Depreciation	921,858	884,713
Others	131,157	159,458
Total property-related expenses	¥2,107,064	¥2,124,246

Gain on sales of real estate property:

From August 1, 2017 to January 31, 2018

Not applicable

From February 1, 2017 to July 31, 2017

Not applicable

### 5. UNITHOLDERS' EQUITY

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

	From August 1, 2017 to January 31, 2018	From February 1, 2017 to July 31, 2017
Total number of authorized investment units	5,000,000	5,000,000
Total number of investment units issued and outstanding	349,089	349,089

## 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of January 31, 2018 and July 31, 2017:

	As of January 31, 2018	As of July 31, 2017
	(in thousands of yen)	
Cash and deposits	¥6,551,666	¥6,405,982
Cash and deposits in trust	3,928,017	3,778,959
Cash and cash equivalents	¥10,479,684	¥10,184,942

## 7. LEASES

The Investment Corporation, as lessor, has entered into leases whereby fixed monthly rents are due in advance with a lease term of generally two years for residential properties. The future minimum rental revenues under existing non-cancelable operating leases as of January 31, 2018 and July 31, 2017 are as follows:

	As of January 31, 2018	As of July 31, 2017
	(in thousands of yen)	
Due in 1 year	¥251,883	¥328,364
Due after 1 year	4,092,472	4,266,213
Total	¥4,344,355	¥4,594,578

## **8. 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 corporation bonds, 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, risk of fluctuation of value of its property and interest rate fluctuation risk.

Borrowings and investment corporation bonds 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 10 years and 7 month as of January 31, 2018, the end of the 12th 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. To manage this credit 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. While investment securities, which are equity investments in an anonymous association, are exposed to credit risk of the issuer and property value fluctuation risk, the Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to these investment securities. A risk management policy is established with regard to the execution and management of derivatives, and such transactions are entered into 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 January 31, 2018

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Cash and deposits	¥6,551,666	¥6,551,666	¥ -
(2) Cash and deposits in trust	3,928,017	3,928,017	-
Subtotal	10,479,684	10,479,684	-
(1) Short-term loans payable	2,630,000	2,630,000	-
(2) Current portion of long-term loans payable	11,000,000	10,999,491	(508)
(3) Investment corporation bonds	3,000,000	2,970,800	(29,200)
(4) Long-term loans payable	74,500,000	74,587,162	87,162
Subtotal	91,130,000	91,187,454	57,454
Derivative transactions	¥80,743	¥80,743	¥ -

As of July 31, 2017

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Cash and deposits	¥6,405,982	¥6,405,982	¥ -
(2) Cash and deposits in trust	3,778,959	3,778,959	-
Subtotal	10,184,942	10,184,942	-
(1) Short-term loans payable	1,000,000	1,000,000	-
(2) Current portion of long-term loans payable	11,000,000	10,956,857	(43,142)
(3) Investment corporation bonds	3,000,000	2,967,700	(32,300)
(4) Long-term loans payable	66,800,000	66,913,944	113,944
Subtotal	81,800,000	81,838,502	38,502
Derivative transactions	¥26,626	¥26,626	¥ -

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 (4) Long-term loans payable

Among these items, the fair value of loans payable with fixed interest rates is calculated based on the present value, which is the total amount of principal and interest discounted by the estimated interest rate to be applied in the event that the Investment Corporation conducts new borrowings of the same type. As for the fair value of loans payable with 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 subject to the special treatment for interest-rate swaps is based on the present value of the total of principal and interest, accounted for together with the applicable interest-rate swaps, discounted by the estimated interest rate to be applied in the event that the Investment Corporation conducts new borrowings of the same type.)

(3) Investment corporation bonds

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

Derivative transactions

Please refer to Note 9 "DERIVATIVE TRANSACTIONS".

Note 2: Financial instruments whose fair values are extremely difficult to recognize

(in thousands of yen)

Classification	As of January 31, 2018	As of July 31, 2017
Investment securities *	221,707	91,579

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

Note 3: Redemption schedule for financial assets with maturities

As of January 31, 2018

	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
	(in thousands of yen)					
Cash and deposits	¥6,551,666	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	3,928,017	-	-	-	-	-
Total	¥10,479,684	¥ -	¥ -	¥ -	¥ -	¥ -

As of July 31, 2017

	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
	(in thousands of yen)					
Cash and deposits	¥6,405,982	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	3,778,959	-	-	-	-	-
Total	¥10,184,942	¥ -	¥ -	¥ -	¥ -	¥ -

Note 4: Redemption schedule for loans payable and investment corporation bonds

As of January 31, 2018

	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
	(in thousands of yen)					
Short-term loans payable	¥ 2,630,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	-	1,000,000	-	2,000,000
Long-term loans payable	11,000,000	3,000,000	3,600,000	10,000,000	10,250,000	47,650,000
Total	¥ 13,630,000	¥ 3,000,000	¥ 3,600,000	¥ 11,000,000	¥ 10,250,000	¥ 49,650,000

As of July 31, 2017

	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
	(in thousands of yen)					
Short-term loans payable	¥ 1,000,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	-	-	1,000,000	2,000,000
Long-term loans payable	11,000,000	11,000,000	1,500,000	5,950,000	15,150,000	33,200,000
Total	¥ 12,000,000	¥ 11,000,000	¥ 1,500,000	¥ 5,950,000	¥ 16,150,000	¥ 35,200,000

## 9. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of January 31, 2018 are shown in the following table.

(1) Transactions not subject to hedge accounting  
Not applicable

(2) Transactions subject to hedge accounting

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
			Total	Maturing after 1 year		
Accounting method, in principle	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥22,500,000	¥22,500,000	¥80,743	Based on the amount provided by counterparty financial institutions
Special treatment for interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	46,300,000	38,300,000	*	-
	Total		¥68,800,000	¥60,800,000	¥80,743	-

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

The contract amount and the fair value of interest-rate swap transactions as of July 31, 2017 are shown in the following table.

(1) Transactions not subject to hedge accounting  
Not applicable

(2) Transactions subject to hedge accounting

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
			Total	Maturing after 1 year		
Accounting method, in principle	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥9,000,000	¥9,000,000	¥26,626	Based on the amount provided by counterparty financial institutions
Special treatment for interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥57,300,000	¥46,300,000	*	-
	Total		¥66,300,000	¥55,300,000	¥26,626	-

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



## 10. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements under the Special Taxation Measures Law of Japan are met, including a requirement that it currently distributes in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. Since the Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥2,424 million and ¥2,315 million for the periods ended January 31, 2018 and July 31, 2017, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rates on the Investment Corporation's income were 0.03% and 0.04% for the periods ended January 31, 2018 and July 31, 2017, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	From August 1, 2017 to January 31, 2018	From February 1, 2017 to July 31, 2017
Statutory tax rate	31.74%	31.74%
Deductible cash distributions	(31.74)	(31.73)
Others	0.03	0.03
Effective tax rate	0.03%	0.04%

The significant components of deferred tax assets and liabilities as of January 31, 2018 and July 31, 2017 are as follows:

	As of January 31, 2018	As of July 31, 2017
	(in thousands of yen)	
Deferred tax assets:		
Enterprise tax payable	-	¥ 9
Subtotal deferred tax assets	-	9
Total deferred tax assets	-	¥ 9

## 11. RELATED-PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other  
12th Fiscal Period (August 1, 2017 to January 31, 2018) and 11th Fiscal Period (February 1, 2017 to July 31, 2017): Not applicable
2. Affiliated companies and other  
12th Fiscal Period (August 1, 2017 to January 31, 2018) and 11th Fiscal Period (February 1, 2017 to July 31, 2017): Not applicable
3. Fellow subsidiary companies and other  
12th Fiscal Period (August 1, 2017 to January 31, 2018) and 11th Fiscal Period (February 1, 2017 to July 31, 2017): Not applicable
4. Directors, major individual unitholders and other  
12th Fiscal Period (August 1, 2017 to January 31, 2018) and 11th Fiscal Period (February 1, 2017 to July 31, 2017): Not applicable

## 12. 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.

	12th Fiscal Period from August 1, 2017 to January 31, 2018	11th Fiscal Period from February 1, 2017 to July 31, 2017
	(in thousands of yen)	
Book value		
Balance at the beginning of period	¥156,161,704	¥156,805,298
Changes during the period	8,879,241	(643,593)
Balance at the end of period	165,040,946	156,161,704
Fair value at the end of period	¥192,137,000	¥182,410,000

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 12th fiscal period, the principal increases were the acquisition of trust beneficiary interests in real estate in 2 properties totaling ¥9,514,796 thousand and the principal decrease was depreciation amounting of ¥921,858 thousand, and the 11th fiscal period, the principal decrease was depreciation amounting of ¥884,713 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 January 31, 2018 and July 31, 2017 for real estate for rental purposes is listed in Note 4 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY".

## 13. SEGMENT INFORMATION

Segment information for the period ended from August 1, 2017 to January 31, 2018 and from February 1, 2017 to July 31, 2017 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.

## 14. PER UNIT INFORMATION

	From August 1, 2017 to January 31, 2018	From February 1, 2017 to July 31, 2017
Net asset value per unit	¥118,379	¥118,249
Net income per unit	¥3,369	¥3,316
Weighted average number of units (units)	698,178	698,178

The weighted average number of units outstanding of 698,178 were used for the computation of the amount of net income per unit as of January 31, 2018 and July 31, 2017.

A 2-for-1 split of investment units was implemented with February 28, 2018 as the record date and March 1, 2018 as the effective date. Net assets value per unit and net income per unit are calculated based on the assumption that the split of investment unit was implemented at the beginning of the fiscal period ended July 2017.

Net income per unit after adjusting for residual units is not included because there were no residual investment units.

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

	From August 1, 2017 to January 31, 2018	From February 1, 2017 to July 31, 2017
Net income (in thousands of yen)	¥2,352,516	¥2,315,438
Net income not available to ordinary unitholders (in thousands of yen)	-	-
Net income available to ordinary unitholders (in thousands of yen)	¥2,352,516	¥2,315,438
Weighted average number of units during the period (units)	698,178	698,178

## 15. SIGNIFICANT SUBSEQUENT EVENTS

### 1. Merger (with Japan Senior Living Investment Corporation)

On March 1, 2018 as the effective date, Kenedix Residential Investment Corporation (“KDR”) conducted an absorption-type merger (“the Merger”) whereby KDR was the surviving corporation and Japan Senior Living Investment Corporation (“JSL”) was the dissolving corporation. KDR also changed its corporate name from Kenedix Residential Investment Corporation to Kenedix Residential Next Investment Corporation on March 1, 2018.

#### (1) Purpose of the Merger

KDR and JSL believe that, as a result of the Merger, they will achieve the benefits of (i) an increase in liquidity resulting from greater asset scale and market capitalization that will enable them to capture more growth opportunities, (ii) greater earnings stability stemming from asset type diversification and enhanced ability to pursue external growth and (iii) improvement in asset management efficiency together with enhanced financial health, and further believe that the potential to reap these benefits constitutes the major significance of the Merger.

#### (2) Method of the Merger

The Merger was an absorption-type merger with KDR as the surviving corporation and JSL was dissolved.

#### (3) Merger Ratio

1 unit of KDR was allotted 1 unit of JSL through the Merger. KDR implemented a 2-for-1 investment unit split with February 28, 2018 as the record date before the Merger. As a result, the total number of investment units issued and outstanding was 782,928 units as of March 1, 2018.

#### (4) Cash Payment upon the Merger

KDR intends to pay JSL unitholders (the unitholders stated or recorded in the final unitholders register on the day prior to the effective date of the Merger (excluding the JSL unitholders who demanded the purchase of their investment units pursuant to the provisions of Article 149-3 of the Investment Trust Act, hereinafter referred to as the “Unitholders Subject to Allocation”), in lieu of the cash distributions pertaining to JSL’s fiscal period from September 1, 2017 to February 28, 2018, a merger grant of ¥3,365 per unit corresponding to the cash distributions based on JSL’s distributable income for that same period (an amount (rounded down to the nearest yen) which is the quotient resulting from dividing the amount of JSL’s distributable income on the date prior to the effective date of the Merger by the number of issued JSL investment units on that date, reduced by the number of investment units held by unitholders other than the Unitholders Subject to Allocation).

(5) Unitholder's Capital

Unitholder's capital and capital surplus of KDR that increased due to the Merger are as follows.

Unitholder's capital : ¥0

Capital surplus : Amount to be increased is calculated by deduct the increase amount in unitholders' capital above from an amount to be changed in unitholders' equity prescribed in the Article 22, Paragraph 1 of the Regulation for the Accounting of the Investment Corporation (Cabinet Office Ordinance No. 47 effective in 2006).

(6) Performance of JSL in the Latest Fiscal Period Ended February 28, 2018(from September 1, 2017 to February 28, 2018)

Business purpose Management of assets in accordance with the Investment Trust Act by investing mainly in specified assets

Operating Revenues	¥988 million
Net income	¥285 million
Total assets	¥35,605 million
Total liabilities	¥19,788 million
Net assets	¥15,816 million

2. Investment Unit Split

KDR implemented a 2-for-1 split of investment units with March 1, 2018 as the effective date.

(1) Purpose of the Investment Unit Split

The Merger is carried out through an absorption-type merger having KDR as the surviving corporation, and the merger ratio, before considering the Investment Unit Split, would be KDR 1: JSL 0.5. However, with this merger ratio, 0.5 units of KDR would be allotted to every unit of JSL, which would mean that a number of JSL investment unitholders would receive less than one KDR unit. For this reason, in order to enable JSL unitholders to continue holding KDR units even after the Merger, it was decided that the KDR investment units will be split 2-for-1 for the purpose of issuing 1 KDR unit or more to all JSL unitholders.

(2) Method of the Investment Unit Split

KDR implemented a 2-for-1 split of its investment units held by unitholders set forth or recorded in the final unitholder registry on February 28, 2018.

(3) Increase in Number of Investment Units through the Split

Total number of KDR's investment units issued and outstanding before the Investment Unit Split:	349,089 units
Number of investment units increased through the Investment Unit Split:	349,089 units
Total number of KDR's investment units issued and outstanding after the Investment Unit Split:	698,178 units

The total number of KDR's investment units issued and outstanding was 782,928 units after the Merger as of March 1, 2018, since 1 unit of KDR was allotted to 1 unit of JSL.

For figures of per unit information under assumption by which the split of investment units was implemented at the beginning of the fiscal period ended July 2017, please refer to "Notes to Per Unit Information."

## 16. SECURITIES PORTFOLIO

Securities portfolio consists of the following as of January 31, 2018:

- (1) Stock Not applicable
- (2) Securities other than shares

(in thousands of yen)

Type	Name	Face value total	Book value	Accrued interest	Prepaid accrued interest	Assessed value (Note 3)	Gain (Loss) on valuation	Remarks
Subordinated Silent Partnership Equity Interests	Equity interests in TK property fund with G.K. Tropic I as operator (Note 1)	-	88,339	-	-	88,339	-	
Subordinated Silent Partnership Equity Interests	Equity interests in TK property fund with G.K. Tropic II as operator (Note 2)	-	133,368	-	-	133,368	-	
Total		-	221,707	-	-	221,707	-	

Note 1: TK property fund owns trust beneficiary interests in real estate for "KDX Residence Shukugawa Hills."

Note 2: TK property fund owns trust beneficiary interests in real estate for "KDX Residence Asagaya," "KDX Residence Hiyoshi" and "Serenite Kobe Motomachi."

Note 3: The assessed value is stated at the book value.

Securities portfolio consists of the following as of July 31, 2017:

- (1) Stock Not applicable
- (2) Securities other than shares

(in thousands of yen)

Type	Name	Face value total	Book value	Accrued interest	Prepaid accrued interest	Assessed value (Note 2)	Gain (Loss) on valuation	Remarks
Subordinated Silent Partnership Equity Interests	Equity interests in TK property fund with G.K. Tropic I as operator (Note 1)	-	91,579	-	-	91,579	-	
Total		-	91,579	-	-	91,579	-	

Note 1: TK property fund owns trust beneficiary interests in real estate for "KDX Residence Shukugawa Hills."

Note 2: The assessed value is stated at the book value.

## 17. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following as of January 31, 2018:

Type of asset	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at end of the period	Remarks
					Accumulated depreciation	Depreciation for the period		
(in thousands of yen)								
Land	¥1,798,041	¥ -	¥ -	¥1,798,041	¥ -	¥ -	¥1,798,041	
Sub total	1,798,041	-	-	1,798,041	-	-	1,798,041	
Buildings in trust	65,654,206	3,189,393	-	68,843,600	6,927,784	869,449	61,915,815	Note 1
Structures in trust	444,009	58,915	-	502,925	114,924	14,477	388,001	
Machinery and equipment in trust	1,259,827	57,959	-	1,317,786	226,840	28,953	1,090,946	
Tools, furniture and fixtures in trust	263,829	74,816	-	338,646	29,220	8,978	309,425	
Land in trust	93,118,700	6,420,015	-	99,538,715	-	-	99,538,715	Note 1
Sub total	160,740,573	9,801,100	-	170,541,674	7,298,769	921,858	163,242,904	
Total	¥162,538,615	¥9,801,100	¥ -	¥172,339,715	¥7,298,769	¥921,858	¥165,040,946	

Note 1: The amount of increase during the period is primarily attributable to the acquisition of the real estate properties and capital expenditures.

Property, plant and equipment consist of the following as of July 31, 2017:

Type of asset	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at end of the period	Remarks
					Accumulated depreciation	Depreciation for the period		
(in thousands of yen)								
Land	¥1,798,041	¥ -	¥ -	¥1,798,041	¥ -	¥ -	¥1,798,041	
Sub total	1,798,041	-	-	1,798,041	-	-	1,798,041	
Buildings in trust	65,456,096	198,109	-	65,654,206	6,058,335	836,010	59,595,871	
Structures in trust	439,236	4,773	-	444,009	100,446	13,911	343,563	
Machinery and equipment in trust	1,253,773	6,053	-	1,259,827	197,886	28,014	1,061,940	
Tools, furniture and fixtures in trust	231,646	32,183	-	263,829	20,241	6,776	243,587	
Land in trust	93,118,700	-	-	93,118,700	-	-	93,118,700	
Sub total	160,499,454	241,119	-	160,740,573	6,376,910	884,713	154,363,663	
Total	¥162,297,495	¥241,119	¥ -	¥162,538,615	¥6,376,910	¥884,713	¥156,161,704	

Note 1: The amount of increase during the period is primarily attributable to capital expenditures.

## 18. INVESTMENT CORPORATION BONDS

Outstanding Investment corporation bonds as of January 31, 2018 are as follows.

Series	Date of issue	Balance at the beginning of period	Decrease during the period	Balance at the end of period	Interest rate	Repayment date	Use	Remarks
(in thousands of yen)								
First series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.200%	August 30, 2021		
Second series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.540%	August 28, 2026	(Note2)	Unsecured
Third series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.800%	August 30, 2028		
Total		3,000,000	-	3,000,000				

Note 1: Ranking pari passu among the specified investment corporation bonds.

Note 2: Investment corporation bonds were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate and repayment of debts.

Note 3: Annual repayments of investment corporation bonds scheduled for the next five years after the balance sheet date are as follows.

	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
(in thousands of yen)					
Investment corporation bonds	-	-	-	1,000,000	-

Outstanding Investment corporation bonds as of July 31, 2017 are as follows.

Series	Date of issue	Balance at the beginning of period	Decrease during the period	Balance at the end of period	Interest rate	Repayment date	Use	Remarks
(in thousands of yen)								
First series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.200%	August 30, 2021		
Second series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.540%	August 28, 2026	(Note2)	Unsecured
Third series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.800%	August 30, 2028		
Total		3,000,000	-	3,000,000				

Note 1: Ranking pari passu among the specified investment corporation bonds.

Note 2: Investment corporation bonds were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate and repayment of debts.

Note 3: Annual repayments of investment corporation bonds scheduled for the next five years after the balance sheet date are as follows.

	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
(in thousands of yen)					
Investment corporation bonds	-	-	-	-	1,000,000

## 19. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt and long-term debt consist of the following as of January 31, 2018

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 7)	Use	Remarks
(in thousands of yen)									
Short-term loans payable	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.438%	July 31, 2018		
	Sumitomo Mitsui Banking Corporation	-	830,000	-	830,000	0.438%	July 31, 2018	(Note 6)	Unsecured/Unguaranteed
	Mizuho Bank, Ltd.	-	800,000	-	800,000	0.438%	July 31, 2018		
	Sub total	1,000,000	1,630,000	-	2,630,000				
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	4,000,000	-	4,000,000	-				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	2,500,000	-	2,500,000	-				
	Aozora Bank, Ltd.	1,500,000	-	1,500,000	-	0.910%	August 31, 2017		
	Resona Bank, Limited	1,000,000	-	1,000,000	-				
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	1,000,000	-				
	Mizuho Trust & Banking Co., Ltd.	500,000	-	500,000	-				
	Mizuho Bank, Ltd.	500,000	-	500,000	-				
	Sumitomo Mitsui Banking Corporation	3,250,000	-	-	3,250,000			(Note 6)	Unsecured/Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	2,000,000	-	-	2,000,000				
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000	1.052%	August 31, 2018 (Note 2)		
	Resona Bank, Limited	500,000	-	-	500,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	250,000	-	-	250,000				
Development Bank of Japan Inc.	3,000,000	-	-	3,000,000	1.088% (Note 5)	August 31, 2018 (Note 2)			
Sub total	22,000,000	-	11,000,000	11,000,000					
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	1,000,000	-	-	1,000,000	1.109%	January 31, 2021		
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	1.221%	July 31, 2021		
	Aozora Bank, Ltd.	1,350,000	-	-	1,350,000	1.183%	March 31, 2021		
	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	1.267%	April 30, 2022		
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000	1.267%	April 30, 2022		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	1,000,000	-	-	1,000,000	1.267%	April 30, 2022		
	Resona Bank, Limited	1,000,000	-	-	1,000,000	1.267%	April 30, 2022		
	Sumitomo Mitsui Banking Corporation	1,100,000	-	-	1,100,000			(Note 6)	Unsecured/Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	1,100,000	-	-	1,100,000				
	Mizuho Bank, Ltd.	600,000	-	-	600,000	0.916%	August 7, 2021		
	Aozora Bank, Ltd.	350,000	-	-	350,000				
	Resona Bank, Limited	300,000	-	-	300,000				
	The Mizuho Trust and Banking Co., Limited	300,000	-	-	300,000				
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.996% (Note 5)	August 7, 2021		
Sumitomo Mitsui Banking Corporation	400,000	-	-	400,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	400,000	-	-	400,000	1.254%	August 7, 2023			
Mizuho Bank, Ltd.	300,000	-	-	300,000					
Resona Bank, Limited	200,000	-	-	200,000					



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 7)	Use	Remarks
		(in thousands of yen)							
	The Mizuho Trust and Banking Co., Limited	200,000	-	-	200,000	1.254%	August 7, 2023		
	Aozora Bank, Ltd.	150,000	-	-	150,000				
	Development Bank of Japan Inc.	500,000	-	-	500,000	1.320% (Note 5)	August 7, 2023		
	Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000	0.945%	August 31, 2021		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	600,000	-	-	600,000	0.945%	August 31, 2021		
	Aozora Bank, Ltd.	500,000	-	-	500,000	0.945%	August 31, 2021		
	Mizuho Bank, Ltd.	950,000	-	-	950,000	1.083%	November 30, 2022		
	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.804%	November 30, 2020		
	Mitsubishi UFJ Trust and Banking Corporation (Note 9)	1,500,000	-	-	1,500,000	0.689%	November 30, 2019		
	Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.875%	January 31, 2022		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	1,200,000	-	-	1,200,000	1.105%	January 31, 2024		
	Aozora Bank, Ltd.	2,000,000	-	-	2,000,000	0.875%	April 30, 2022		
	Resona Bank, Limited	1,500,000	-	-	1,500,000	0.987%	April 30, 2023		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	2,000,000	-	-	2,000,000	1.100%	April 30, 2024		
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	1.265%	April 30, 2025		
Long-term loans payable	Aozora Bank, Ltd.	300,000	-	-	300,000	0.678%	August 31, 2020	(Note 6)	Unsecured/Unguaranteed
	Resona Bank, Limited	1,100,000	-	-	1,100,000	0.923%	August 31, 2022		
	The Mizuho Trust and Banking Co., Limited	700,000	-	-	700,000	0.923%	August 31, 2022		
	Sumitomo Mitsui Trust Bank, Limited	950,000	-	-	950,000	1.047%	August 31, 2023		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	1,700,000	-	-	1,700,000	1.169%	August 31, 2024		
	Mizuho Bank, Ltd.	950,000	-	-	950,000	1.169%	August 31, 2024		
	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	1.345%	August 31, 2025		
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	1.193% (Note 5)	August 31, 2024		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	300,000	-	-	300,000	0.624%	October 27, 2020		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	1,000,000	-	-	1,000,000	1.156%	April 27, 2025		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	1,000,000	-	-	1,000,000	0.819%	April 28, 2025		
	Sumitomo Mitsui Banking Corporation	2,500,000	-	-	2,500,000	0.903%	April 30, 2026		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	1,000,000	-	-	1,000,000	0.660% (Note 5)	July 31, 2025		
	Mizuho Bank, Ltd.	1,500,000	-	-	1,500,000	0.816% (Note 5)	August 31, 2026		
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000	0.713%	August 31, 2024		
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.797%	August 31, 2025		
	Resona Bank, Limited	500,000	-	-	500,000	0.797%	August 31, 2025		

Classification	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 7)	Use	Remarks
Lender	(in thousands of yen)							
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	2,000,000	-	-	2,000,000	0.670% (Note 5)	August 31, 2025		
The Mizuho Trust and Banking Co., Limited	500,000	-	-	500,000	0.751% (Note 5)	August 31, 2025		
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.906%	August 31, 2026		
Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.773% (Note 5)	October 31, 2025		
Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.464%	February 28, 2019		
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	-	500,000	-	500,000	0.464%	February 28, 2019		
Resona Bank, Limited	-	1,000,000	-	1,000,000	0.900%	August 22, 2027		
Sumitomo Mitsui Trust Bank, Limited	-	1,000,000	-	1,000,000	0.900%	August 22, 2027		
Shinsei Bank, Limited	-	1,000,000	-	1,000,000	0.900%	August 22, 2027		
The Mizuho Trust and Banking Co., Limited	-	1,200,000	-	1,200,000	0.928% (Note 5)	August 22, 2027		
Development Bank of Japan Inc.	-	1,000,000	-	1,000,000	0.928% (Note 5)	August 22, 2027		
Mizuho Bank, Ltd.	-	500,000	-	500,000	0.928% (Note 5)	August 22, 2027	(Note 6)	Unsecured/ Unguaranteed
The Bank of Fukuoka, Ltd.	-	500,000	-	500,000	0.928% (Note 5)	August 22, 2027		
Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000	0.501%	February 28, 2023		
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	-	1,500,000	-	1,500,000	0.501%	February 28, 2023		
Aozora Bank, Ltd.	-	1,500,000	-	1,500,000	0.582%	February 29, 2024		
Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.582%	February 29, 2024		
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 8)	-	1,000,000	-	1,000,000	0.582%	February 29, 2024		
Mizuho Bank, Ltd.	-	500,000	-	500,000	0.624%	August 31, 2024		
The Mizuho Trust and Banking Co., Limited	-	500,000	-	500,000	0.661% (Note 5)	August 31, 2024		
Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000	0.665%	February 28, 2025		
Resona Bank, Limited	-	1,000,000	-	1,000,000	0.749%	February 28, 2026		
Sumitomo Mitsui Trust Bank, Limited	-	1,000,000	-	1,000,000	0.749%	February 28, 2026		
Sub total	55,800,000	18,700,000	-	74,500,000				
Total	¥78,800,000	¥20,330,000	¥11,000,000	¥88,130,000				

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

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
	(in thousands of yen)				
Long-term loans payable	¥3,000,000	¥3,600,000	¥10,000,000	¥10,250,000	¥47,650,000

Note 2: Borrowings listed in the current portion of long-term loans payable were listed in long-term loans payable in the previous fiscal period.

Note 3: All debts except for the following Note 5 are borrowing 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 transactions and other derivative 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 rate swaps and other derivatives are indicated.

Note 5: Borrowings is applied 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 (additional expenses are included) and repayment of debts.

Note 7: All the repayment methods of debt financing are lump-sum repayments on the due date.

Note 8: The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its corporate name to MUFG Bank, Ltd. on April 1, 2018.

Note 9: MUFG Bank, Ltd succeeded the status of the lender to Mitsubishi UFJ Trust and Banking Corporation on April 16, 2018.

Short-term debt and long-term debt consist of the following as of July 31, 2017

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 2) (Note 3)	Payment due date (Note 6)	Use	Remarks		
(in thousands of yen)											
Short-term loans payable	Sumitomo Mitsui Banking Corporation	1,000,000	-	1,000,000	-	0.430%	July 31, 2017	(Note 5)	Unsecured/ Unguaranteed		
	Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.430%	July 31, 2018				
	Sub total	1,000,000	1,000,000	1,000,000	1,000,000						
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	4,000,000	-	-	4,000,000	0.910%	August 31, 2017	(Note 5)	Unsecured/ Unguaranteed		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	2,500,000	-	-	2,500,000						
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000						
	Resona Bank, Limited	1,000,000	-	-	1,000,000						
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000						
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000						
	Mizuho Bank, Ltd.	500,000	-	-	500,000						
	Sub total	11,000,000	-	-	11,000,000						
Long-term loans payable	Sumitomo Mitsui Banking Corporation	3,250,000	-	-	3,250,000	1.052%	August 31, 2018	(Note 5)	Unsecured/ Unguaranteed		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	2,000,000	-	-	2,000,000						
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000						
	Resona Bank, Limited	500,000	-	-	500,000						
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000						
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000						
	Mizuho Bank, Ltd.	250,000	-	-	250,000						
	Development Bank of Japan Inc.	3,000,000	-	-	3,000,000					1.088% (Note 4)	August 31, 2018
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	1,000,000	-	-	1,000,000					1.109%	January 31, 2021
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000					1.221%	July 31, 2021
	Aozora Bank, Ltd.	1,350,000	-	-	1,350,000	1.183%	March 31, 2021				
	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	1.267%	April 30, 2022				
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000	1.267%	April 30, 2022				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	1,000,000	-	-	1,000,000	1.267%	April 30, 2022				
	Resona Bank, Limited	1,000,000	-	-	1,000,000	1.267%	April 30, 2022				
	Sumitomo Mitsui Banking Corporation	1,100,000	-	-	1,100,000	0.916%	August 7, 2021				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	1,100,000	-	-	1,100,000						
	Mizuho Bank, Ltd.	600,000	-	-	600,000						
	Aozora Bank, Ltd.	350,000	-	-	350,000						
	Resona Bank, Limited	300,000	-	-	300,000						
The Mizuho Trust and Banking Co., Limited	300,000	-	-	300,000							
Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.996% (Note 4)			August 7, 2021			
Sumitomo Mitsui Banking Corporation	400,000	-	-	400,000	1.254%	August 7, 2023					

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 2) (Note 3)	Payment due date (Note 6)	Use	Remarks
		(in thousands of yen)							
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000	1.254%	August 7, 2023		
	Resona Bank, Limited	200,000	-	-	200,000				
	The Mizuho Trust and Banking Co., Limited	200,000	-	-	200,000				
	Aozora Bank, Ltd.	150,000	-	-	150,000				
	Development Bank of Japan Inc.	500,000	-	-	500,000	1.320% (Note 4)	August 7, 2023		
	Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000	0.945%	August 31, 2021		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	600,000	-	-	600,000	0.945%	August 31, 2021		
	Aozora Bank, Ltd.	500,000	-	-	500,000	0.945%	August 31, 2021		
	Mizuho Bank, Ltd.	950,000	-	-	950,000	1.083%	November 30, 2022		
	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.804%	November 30, 2020		
	Mitsubishi UFJ Trust and Banking Corporation (Note 8)	1,500,000	-	-	1,500,000	0.689%	November 30, 2019		
	Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.875%	January 31, 2022		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	1,200,000	-	-	1,200,000	1.105%	January 31, 2024		
	Aozora Bank, Ltd.	2,000,000	-	-	2,000,000	0.875%	April 30, 2022		
	Resona Bank, Limited	1,500,000	-	-	1,500,000	0.987%	April 30, 2023		
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	2,000,000	-	-	2,000,000	1.100%	April 30, 2024	(Note 5)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	1.265%	April 30, 2025		
	Aozora Bank, Ltd.	300,000	-	-	300,000	0.678%	August 31, 2020		
	Resona Bank, Limited	1,100,000	-	-	1,100,000	0.923%	August 31, 2022		
	The Mizuho Trust and Banking Co., Limited	700,000	-	-	700,000	0.923%	August 31, 2022		
	Sumitomo Mitsui Trust Bank, Limited	950,000	-	-	950,000	1.047%	August 31, 2023		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	1,700,000	-	-	1,700,000	1.169%	August 31, 2024		
	Mizuho Bank, Ltd.	950,000	-	-	950,000	1.169%	August 31, 2024		
	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	1.345%	August 31, 2025		
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	1.193% (Note 4)	August 31, 2024		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	300,000	-	-	300,000	0.624%	October 27, 2020		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	1,000,000	-	-	1,000,000	1.156%	April 27, 2025		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	1,000,000	-	-	1,000,000	0.819%	April 28, 2025		
	Sumitomo Mitsui Banking Corporation	2,500,000	-	-	2,500,000	0.903%	April 30, 2026		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	1,000,000	-	-	1,000,000	0.660% (Note 4)	July 31, 2025		
	Mizuho Bank, Ltd.	1,500,000	-	-	1,500,000	0.816% (Note 4)	August 31, 2026		

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 2) (Note 3)	Payment due date (Note 6)	Use	Remarks
(in thousands of yen)									
Long-term loans payable	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000	0.713%	August 31, 2024		
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.797%	August 31, 2025		
	Resona Bank, Limited	500,000	-	-	500,000	0.797%	August 31, 2025		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 7)	2,000,000	-	-	2,000,000	0.670% (Note 4)	August 31, 2025	(Note 5)	Unsecured/Unguaranteed
	The Mizuho Trust and Banking Co., Limited	500,000	-	-	500,000	0.751% (Note 4)	August 31, 2025		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.906%	August 31, 2026		
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.773% (Note 4)	October 31, 2025		
	Sub total	66,800,000	-	-	66,800,000				
Total		¥78,800,000	¥1,000,000	¥1,000,000	¥78,800,000				

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

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)					
Long-term loans payable	¥11,000,000	¥1,500,000	¥5,950,000	¥15,150,000	¥33,200,000

Note 2: All debts except for the following Note 4 are borrowing at a floating rate.

Note 3: 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 transactions and other derivative 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 rate swaps and other derivatives are indicated.

Note 4: Borrowings is applied at a fixed rate.

Note 5: All debts were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate (additional expenses are included) and repayment of debts.

Note 6: All the repayment methods of debt financing are lump-sum repayments on the due date.

Note 7: The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its corporate name to MUFG Bank, Ltd. on April 1, 2018.

Note 8: Mitsubishi UFJ Trust and Banking Corporation transferred the status of the lender to MUFG Bank, Ltd. on April 16, 2018.

## 20. DISTRIBUTIONS

	12th Fiscal Period (From August 1, 2017 to January 31, 2018)	11th Fiscal Period (From February 1, 2017 to July 31, 2017)
I. Retained earnings at the end of period	¥2,437,011,775	¥2,400,002,851
II. Total distributions	¥2,424,772,194	¥2,315,507,337
Distributions per unit	¥6,946	¥6,633
III. Retained earnings brought forward to the next period	¥12,239,581	¥84,495,514

Method of calculating distribution amount	<p>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 not exceed its accounting profits as the maximum amount. Following this policy, the Investment Corporation has decided that it shall distribute ¥2,424,772,194, which is the amount of ¥2,352,516,261 in net income and ¥72,255,933 from retained earnings brought forward, as the distribution of earnings.</p> <p>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 12th fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.</p>	<p>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 not exceed its accounting profits as the maximum amount. Following this policy, the Investment Corporation has decided that it shall distribute ¥2,315,507,337, which is the amount of ¥2,315,438,130 in net income and ¥69,207 from retained earnings brought forward, as the distribution of earnings.</p> <p>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 11th fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.</p>
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