



NEXT

KENEDIX

Residential NEXT Investment Corporation

Semi-annual Report for the 12th Period

From August 1, 2017 to January 31, 2018

Security code

3278





To our unitholders

We sincerely hope that this semi-annual report finds our unitholders prospering and in good health. We would like to take this opportunity to thank you for your continued support of Kenedix Residential Next Investment Corporation (KDR).

For the 12th fiscal period (from August 1, 2017 to January 31, 2018), operating revenue totaled 5,681 million yen, operating income was 2,889 million yen, ordinary income was 2,353 million yen and net income was 2,352 million yen. The distribution to unitholders was 6,946 yen per unit, 4.7% higher than in the previous period. We acquired KDX Residence Toyosu, a newly constructed building located in Tokyo's 23 wards, and KDX Residence Nishijin in the city of Fukuoka (total acquisition price of these two rental properties: 9.1 billion yen). Our properties continue to perform well. The average occupancy rate in the 12th fiscal period was 96.7%, the occupancy rate of end of the period was 97.0% and the rent of new tenants and renewal tenants increased.

We merged with Japan Senior Living Investment Corporation to focus on healthcare facilities such as homes for the elderly and changed its name from Kenedix Residential Investment Corporation to Kenedix Residential Next Investment Corporation.

Based on an accurate understanding of social and economic changes, we will pursue with flexibility investment and revenue opportunities that we believe are the most attractive. We will dynamically invest and manage our portfolio by gathering information and making decisions swiftly. By using this approach, we aim to maximize returns for investors.

We respectfully look forward to your continued support.

Executive Director,
Kenedix Residential Next Investment Corporation

Director & COO, Head of Residential REIT Department,
Kenedix Real Estate Fund management, Inc.

Keisuke Sato



Distribution per Unit

12th (Ended January 2018)

6,946

Highest
yen

(After the unit split
3,473 yen)

13th (Ending July 2018)

3,570

yen

(Note) Distribution per unit for 13th fiscal period and 14th fiscal period is estimated based on certain assumptions as of March 14, 2018. A 2-for-1 split of investment units was implemented with March 1, 2018 as the effective date.

14th (Ending January 2019)

3,640

yen

Business Results

	9th Period (July 2016)	10th Period (January 2017)	11th Period (July 2017)	12th Period (January 2018)	13th Period ⁽¹⁾ (July 2018)	14th Period ⁽¹⁾ (January 2019)
Operating Revenues (mln yen)	5,333	5,468	5,574	5,681	6,593	6,738
Operating Income (mln yen)	2,723	2,838	2,833	2,889	2,940	3,400
Ordinary Income (mln yen)	2,193	2,311	2,316	2,353	2,393	2,844
Net Income (mln yen)	2,192	2,310	2,315	2,352	4,802	2,843
Number of Investment Units Issued	349,089 units	349,089 units	349,089 units	349,089 units	782,928 units	782,928 units
Distribution per Unit (yen)	6,360	6,533	6,633	6,946 (after the unit split 3,473 yen)	3,570	3,640

(Note 1) Figures for 13th fiscal period and 14th fiscal period are estimated based on certain assumptions as of March 14, 2018. These estimates are not guarantees of future performance because results of operations may be affected by changes in rental revenue caused by the departure of tenants, sales and purchases of properties, interest rate fluctuations, issuing investment units, and other reasons. These estimates are based on Financial Report for the Fiscal Period Ended January 31, 2018 (REIT) as of March 14, 2018. A 2-for-1 split of investment units was implemented with March 1, 2018 as the effective date.

Financial Position

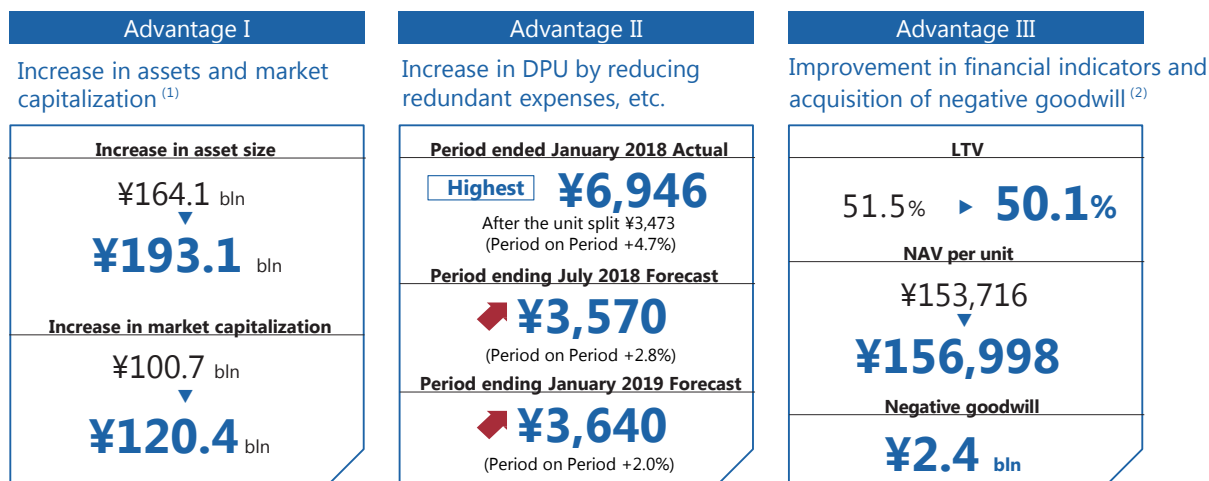
	9th Period (July 2016)	10th Period (January 2017)	11th Period (July 2017)	12th Period (January 2018)
Unitholders' Equity (mln yen)	82,365	82,552	82,559	82,650
Interest-bearing Debt (mln yen)	74,800	81,800	81,800	91,130
Interest-bearing Debt Ratio to Assets Ratio ⁽¹⁾	46.8%	48.9%	48.9%	51.5%
Total Asset (mln yen)	159,948	167,276	167,316	176,813
Net Asset Ratio	51.5%	49.4%	49.3%	46.7%
Unitholders' Equity per Unit (yen)	235,943	236,478	236,498	236,759

(Note 1) Interest-bearing Debt to Assets Ratio = Interest-bearing debt at the end of period / Total assets at the end of period × 100

Overview of the Merger and Strategy for Growth

KDR decided the merger with Japan Senior Living Investment Corporation (JSL) to focus on healthcare facilities. The merger took place on March 1, 2018. KDR changed its name from Kenedix Residential Investment Corporation to Kenedix Residential Next Investment Corporation. In addition, KDR revised its articles of incorporation to change its investment policy by adding healthcare facilities and accommodations to residential facilities as the main investment targets.

Advantages of the Merger



Note 1: Assets and Market capitalization are as of November 10, 2017 and March 1, 2018.

Note 2: LTV and NAV per unit are as of January 31, 2018 and the estimated figures as of March 1, 2018. Negative goodwill is the estimate as of March 15, 2018.

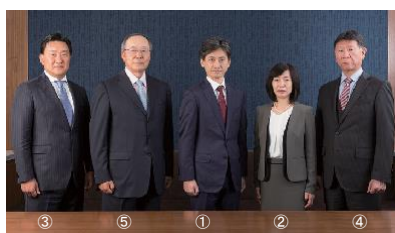
Management System for Healthcare Facilities

KDR has established a management system with the required expertise for healthcare facilities for the management of properties that were owned by JSL. Following the merger with JSL, KDR plans to make more investments in healthcare facilities as one of its main investment targets.

Katsue Okuda, who was an executive director of JSL, and Soichiro Iwao, who was a supervisory director of JSL, were appointed as an executive director and supervisory director of KDR, respectively, at KDR's 5th general meeting of unitholders. They will oversee KDR's operations with Keisuke Sato, who is an executive director, and Osamu Chiba and Satoshi Ogawa, who are supervisory directors, at KDR as before.

The Healthcare Investment Management Division was established on March 1, 2018 in the Residential REIT Department of Kenedix Real Estate Fund Management, Inc., the asset management company for KDR. The new division is responsible for investment and asset management for healthcare facilities. The staff of this division includes people from the Investment Management Department of Japan Senior Living Partners, Inc., the asset management company for JSL and other companies. As a result, the Healthcare Investment Management Division has people with expertise and experience involving healthcare facility investments and asset management.

Furthermore, KDR has acquired a construction of support system by adding JSL support companies Shinsei Bank, Limited, Mitsubishi UFJ Trust and Banking Corporation, HASEKO Corporation and LIXIL Group Corporation to KDR's support companies.



① Executive Director Keisuke Sato

② Executive Director Katsue Okuda

③ Supervisory Director Osamu Chiba

④ Supervisory Director Satoshi Ogawa

⑤ Supervisory Director Soichiro Iwao

Overview of the Merger and Strategy of Growth

Future Investment Policy

KDR changed its articles of incorporation by adding healthcare facilities and accommodations to residential facilities as main investment targets after this revision was approved at KDR's 5th general meeting of unitholders held on January 25, 2018.

KDR will be in a position to take advantage of the characteristics of many types of assets — residential facilities, healthcare facilities and accommodation. By investing in these “spaces where people live and stay,” KDR is aiming for stable rental revenue and steady asset growth to maximize unitholders' profits.

Investment Target by Use

Use	Target Ratio
Residential Facilities	60% and over
Healthcare Facilities	20% and lower
Accommodations	20% and lower
Other	10% and lower

Ratio of Use after the Merger (as of March 1, 2018)

Residential Facilities	84.1%
Healthcare Facilities	15.0%
Other	0.9%

Investment Target by Area

Area	Target Ratio
Tokyo Metropolitan Area	50% and over

Ratio of Area after the Merger⁽¹⁾ (as of March 1, 2018)

Tokyo Metropolitan Area	64.9%
Other Regional Areas	34.4%
Others	0.7%

Note 1: Tokyo Metropolitan Area includes Tokyo, Kanagawa, Saitama and Chiba.

Other Regional Areas include government-designed municipalities and other regional cities.

For more growth in assets, KDR has preferential negotiating rights for the acquisition of four residential rental properties (total appraisal value: 14.4 billion yen) by establishing two bridge funds for residential facilities. For healthcare facilities, KDR has preferential negotiating rights for the acquisition of five intermediate nursing homes (total appraisal value: 11.9 billion yen) due to the receipt of JSL's bridge fund. KDR's goal is to use these preferential negotiating rights to achieve continuous external growth.

Residential Facilities	G.K. Tropic II		G.K. Tropic I		Pipeline by Bridge Funds ⁽²⁾
					
Location	Suginami-ku, Tokyo	Yokohama-shi, Kanagawa	Kobe-shi, Hyogo	Nishinomiya-shi, Hyogo	Number of Properties 9 props Total Appraisal Value ¥26.4 bln Average Appraisal NOI Cap Rate 5.1 %
Property type	Small family	Family	Studio	Family	
Leasable units	44 units	92 units	138 units	238 units	
Appraisal value ⁽¹⁾	¥2.0 bln	¥2.5 bln	¥7.3 bln	¥7.3 bln	
Appraisal NOI cap rate ⁽¹⁾	4.4%	5.4%	5.0%	4.8%	

Healthcare Facilities	G.K. KSLF8				
					
Location	Osaka-shi, Osaka	Toyonaka-shi, Osaka	Kobe-shi, Hyogo	Kobe-shi, Hyogo	Kobe-shi, Hyogo
Property type	Intermediate nursing homes	Intermediate nursing homes	Intermediate nursing homes	Intermediate nursing homes	Intermediate nursing homes
Leasable units	250 (Fee-based homes for the elderly (with nursing care) :100)	100	135 (Served housing for the elderly:35)	115	100
Appraisal value ⁽¹⁾	¥3.6 bln	¥2.1 bln	¥2.8 bln	¥1.8 bln	¥1.4 bln
Appraisal NOI cap rate ⁽¹⁾	5.2%	5.2%	5.5%	5.0%	5.4%

Note 1: Appraisal value is the appraisal value on June 30, 2017 for KDX Residence Shukugawa Hills, on July 1, 2017 for KDX Residence Asagaya, KDX Residence Hiyoshi and Serenite Kobe Motomachi and on March 1, 2018 for healthcare facilities. Appraisal NOI cap rate=NOI in the Appraisal Report / Appraisal value

Note 2: Conditions for the purchase of bridge funds:

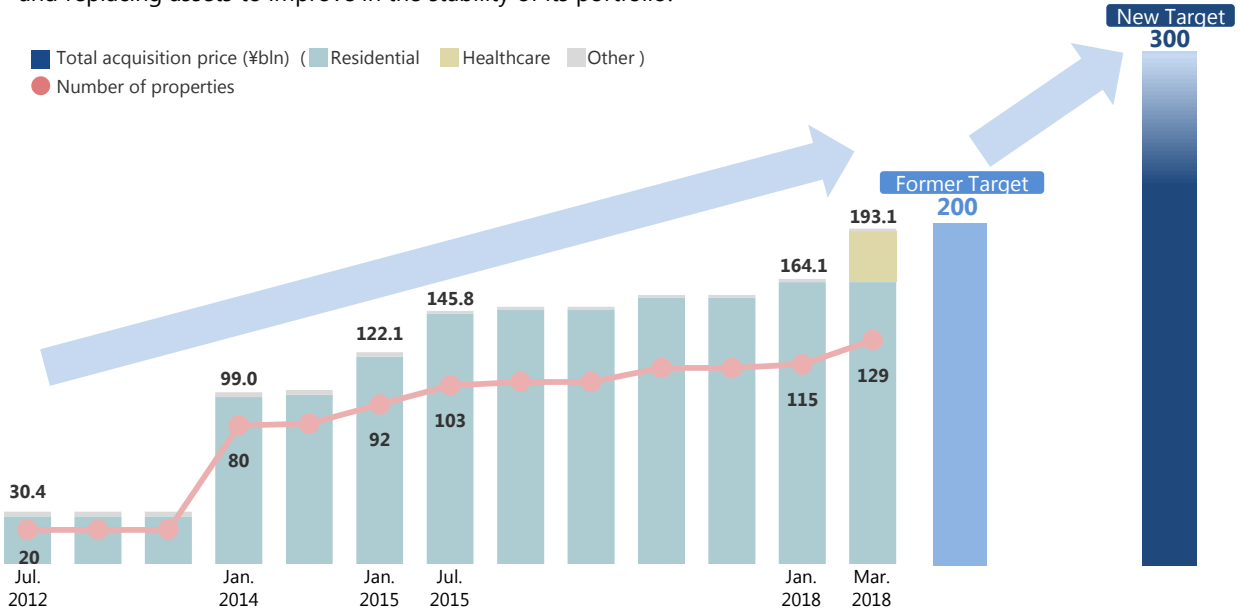
G.K. Tropic I and G.K. Tropic II: i) Date of acquisition is before the end of the preferential negotiation term (February 28, 2019). ii) The desired purchase price is reasonably anticipated to be a price that achieves the target internal rate of return (IRR) of the operator. G.K. KSLF8: i) Date of acquisition is before March 29, 2020. ii) Total of the desired purchase price is more than the lowest purchase price (¥11.6 billion) agreed to with the operator.

Overview of the Merger and Strategy of Growth

Increasing Value for Unitholders

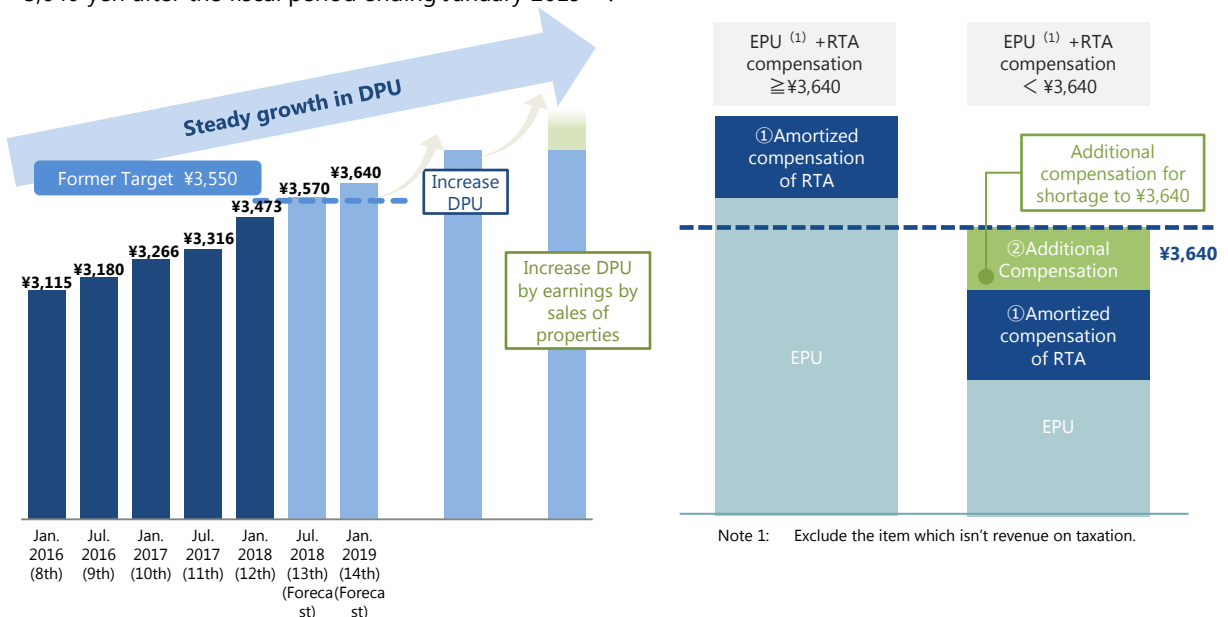
KDR aims to increase value for unitholders by increasing assets, increasing market capitalization, and maintaining and increasing DPU.

For asset growth, KDR has the medium-term goal of 300 billion yen by making carefully selected investments and replacing assets to improve in the stability of its portfolio.



To increase market capitalization, KDR aims to be included in global indexes (FTSE EPRA/NAREIT Global Real Estate Index Series), increase the number of unitholders and improve the liquidity of its investment units. To maintain and increase DPU, KDR aims to increase DPU by using external growth, internal growth and the reduction of financial and other expenses. Furthermore, KDR aims to increase DPU by using earnings from sales of properties.

KDR will record negative goodwill ⁽¹⁾ of approximately 2.4 billion yen in the 13th fiscal period (ending July 2018). KDR will distribute part of this goodwill to unitholders and allocate the remainder to the reserve for temporary difference adjustment (RTA) or the earnings surplus. For the RTA, 1% of this reserve is amortized compensation for distribution in every fiscal period starting with the 14th fiscal period (ending January 2019). Furthermore, if temporary expenses or losses reduce DPU, KDR will offset this DPU decline by using RTA or the earnings surplus for these distributions. By using these measures, KDR aims to maintain a DPU of at least 3,640 yen after the fiscal period ending January 2019 ⁽²⁾.



Note 1: Exclude the item which isn't revenue on taxation.

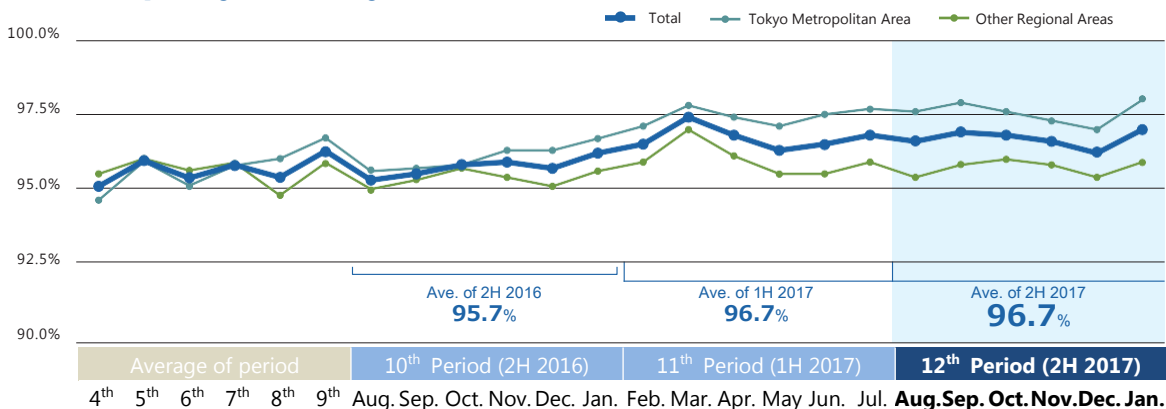
Note 1: The amount of negative goodwill is the estimate as of March 15, 2018 and may be revised afterward.

Note 2: The actual dividends will be decided by the KDR's board

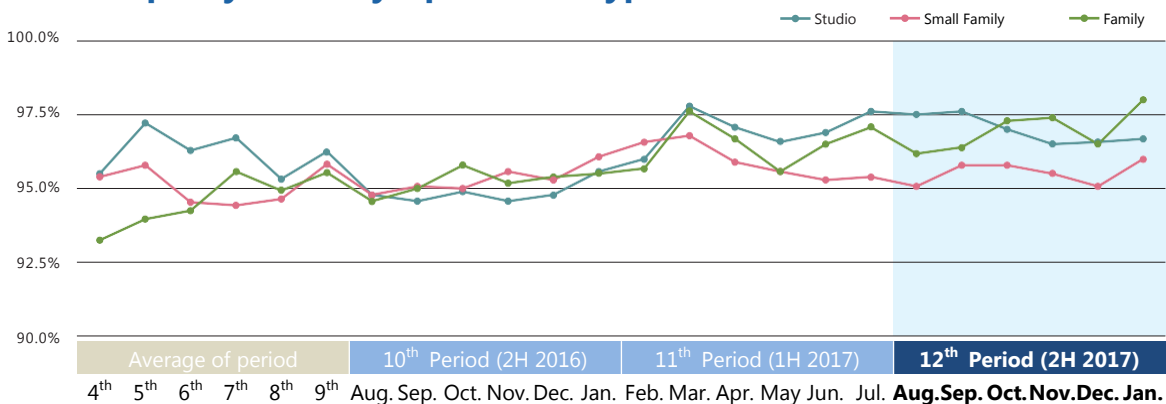
Sound Performance

The occupancy rate continues to be high mainly in the Tokyo Metropolitan Area. This rate was 96.7%, the same as in the 11th fiscal period even though the 12th period does not include the peak months of March and April. Rent for both new and renewal tenants continues to increase.

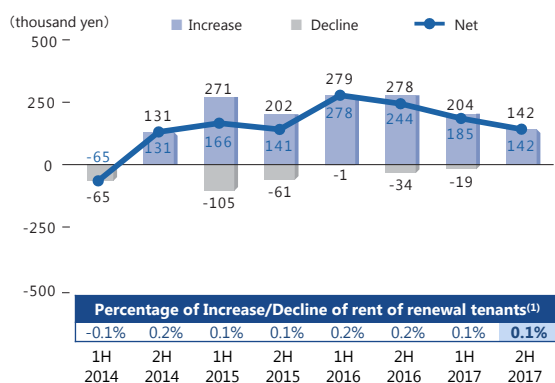
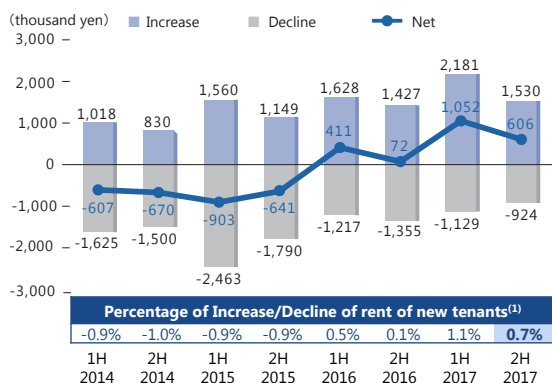
Occupancy Rates by Area



Occupancy Rates by Apartment Type



Rent Increase/Decline (New Tenants) Rent Increase/Decline (Renewal Tenants)

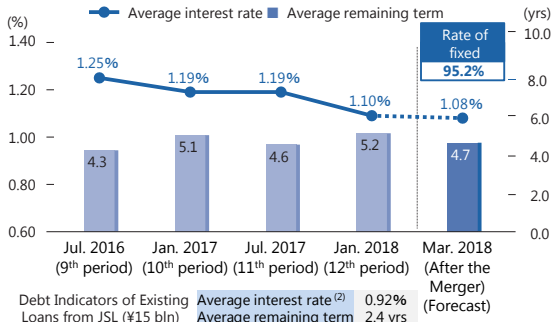


Note 1: Percentage of Increase/Decline of rent of tenants = Total Increase/Decline of rent of tenants / Total rent before revisions

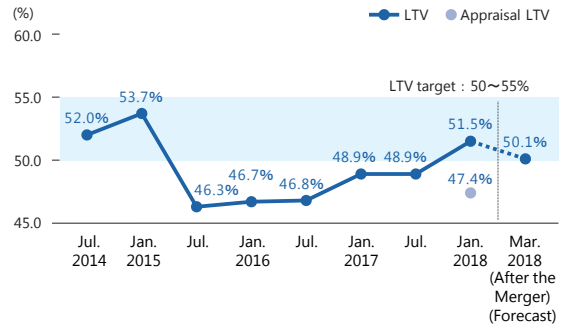
Financial Strategy

Based on its defensive financial strategy, KDR has financial policies that contribute to financial stability. For example, KDR has a policy of increasing the average remaining term of debt and reducing interest expenses. By taking numerous actions for improving financial stability, KDR is aiming for more growth in value for unitholders.

Key Debt Indicators (1)



LTV (3)



Credit Rating



Note 1: The average interest rate is calculated by using the weighted average interest rate at the end of the period and on March 1, 2018 and includes up-front fees (per year) and the effect of interest rate swaps. The average remaining term is calculated by using the weighted average remaining term of interest-bearing liabilities at the end of the period and on March 1, 2018. The rate of fixed-interest is calculated by using the ratio of fixed interest rate loans to total loans at the end of the period. Fixed-rate loans include floating-rate loans with effectively fixed-rates due to interest rate swaps.

Note 2: The average interest rate of existing loans from JSL is calculated by using the weighted average interest rate that includes up-front fees (per year) and the effect of interest rate swaps as of March 1, 2018.

Note 3: LTV = Interest-bearing Liabilities / Total Assets. Appraisal LTV = Interest-bearing Liabilities / Total Appraisal Value.

Initiatives for Sustainability

Five properties have acquired DBJ Green Building Certification (1) for their environmental and social initiatives. KDR has participated in the GRESB Real Estate Assessment since 2016. KDR will continue to work on acquiring more certifications and improving assessments.

DBJ Green Building Certification

Newly acquired certification for KDX Residence Toyosu and 5 properties in 114 certification-eligible properties(2) are certified.

January 2018 New
 Properties with excellent environmental & social awareness

Properties certificated DBJ Green Building

- KDX Residence Toyosu
- Ashiya Royal Homes
- KDX Residence Ebisu
- KDX Residence Hanzomon
- KDX Residence Yotsuya

GRESB Real Estate Assessment

G R E S B[®]
 GRESB (Global Real Estate Sustainability Benchmark) is a benchmark to evaluate the sustainability performance of private and listed real estate portfolios, etc. from environmental and social perspectives.

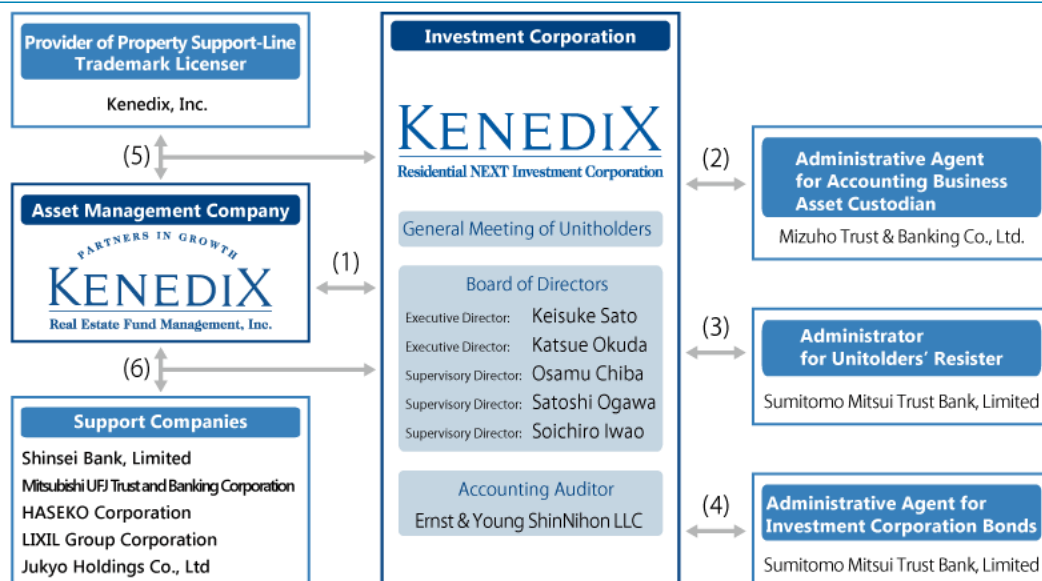
Others

- LED lights in common areas
- Installation of disaster readiness sets
- Remote surveillance of road heating

(Note 1) DBJ Green Building Certification is a system established by Development Bank of Japan in April 2011 to support real estate that meets environmental and social conditions.
 (Note 2) 114 certifiable properties are properties operated on January 31, 2018 that exclude land ownership.

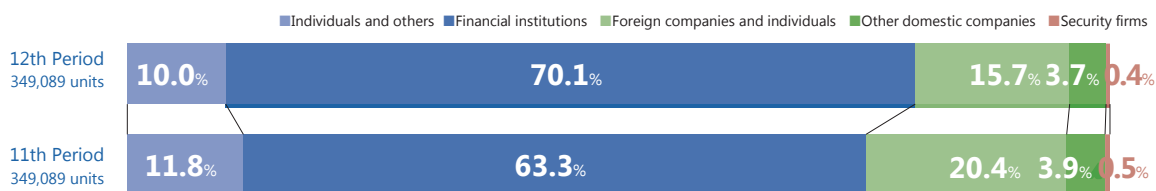
Basic Structure

As of March 1, 2018



- (1) Asset Management Agreement
- (2) Administrative Agency Agreement / Asset Custodian Agreement
- (3) Unitholder Register Administrative Agency Agreement
- (4) Fiscal Agency Agreement
- (5) Support-Line Memorandum of understanding / Trademark License Agreement
- (6) Support Agreement

Unitholders

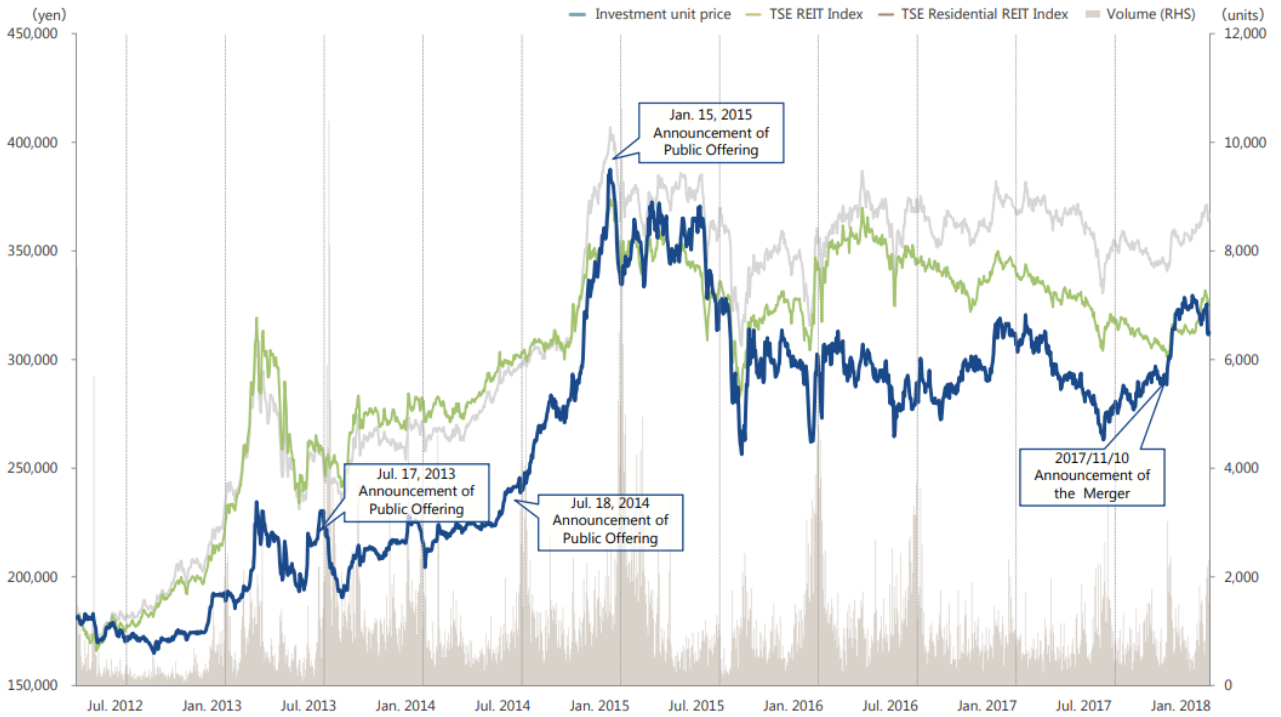


IR Calendar

January	Closing month for the fiscal period ending January	July	Closing month for the fiscal period ending July
February		August	
March	Announcement of financial results for the fiscal period ending January	September	Announcement of financial results for the fiscal period ending July
April	Commencement of distribution payment for the fiscal period ending July	October	Commencement of distribution payment for the fiscal period ending July
May		November	
June		December	

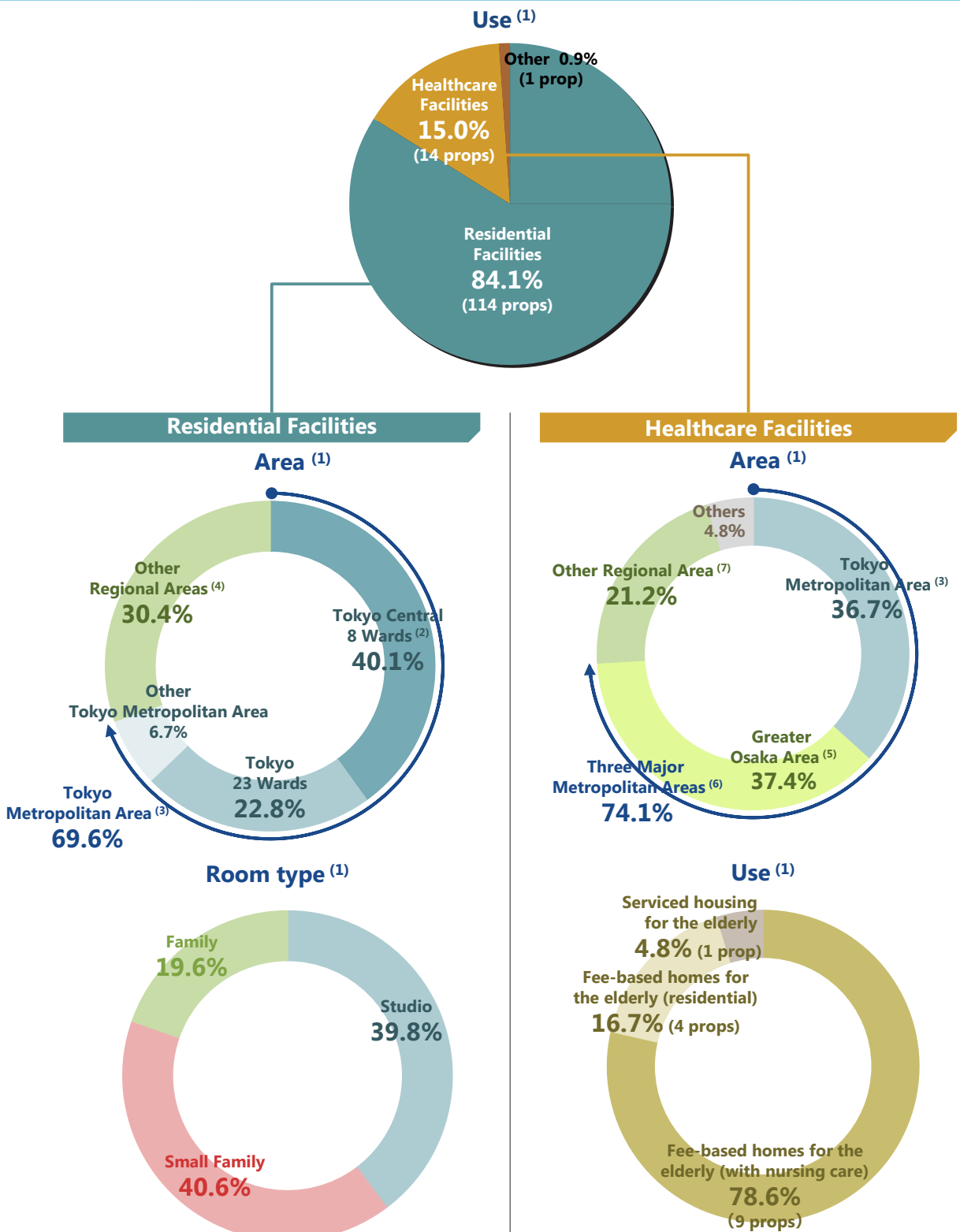
Investment Unit Price

As of January 31, 2018



(Note 1) Tokyo Stock Exchange REIT Index and Tokyo Stock Exchange Residential REIT Index are indexed from the closing price as of April 26, 2012 (964.36 and 1,247.66) which are initial listing date of KDR to the closing price of KDR (¥181,000).

Overview of Portfolio



(Note 1) Portfolio breakdown describes the ratio by acquisition price as of March 1, 2018. Acquisition price refers to the pre-tax price that does not include the expenses spent on the acquisition of properties.

(Note 2) "Tokyo Central 8 Wards" include Minato-ku, Shibuya-ku, Chuo-ku, Chiyoda-ku, Shinjuku-ku, Meguro-ku, Setagaya-ku and Shinagawa-ku.

(Note 3) "Tokyo Metropolitan Area" includes Tokyo, Kanagawa, Saitama and Chiba.

(Note 4) "Other Regional Areas" include government-designed municipalities and other regional cities.

(Note 5) "Greater Osaka Area" includes Osaka, Kyoto, Nara, Hyogo and Shiga.

(Note 6) "Three Major Metropolitan Areas" include "Tokyo Metropolitan Area", "Greater Osaka Area" and "Greater Nagoya Area."

(Note 7) "Other Regional Areas" include other regional cities excluding "Three Major Metropolitan Areas".

(Note 8) Percentages are rounded to the first decimal point.

Overview of Portfolio

■ Dignity of land or distinguished environment

■ Daily life convenience

■ Existence of special markets

Residential Facilities

Tokyo Metropolitan Area (75 props)



T-1
KDX Daikanyama Residence



T-3
KDX Odemma Residence



T-4
KDX Iwamoto-cho Residence



T-5
KDX Bunkyo Sengoku Residence



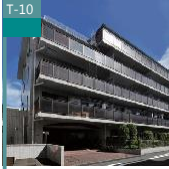
T-6
KDX Azumabashi Residence



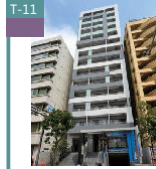
T-7
KDX Shimura Sakau Residence



T-9
Cosmo Heim Motsumiyoshi (land)



T-10
KDX Musashi Nakahara Residence



T-11
KDX Chiba Chuo Residence



T-12
KDX Kawaguchi Saiwai-cho Residence



T-13
KDX Residence Shirokane I



T-15
KDX Residence Shirokane II



T-16
KDX Residence Minami-aoyama



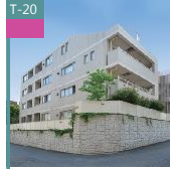
T-17
KDX Residence Minami-azabu



T-18
KDX Residence Shiba Koen



T-19
KDX Residence Azabu East



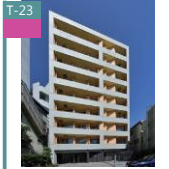
T-20
KDX Residence Takanawa



T-21
KDX Residence Nishihara



T-22
KDX Residence Daikanyama II



T-23
KDX Residence Sendagaya



T-24
KDX Residence Nihombashi Suitengu



T-25
KDX Residence Nihombashi Hakozaki



T-26
KDX Residence Higashi-Shinjuku



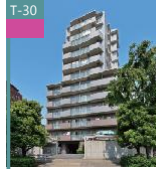
T-27
KDX Residence Yotsuya



T-28
KDX Residence Nishi-shinjuku



T-29
KDX Residence Kagurazaka



T-30
KDX Residence Futako Tamagawa



T-31
KDX Residence Komazawa Koen



T-32
KDX Residence Mishuku



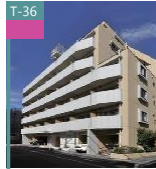
T-33
KDX Residence Yoga



T-34
KDX Residence Shimouma



T-35
Raffine Minami-magome



T-36
KDX Residence Yukigaya Otsuka



T-37
KDX Residence Denen Chofu



T-38
KDX Residence Tamagawa



T-39
KDX Residence Monzennakacho



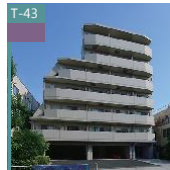
T-40
KDX Residence Okachimachi



T-41
KDX Residence Moto-asakusa



T-42
KDX Residence Itabashi Honcho



T-43
KDX Residence Azusawa



T-44
KDX Residence Tobu Nerima



T-45
KDX Residence Yokohama Kannai



T-46
KDX Residence Miyamaedaira



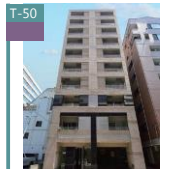
T-47
KDX Residence Machida



T-48
KDX Residence Kinshicho



T-49
KDX Residence Nihombashi Hamacho



T-50
KDX Residence Nihombashi Ningyocho

Overview of Portfolio

Dignity of land or distinguished environment

Daily life convenience

Existence of special markets



T-51
KDX Residence Jiyugaoka



T-52
KDX Residence Togoshi



T-53
KDX Residence Shinagawa Seaside



T-54
KDX Residence Ojima



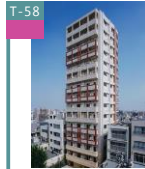
T-55
KDX Residence Oyama



T-56
KDX Residence Hanzomon



B-Site Akihabara



T-58
KDX Residence Kagurazaka Dori (Note 2)



T-59
KDX Residence Sendagi



T-60
KDX Residence Seijo



T-61
KDX Residence Akihabara



T-62
KDX Residence Iriya



T-63
KDX Residence Tachikawa



T-64
KDX Residence Tsurumi



T-65
KDX Residence Morishita Chitose



T-66
KDX Residence Akasaka



T-67
KDX Residence Kanda



T-68
KDX Residence Ebisu



T-69
KDX Residence Nishi-magome



T-70
KDX Residence Nishi-azabu



T-71
KDX Residence Azabu Sendaizaka



T-72
KDX Residence Waseda Tsurumaki



T-73
KDX Residence Bunkyo Yushima



T-74
KDX Residence Kamishakujii



T-75
KDX Residence Shin-otsuka



T-76
KDX Residence Sakurajosui



T-77
KDX Residence Ryogoku



T-78
KDX Residence Toyosu



Regional Area
(40 props)



R-2
KDX Jozenji Dori Residence



R-3
KDX Izumi Residence



R-4
KDX Chihaya Residence



R-5
KDX Sakaisuji Hommachi Residence



R-6
KDX Shimmachi Residence



R-7
KDX Takarazuka Residence



R-8
KDX Shimizu Residence



R-9
KDX Residence Odori Koen



R-10
KDX Residence Kikusui Yojo



R-11
KDX Residence Toyohira Koen



R-13
KDX Residence Ichiban-cho



R-14
KDX Residence Kotodai



R-15
KDX Residence Izumi Chuo



R-16
KDX Residence Higashi-sakura I



R-17
KDX Residence Higashi-sakura II



R-18
KDX Residence Jingu-mae



R-19
KDX Residence Nishi-oji

Overview of Portfolio

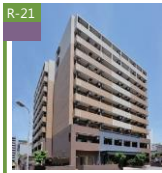
Dignity of land or distinguished environment

Daily life convenience

Existence of special markets



R-20
KDX Residence Saiin



R-21
KDX Residence Namba



R-22
KDX Residence Namba-minami



R-23
KDX Residence Shin-Osaka



R-24
KDX Residence Ibaraki I II



R-25
KDX Residence Toyonaka-minami



KDX Residence Moriguchi



R-27
KDX Residence Sannomiya



R-28
Ashiya Royal Homes



R-29
KDX Residence Funairi Saiwai-cho



R-30
KDX Residence Tenjin-higashi II



R-32
KDX Residence Nishi Koen



R-33
KDX Residence Hirao Josui-machi



R-34
Melody Heim Gotenyama



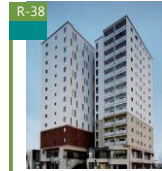
R-35
Leopalace Flat Shin-sakae



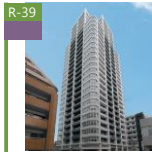
R-36
KDX Residence Konan Yamate



R-37
KDX Residence Hommachibashi



R-38
KDX Residence Minami-kusatsu



R-39
KDX Residence Ohori Harbor View Tower



R-40
KDX Residence Minami-sanjo



R-41
Serenite Kita-kyuhoji



R-42
Serenite Nishinomiya Hommachi



R-43
KDX Residence Nishijin



Healthcare Facilities
(14 props)



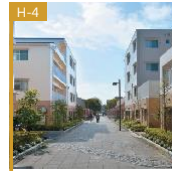
H-1
Irise Kamata/Yuseien



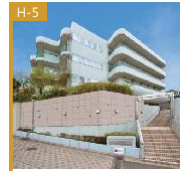
H-2
Nichii Home Nakano Minamidai



H-3
Joy Stage Hachioji



H-4
Yuimaru Hijirigaoka



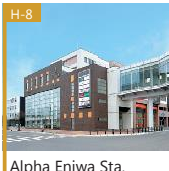
H-5
Nichii Home Tama Plaza



H-6
Ten



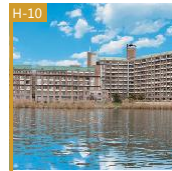
H-7
Irise Nishioka



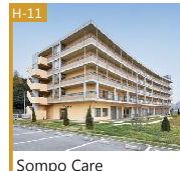
H-8
Alpha Eniwa Sta. Nishiguchi Saikaihatsu building



H-9
Sawayaka Sakura Nibankan



H-10
Activa Biwa



H-11
Sompo Care LAVIERE Kobe Tarumi



H-12
Granda Mondo Yakujin



H-13
Excellent Nishinomiya



H-14
Gran Hills Ogawarako

(Note 1) "Measure of investment" is the measure KDR focused most on when it decided to acquire each property about residential facilities.
(Note 2) The name is changed from "Bereau Kagurazaka" on February 5, 2018.

Portfolio List

(As of March 1, 2018)

No.	Name	Location	Completion Date	Type (Note 1)	Acquisition Price (min yen)	Occupancy Rate (Note 2) (%)
T-1	KDX Daikanyama Residence	Shibuya-ku, Tokyo	Feb. 10, 2003	Small family	4,700	98.2
T-3	KDX Odenma Residence	Chuo-ku, Tokyo	Mar. 14, 2007	Small family	1,775	100.0
T-4	KDX Iwamoto-cho Residence	Chiyoda-ku, Tokyo	Sep. 5, 2007	Small family	822	98.0
T-5	KDX Bunkyo Sengoku Residence	Bunkyo-ku, Tokyo	Aug. 9, 2005	Studio	1,488	100.0
T-6	KDX Azumabashi Residence	Sumida-ku, Tokyo	Sep. 26, 2007	Studio	650	100.0
T-7	KDX Shimura Sakaue Residence	Itabashi-ku, Tokyo	Jul. 2, 2007	Family	2,830	100.0
T-9	Cosmo Heim Motosumiyoshi (Land)	Kawasaki-shi, Kanagawa	—	—	1,750	—
T-10	KDX Musashi Nakahara Residence	Kawasaki-shi, Kanagawa	Apr. 23, 1991	Family	637	94.3
T-11	KDX Chiba Chuo Residence	Chiba-shi, Chiba	Feb. 23, 2007	Studio	1,480	95.5
T-12	KDX Kawaguchi Saiwai-cho Residence	Kawaguchi-shi, Saitama	Feb. 9, 2007	Small family	1,150	98.3
T-13	KDX Residence Shirokane I	Minato-ku, Tokyo	Feb. 21, 2003	Small family	3,000	98.8
T-15	KDX Residence Shirokane II	Minato-ku, Tokyo	Nov. 12, 2004	Studio	2,800	98.8
T-16	KDX Residence Minami-aoyama	Minato-ku, Tokyo	Feb. 26, 2004	Small family	2,230	70.8
T-17	KDX Residence Minami-azabu	Minato-ku, Tokyo	Oct. 7, 2004	Small family	2,080	98.0
T-18	KDX Residence Shiba Koen	Minato-ku, Tokyo	Nov. 18, 2005	Small family	1,781	97.5
T-19	KDX Residence Azabu East	Minato-ku, Tokyo	Jan. 6, 2004	Studio	1,560	98.9
T-20	KDX Residence Takanawa	Minato-ku, Tokyo	Jul. 19, 2007	Small family	770	97.4
T-21	KDX Residence Nishihara	Shibuya-ku, Tokyo	Apr. 9, 2004	Small family	1,450	100.0
T-22	KDX Residence Daikanyama II	Shibuya-ku, Tokyo	Jan. 30, 1997	Family	730	100.0
T-23	KDX Residence Sendagaya	Shibuya-ku, Tokyo	Jan. 19, 2007	Small family	650	100.0
T-24	KDX Residence Nihombashi Suitengu	Chuo-ku, Tokyo	Feb. 24, 2005	Family	3,240	100.0
T-25	KDX Residence Nihombashi Hakozaeki	Chuo-ku, Tokyo	Feb. 6, 2004	Studio	1,147	98.7
T-26	KDX Residence Higashi-shinjuku	Shinjuku-ku, Tokyo	Nov. 21, 2007	Studio	3,270	96.8
T-27	KDX Residence Yotsuya	Shinjuku-ku, Tokyo	Mar. 1, 2004	Family	2,260	100.0
T-28	KDX Residence Nishi-shinjuku	Shinjuku-ku, Tokyo	Oct. 7, 2005	Studio	1,000	98.0
T-29	KDX Residence Kagurazaka	Shinjuku-ku, Tokyo	Jan. 17, 2006	Studio	720	97.2
T-30	KDX Residence Futako Tamagawa	Setagaya-ku, Tokyo	Feb. 23, 1998	Family	1,250	100.0
T-31	KDX Residence Komazawa Koen	Setagaya-ku, Tokyo	Feb. 6, 2006	Small family	920	95.5
T-32	KDX Residence Misyuku	Setagaya-ku, Tokyo	May 18, 2006	Studio	760	97.7
T-33	KDX Residence Yoga	Setagaya-ku, Tokyo	Dec. 20, 2005	Studio	700	90.0
T-34	KDX Residence Shimouma	Setagaya-ku, Tokyo	Oct. 13, 2005	Studio	600	100.0
T-35	Raffine Minami-magome	Ota-ku, Tokyo	Mar. 25, 1992	Studio	1,250	100.0
T-36	KDX Residence Yuki-gaya Otsuka	Ota-ku, Tokyo	Jan. 11, 2006	Studio	1,050	98.7
T-37	KDX Residence Denen Chofu	Ota-ku, Tokyo	Feb. 17, 1997	Family	1,000	100.0
T-38	KDX Residence Tamagawa	Ota-ku, Tokyo	Feb. 7, 2007	Studio	776	98.1
T-39	KDX Residence Monzennakacho	Koto-ku, Tokyo	Mar. 31, 2005	Studio	773	95.9
T-40	KDX Residence Okachimachi	Taito-ku, Tokyo	Dec. 7, 2004	Studio	850	100.0
T-41	KDX Residence Moto-asakusa	Taito-ku, Tokyo	Jan. 31, 2005	Small family	800	95.9
T-42	KDX Residence Itabashi Honcho	Itabashi-ku, Tokyo	Aug. 23, 2007	Studio	620	96.1
T-43	KDX Residence Azusawa	Itabashi-ku, Tokyo	Oct. 6, 2006	Studio	550	100.0
T-44	KDX Residence Tobu Nerima	Nerima-ku, Tokyo	Feb. 11, 2007	Studio	420	100.0
T-45	KDX Residence Yokohama Kannai	Yokohama-shi, Kanagawa	Mar. 17, 2003	Studio	800	97.0
T-46	KDX Residence Miyamaedaira	Kawasaki-shi, Kanagawa	Oct. 16, 1998	Family	999	97.5
T-47	KDX Residence Machida	Sagamihara-shi, Kanagawa	Jun. 20, 2006	Family	1,800	100.0
T-48	KDX Residence Kinshicho	Sumida-ku, Tokyo	Mar. 1, 2007	Family	1,350	100.0
T-49	KDX Residence Nihombashi Hamacho	Chuo-ku, Tokyo	Mar. 3, 2005	Family	996	100.0
T-50	KDX Residence Nihombashi Ningyocho	Chuo-ku, Tokyo	Aug. 8, 2002	Studio	530	100.0
T-51	KDX Residence Jiyugaoka	Meguro-ku, Tokyo	Mar. 20, 2006	Small family	1,268	97.7
T-52	KDX Residence Togoshi	Shinagawa-ku, Tokyo	Nov. 27, 2006	Small family	3,745	96.7
T-53	KDX Residence Shinagawa Seaside	Shinagawa-ku, Tokyo	Aug. 10, 2006	Studio	2,593	97.1
T-54	KDX Residence Ojima	Koto-ku, Tokyo	Jul. 23, 2008	Studio	1,857	100.0
T-55	KDX Residence Oyama	Itabashi-ku, Tokyo	Feb. 13, 2008	Small family	2,679	95.3
T-56	KDX Residence Hanzomon	Chiyoda-ku, Tokyo	Dec. 18, 2003	Family	4,832	100.0
T-57	B-Site Akihabara	Chiyoda-ku, Tokyo	Dec. 14, 2005	Studio	850	100.0
T-58	KDX Residence Kagurazaka Dori ⁽⁴⁾	Shinjuku-ku, Tokyo	Aug. 31, 2006	Studio	1,360	100.0
T-59	KDX Residence Sendagi	Bunkyo-ku, Tokyo	Mar. 13, 2000	Family	2,200	100.0
T-60	KDX Residence Seijo	Setagaya-ku, Tokyo	Apr. 10, 2007	Small family	1,400	97.5
T-61	KDX Residence Akihabara	Taito-ku, Tokyo	Jan. 19, 2008	Small family	1,250	97.0
T-62	KDX Residence Iriya	Taito-ku, Tokyo	Feb. 14, 2007	Studio	1,062	98.6
T-63	KDX Residence Tachikawa	Tachikawa-shi, Tokyo	Mar. 12, 2008	Studio	3,026	92.6
T-64	KDX Residence Tsurumi	Yokohama-shi, Kanagawa	Jul. 31, 1990	Small family	1,050	100.0
T-65	KDX Residence Morishita Chitose	Sumida-ku, Tokyo	Jan. 9, 2007	Studio	1,100	97.4
T-66	KDX Residence Akasaka	Minato-ku, Tokyo	Dec. 12, 2014	Small family	1,150	96.6
T-67	KDX Residence Kanda	Chiyoda-ku, Tokyo	Feb. 6, 2015	Small family	700	100.0
T-68	KDX Residence Ebisu	Shibuya-ku, Tokyo	Sep. 15, 2015	Small family	2,845	100.0
T-69	KDX Residence Nishi-magome	Ota-ku, Tokyo	Jul. 12, 2016	Studio	1,130	96.1
T-70	KDX Residence Nishi-azabu	Minato-ku, Tokyo	Feb. 20, 2008	Small family	1,224	97.3
T-71	KDX Residence Azabu Sendaizaka	Minato-ku, Tokyo	Oct. 6, 2006	Studio	792	100.0
T-72	KDX Residence Waseda Tsurumaki	Shinjuku-ku, Tokyo	Aug. 6, 2007	Studio	561	100.0
T-73	KDX Residence Bunkyo Yushima	Bunkyo-ku, Tokyo	Jan. 23, 2006	Studio	695	100.0
T-74	KDX Residence Kamishakujii	Nerima-ku, Tokyo	Jun. 26, 2007	Studio	648	93.8
T-75	KDX Residence Shin-otsuka	Toshima-ku, Tokyo	Feb. 5, 2016	Studio	764	100.0
T-76	KDX Residence Sakurajosui	Suginami-ku, Tokyo	Sep. 13, 2016	Studio	894	85.5

Tokyo Metropolitan Area Residential Facilities

Portfolio List

No.	Name	Location	Completion Date	Type (Note 1)	Acquisition Price (min yen)	Occupancy Rate (Note 2) (%)
T-77	KDX Residence Ryogoku	Sumida-ku, Tokyo	Feb. 3, 2016	Studio	842	93.4
T-78	KDX Residence Toyosu	Koto-ku, Tokyo	Jul. 7, 2017	Studio	7,500	100.0
Residential Facilities / Tokyo Metropolitan Area 75 props				Total / Ave.	114,781	98.0
R-2	KDX Jozenji Dori Residence	Sendai-shi, Miyagi	Jan. 15, 2008	Studio	1,015	93.0
R-3	KDX Izumi Residence	Nagoya-shi, Aichi	Apr. 7, 2009	Family	1,120	94.8
R-4	KDX Chihaya Residence	Nagoya-shi, Aichi	Jul. 28, 2009	Small family	1,080	96.2
R-5	KDX Sakaisuji Hommachi Residence	Osaka-shi, Osaka	Oct. 25, 2007	Small family	2,910	97.0
R-6	KDX Shimmachi Residence	Osaka-shi, Osaka	Oct. 10, 2007	Studio	1,015	96.8
R-7	KDX Takarazuka Residence	Takarazuka-shi, Hyogo	Feb. 29, 2008	Family	1,510	100.0
R-8	KDX Shimizu Residence	Fukuoka-shi, Fukuoka	May 2, 2008	Small family	1,680	95.9
R-9	KDX Residence Odori Koen	Sapporo-shi, Hokkaido	Jan. 4, 2007	Small family	765	97.4
R-10	KDX Residence Kikusui Yojo	Sapporo-shi, Hokkaido	Feb. 22, 2007	Small family	830	94.4
R-11	KDX Residence Toyohira Koen	Sapporo-shi, Hokkaido	Feb. 17, 2007	Small family	445	89.1
R-13	KDX Residence Ichiban-cho	Sendai-shi, Miyagi	Apr. 26, 2007	Small family	530	97.3
R-14	KDX Residence Kotodai	Sendai-shi, Miyagi	Oct. 7, 2006	Small family	520	100.0
R-15	KDX Residence Izumi Chuo	Sendai-shi, Miyagi	Mar. 1, 2007	Small family	480	94.0
R-16	KDX Residence Higashi-sakura I	Nagoya-shi, Aichi	Jan. 21, 2008	Small family	2,350	93.0
R-17	KDX Residence Higashi-sakura II	Nagoya-shi, Aichi	Mar. 2, 2006	Small family	900	95.5
R-18	KDX Residence Jingumae	Nagoya-shi, Aichi	Feb. 14, 2007	Small family	840	91.4
R-19	KDX Residence Nishi-oji	Kyoto-shi, Kyoto	Mar. 12, 2007	Studio	813	97.0
R-20	KDX Residence Saiin	Kyoto-shi, Kyoto	Jul. 4, 2006	Studio	440	98.0
R-21	KDX Residence Namba	Osaka-shi, Osaka	Jul. 12, 2006	Studio	1,410	97.0
R-22	KDX Residence Namba-minami	Osaka-shi, Osaka	Apr. 27, 2007	Studio	1,350	96.9
R-23	KDX Residence Shin-osaka	Osaka-shi, Osaka	Feb. 17, 2007	Small family	510	97.7
R-24	KDX Residence Ibaraki I-II	Ibaraki-shi, Osaka	May 27, 1991 Mar. 17, 1993	Family	1,275	96.7
R-25	KDX Residence Toyonaka-minami	Toyonaka-shi, Osaka	Mar. 5, 2007	Small family	740	95.6
R-26	KDX Residence Moriguchi	Moriguchi-shi, Osaka	Oct. 26, 2006	Family	551	100.0
R-27	KDX Residence Sannomiya	Kobe-shi, Hyogo	Jan. 10, 2007	Studio	1,080	100.0
R-28	Ashiya Royal Homes	Ashiya-shi, Hyogo	Jun. 5, 1991	Family	1,360	100.0
R-29	KDX Residence Funairi Saiwai-cho	Hiroshima-shi, Hiroshima	Jan. 30, 2007	Studio	588	98.4
R-30	KDX Residence Tenjin-higashi II	Fukuoka-shi, Fukuoka	May 7, 2007	Small family	680	95.2
R-32	KDX Residence Nishi Koen	Fukuoka-shi, Fukuoka	Feb. 2, 2006	Family	763	91.2
R-33	KDX Residence Hirao Josui-machi	Fukuoka-shi, Fukuoka	Oct. 18, 2005	Family	760	95.7
R-34	Melody Heim Gotenyama	Hirakata-shi, Osaka	Jul. 14, 1989	Family	400	100.0
R-35	Leopalace Flat Shin-sakae	Nagoya-shi, Aichi	Nov. 15, 2004	Studio	3,500	100.0
R-36	KDX Residence Konan Yamate	Kobe-shi, Hyogo	Mar. 6, 2008	Small family	973	95.9
R-37	KDX Residence Hommachi bashi	Osaka-shi, Osaka	Feb. 28, 2007	Small family	3,201	97.7
R-38	KDX Residence Minami-kusatsu	Kusatsu-shi, Shiga	Mar. 4, 2008	Studio	1,974	95.1
R-39	KDX Residence Ohori Harbor View Tower	Fukuoka-shi, Fukuoka	Feb. 17, 2009	Small family	4,606	91.6
R-40	KDX Residence Minami-sanjo	Sapporo-shi, Hokkaido	Dec. 14, 2010	Small family	915	95.4
R-41	Serenite Kita-kyuhoji	Osaka-shi, Osaka	Jul. 10, 2015	Studio	1,290	96.4
R-42	Serenite Nishinomiya Hommachi	Nishinomiya-shi, Hyogo	Feb. 24, 2016	Studio	617	98.1
R-43	KDX Residence Nishijin	Fukuoka-shi, Fukuoka	Apr. 30, 1996	Small family	1,600	88.6
Residential Facilities / Other Regional Areas 40 props				Total / Ave.	49,387	95.9
Residential Facilities 115 props				Total / Ave.	164,169	97.0
No.	Name	Location	Completion Date	Type	Acquisition Price (min yen)	Actual Occupancy Rate (Note 3) (%)
H-1	Irise Kamata/Yuseien	Ota-ku, Tokyo	Jun. 8, 2007	Nursing Care	1,120	100.0
H-2	Nichii Home Nakano-Minamidai	Nakano-ku, Tokyo	Jun. 25, 1992	Nursing Care	1,780	79.5
H-3	Joy Stage Hachioji	Hachioji-shi, Tokyo	Oct. 31, 1995	Nursing Care	3,690	90.1
H-4	Yuimaru Hijirigaoka	Tama-shi, Tokyo	Nov. 15, 2011	Residential	1,120	100.0
H-5	Nichii Home Tama Plaza	Kawasaki-shi, Kanagawa	Mar. 19, 1992	Nursing Care	2,940	68.1
H-6	Ten	Sapporo-shi, Hokkaido	Sep. 5, 2007	Nursing Care	2,630	84.7
H-7	Irise Nishioka	Sapporo-shi, Hokkaido	May 9, 2014	Residential	858	96.4
H-8	Joy Stage Hachioji	Eniwa-shi, Hokkaido	Jan. 28, 2015	Residential	1,660	86.3
H-9	Sawayaka Sakura Nibankan	Akita-shi, Akita	Sep. 30, 2011	Nursing Care	989	100.0
H-10	Activa Biwa	Otsu-shi, Shiga	Jul. 15, 1987	Nursing Care	6,560	79.4
H-11	Sompo Care LAVIERE Kobe Tarumi	Kobe-shi, Hyogo	Mar. 3, 2010	Nursing Care	2,110	97.0
H-12	Granda Mondo Yakujin	Nishinomiya-shi, Hyogo	Jul. 18, 2014	Residential	1,190	—
H-13	Excellent Nishinomiya	Nishinomiya-shi, Hyogo	Feb. 8, 2010	Nursing Care	971	100.0
H-14	Gran Hills Ogawaraka	Kamikita-gun, Aomori	Mar. 23, 2007	Serviced	1,380	100.0
Healthcare Facilities 14 props				Total / Ave.	28,998	87.9
Total 129 props				Total	193,167	

(Note 1) Type means principal room type of the property (If applicable to some types, type of the largest footprint unit). Single (intended primarily for single-person households) [footprint of equal or more than 18m² and less than 30m² and more than 20 rentable units per property], Small Family : (intended primarily for households of couples or families with infants) [footprint of equal or more than 30m² and less than 60m² and more than 15 rentable units per property], Family (intended primarily for households of three or more families) [footprint of equal or more than 60m² and more than 5 rentable units per property]

(Note 2) "Occupancy Rate" is as of end of January 2018.

(Note 3) "Actual Occupancy Rate" = Number of residents / number of rooms on December 2017. "Actual Occupancy Rate" is based on documents from operators but that of "Granda Mondo Yakujin" isn't disclosed because KDR isn't admitted to disclose from the operator. If "Actual Occupancy Rate" is over 100.0% by calculation, it is written as 100.0%.

(Note 4) The name is changed from "Bereau Kagurazaka" on February 5, 2018.

II. Asset management report

1. Outline of asset management operation

(1) Operating result and financial position

	Fiscal period	Unit	8th From Aug. 1, 2015 to Jan. 31, 2016	9th From Feb. 1, 2016 to Jul. 31, 2016	10th From Aug. 1, 2016 to Jan. 31, 2017	11th From Feb. 1, 2017 to Jul. 31, 2017	12th From Aug. 1, 2017 to Jan. 31, 2018
Operating result	Operating revenues	mil.yen	5,226	5,333	5,468	5,574	5,681
	(Rental revenues)	mil.yen	5,208	5,329	5,437	5,574	5,671
	Operating expenses	mil.yen	2,509	2,610	2,629	2,741	2,791
	(Expenses related to rent business)	mil.yen	1,936	2,032	2,050	2,124	2,107
	Operating income	mil.yen	2,717	2,723	2,838	2,833	2,889
	Ordinary income	mil.yen	2,185	2,193	2,311	2,316	2,353
Net income	mil.yen	2,184	2,192	2,310	2,315	2,352	
Asset	Total asset	mil.yen	160,064	159,948	167,276	167,316	176,813
	(period to period change)	%	(+0.9)	(△0.1)	(+4.6)	(+0.0)	(+5.7)
	Interest-bearing debt	mil.yen	74,800	74,800	81,800	81,800	91,130
	Unitholders' equity	mil.yen	82,389	82,365	82,552	82,559	82,650
	(period to period change)	%	(+0.0)	(△0.0)	(+0.2)	(+0.0)	(+0.1)
Unitholders' capital	mil.yen	80,132	80,132	80,132	80,132	80,132	
Distribution per unit	Total distribution	mil.yen	2,175	2,220	2,280	2,315	2,424
	dividend payout ratio	%	99.6	101.3	98.7	100.0	103.1
	Number of investment units issued and outstanding	unit	349,089	349,089	349,089	349,089	349,089
	Net income per unit (Note 2,3)	yen	6,257	6,279	6,617	6,632	3,369
	Unitholders' equity per unit (Note 2)	yen	236,012	235,943	236,478	236,498	118,379
	Distribution per unit	yen	6,231	6,360	6,533	6,633	6,946
	Profit distribution	yen	6,231	6,360	6,533	6,633	6,946
	Distribution in excess of profit	yen	—	—	—	—	—
Financial indicator	Return on assets (Note 4)	%	1.4	1.4	1.4	1.4	1.4
	Annualized (Note 5)	%	2.7	2.7	2.8	2.8	2.7
	Return on net assets (Note 6)	%	2.7	2.7	2.8	2.8	2.8
	Annualized (Note 5)	%	5.3	5.3	5.6	5.7	5.6
	Net asset ratio	%	51.5	51.5	49.4	49.3	46.7
	(period to period change)	%	(△0.5)	(+0.0)	(△2.1)	(△0.0)	(△2.6)
	Interest-bearing debt ratio on assets (Note 7)	%	46.7	46.8	48.9	48.9	51.5
	FFO (Note 8) (Funds from Operation)	mil.yen	3,082	3,104	3,189	3,227	3,295
	FFO per unit (Note 2,9)	yen	8,830	8,892	9,137	9,246	4,720
	Leasing NOI (Note10) (Net Operating Income)	mil.yen	4,124	4,153	4,265	4,335	4,486
	Annualized NOI yield (Note 5,11)	%	5.5	5.6	5.5	5.6	5.4
	Leasing NCF(Note 12) (Net Cash Flow)	mil.yen	3,956	3,990	4,044	4,094	4,199
	Annualized NCF yield (Note 5,13)	%	5.3	5.4	5.2	5.3	5.1
Reference	Number of properties	properties	105	105	113	113	115
	Leased units (Note 14)	unit	6,948	6,952	7,229	7,285	7,646
	Total leasable floor area (Note 14)	m ²	286,310.51	286,310.51	292,324.33	292,324.33	303,608.43
	Occupancy ratio (Note 14)	%	96.0	95.9	96.2	96.8	97.0
	Depreciation expenses	mil.yen	852	857	878	884	921
	Capital expenditures	mil.yen	167	163	220	241	286

(Note 1) Figures are rounded down to the nearest unit. Ratios are rounded off to the two decimal place

- (Note 2) KDR investment units was split 2-for-1 on the reference date as of February 28, 2018 and the effective date as of March 1, 2018. "Net income per unit", "Unitholders' equity per unit" and "FFO per unit" are calculated subjected for KDR investment units to be split in August 1, 2017.
- (Note 3) Net income per unit is calculated by the net income divided by weighted average of number of investment units
- (Note 4) Return on assets = $\text{Net income} / \{(\text{Total assets at the beginning of period} + \text{Total assets at the end of period})/2\} \times 100$
- (Note 5) Annualized values for the 8th fiscal period are calculated based on a period of 184 days, 182 days for 9th fiscal period, 184 days for 10th fiscal period, 181 days for 11th fiscal period, 184 days for 12th fiscal period.
- (Note 6) Return on net assets = $\text{Net income} / \{(\text{Total net assets at the beginning of period} + \text{Total net assets at the end of period})/2\} \times 100$
- (Note 7) Interest-bearing debt ratio of assets = $\text{Interest-bearing debt at the end of period} / \text{Total assets at the end of period} \times 100$
- (Note 8) FFO = $\text{Net income} + \text{Depreciation expenses} + \text{Amortization of deferred assets} - \text{Gain on sale of real estate property} + \text{Loss on sale of real estate property}$
- (Note 9) FFO per unit = $\text{FFO} / \text{Number of investment units issued and outstanding (rounded down to the nearest } \text{¥}1)$
- (Note 10) Leasing NOI = $\text{Rental revenues} - \text{Expenses related to rent business} + \text{Depreciation expenses}$
- (Note 11) Annualized NOI yield = $\text{Annualized NOI} / \text{Total acquisition prices of properties} \times 100$
- (Note 12) Leasing NCF = $\text{Leasing NOI} - \text{Capital expenditures}$
- (Note 13) Annualized NCF yield = $\text{Annualized NCF} / \text{Total acquisition prices of properties} \times 100$
- (Note 14) Figure and ratio except for land

(2) Outline of asset management operation for the 12th fiscal period

① Outline of the history of the Investment Corporation

Kenedix Residential Next Investment Corporation (Note 1) (“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 properties was 115 (total acquisition prices is 164,169 million yen) and the number of investment units issued and outstanding totaled 349,089 units.

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.”

(Note 1) The Investment Corporation merged with Japan Senior Living Investment Corporation (“JSL”) (“the Merger”), the absorbed corporation of the Merger, and it changed its name to Kenedix Residential Next Investment Corporation on March 1, 2018.

② Operating Environment

The Japanese economy continues its gradual recovery with improvement seen in employment, income and other areas based on good corporate performance, and it is expected that this trend will continue. Nevertheless, many factors, including the future course of the Bank of Japan’s policy of quantitative and qualitative monetary easing, accompanied by negative interest rates and questions about the momentum of the recovery in the economy and prices, concerns about uncertainties about financial condition in China, financial policy in Europe and other global economic factors, as well as volatility in the financial markets, create an environment where caution is required.

In the rental housing market, the occupancy rates and rent levels of the rental apartment buildings in which the Investment Corporation invests remain high. Given that metropolitan areas continue to experience population growth while rental apartment supplies remain low, a favorable supply-demand environment is expected for these areas in the future.

We continue to see active investment activity in the real estate investment markets on the part of both Japanese and overseas investors such as multiple big transactions by foreign companies. The Bank of Japan’s aggressive monetary easing measures and the like are expected to keep the real estate market busy; however, given that banks have record levels of lending balances for the real estate industry, we need to keep a close eye on any changes to banks’ stances on lending for this industry.

③ Operating Results

(A) Asset acquisition

The Investment Corporation acquired two residential properties (KDX Residence Nishijin: 1,600 million yen (acquisition price) and KDX Residence Toyosu: 7,500 million

yen (acquisition price)). With the primary purpose of flexible growth in assets and securing additional income opportunities, the Investment Corporation acquired a subordinated silent partnership equity (acquisition price: 130 million yen) in Godo Kaisha Tropic Two, whose asset portfolio includes three residential properties.

(B) Management of real estate holdings

The Investment Corporation managed our real estate holdings, which were selected through a multifaceted approach of taking into consideration the region, location and city, rent range, tenant type (corporate or individual) and other various characteristics, by working with a property management company (“PM Company”) that operates and manages properties, with the aim of achieving stable and optimal performance.

Moreover, the Investment Corporation strove to partner with leading real estate companies with a strong local presence and bolster the PM Company’s efficient leasing activity. We also ensured that soliciting conditions took into consideration the characteristics and occupancy levels of individual properties; carried out efficient advertising efforts utilizing the power of the KDX Residence brand; utilized leasing agents; and implemented flexible sales activities attuned to the characteristics of each of the properties in accordance with plans.

As a result, the portfolio as a whole (excluding the ownership of leased land) had an occupancy rate of 97.0% as of the end of the term (January 31, 2018). The occupancy rate for the portfolio as a whole, including owned land under lease, came to 97.0%. During the term, the average occupancy rate was high at 96.7% as same as the former term.

Specific measures that contributed to improvement in revenue at the rental business are as follows: with respect to properties with stable and robust occupancy conditions, we strove to raise rent levels for and obtain key money from new tenants; raise rents when leases were renewed; increase revenue associated with auxiliary facilities; and improve the parking contract rate; and as measures to slash rental business expenses, we reduced utility bills by switching the electricity supplier for common areas; changed the lighting in common areas to LED; and reviewed the contracts for auxiliary facilities, as well as solicitation costs, etc., in order to improve income and expenditures.

Moreover, with the aim of maintaining and/or improving the market competitiveness of our portfolio assets, we undertook planned major renovation work at three properties, roof renovation at another property, updating work in common areas as well as value-increasing work and facility updates at individually-owned areas.

We also continued our green efforts during the 12th fiscal period, introducing LED lighting in common areas.

Furthermore, we continued to monitor our DBJ Green Building Certification, an environmental awareness recognition from an external evaluator, and our KDX Residence Toyosu newly obtained 3 stars for this certification (number of properties certificated: 5 props).

(C) Financing

The Investment Corporation procures funds with the aim of medium- to long-term stable earnings and sustained growth of portfolio assets, taking into consideration the balance between financial stability and financing costs.

Debt Financing

The Investment Corporation took out 9,330 million yen in loans as funds of acquisition of properties and 11,000 million yen in loans as funds for repaying the borrowings for

which repayment was due during the 12th fiscal period. The outstanding debt balance as of the end of the 12th fiscal period (January 31, 2018) was 88,130 million yen.

As a result of the foregoing, the average remaining life of interest-bearing debt (Note 1) was 5.2 years, and the average interest rate at the end of the 12th fiscal period (Note 2) was 1.10%. The long-term debt ratio (Note 3) came to 85.0%, the fixed interest-rate ratio (Note 4) was 95.5%, and the loan to value ratio (LTV) came to 51.5%.

- (Note 1) The weighted average of the life of each interest-bearing debt in accordance with the balance of each interest-bearing debt
- (Note 2) The average interest rate of each interest-bearing debt was calculated taking into account the upfront fee (per annum) and interest rate swaps, etc., and the weighted average was calculated in accordance with the balance of each interest-bearing debt.
- (Note 3) Long-term debt ratio = (balance of long-term borrowings (excluding long-term borrowings to be repaid within one year) + balance of investment corporation bonds) ÷ (balance of borrowings + balance of investment corporation bonds)
The long-term debt ratio that includes long-term borrowings to be repaid within one year is 97.1%.
- (Note 4) The fixed interest-rate ratio = (balance of fixed interest-rate borrowings (including borrowings for which interest rates are substantially fixed through interest rate swap transactions, etc.) + balance of investment corporation bonds) ÷ (balance of borrowings + balance of investment corporation bonds)

Credit Ratings

The Investment Corporation was assigned the following credit ratings as of the end of the current fiscal period (January 31, 2018).

Credit Rating Agency	Type	Rating
Japan Credit Rating Agency, Ltd.(JCR)	Long-term issuer rating	A+ (Outlook : Stable)
	Bond rating	A+

Shelf Registration

The Investment Corporation filed a shelf registration statement regarding investment corporation bonds (excluding short-term investment corporation bonds) on June 28, 2016 with the following overview.

Planned issuance amount	100,000 million yen
Planned issuance period	From July 6, 2016 to July 5, 2018
Use of proceeds	Funds for acquiring specified assets (having the meaning as set forth in the Act on Investment Trusts and Investment Corporations, Article 2, Paragraph 1); funds for repaying borrowings; funds for redeeming investment corporation bonds (including short-term investment corporation bonds; funds for returning deposits; funds for paying for repairs and maintenance, etc.; operating capital, etc.

Series 1 Unsecured Investment Corporation Bonds (1,000 million yen), Series 2 Unsecured Investment Corporation Bonds (1,000 million yen) and Series 3 Unsecured Investment Corporation Bonds (1,000 million yen) were issued pursuant to the foregoing shelf registration on August 30, 2016.

④ Over view of Financial Results and Cash Distribution

As a result of these management efforts, the Investment Corporation reported total operating revenues of 5,681 million yen, operating income of 2,889 million yen, ordinary income of 2,353 million yen and net income of 2,352 million yen for the current fiscal period.

In regard to profit distributions for the 12th fiscal period, pursuant to the distribution policy in the Investment Corporation's certificate of incorporation, the Investment Corporation has decided to apply special provisions of the tax system for investment corporations (Act on Special Measures Concerning Taxation (Act No. 26 of 1957; as amended) ("Act on Special Measures Concerning Taxation"), Article 67-15) and distribute as a profit distribution 2,424,772,194 yen of

unappropriated retained earnings for the 12th fiscal period (net profit of 2,352,516,261 yen + portion of retained earnings brought forward from the most recent fiscal year (72,255,933 yen)).

In the event we have gains from property sales, we will consider whether we need similar internal reserves as long as net profit for the 12th fiscal period, excluding said gains from property sales, does not fall below the initial projection, taking into consideration such need in accordance with the circumstances.

(3) Changes in unitholders' capital

The changes in unitholders' capital and number of investment units issued and outstanding for last five years are as follows.

Date	Capital transaction	Number of investment units Issued and outstanding		Unitholders' capital (Million yen)		Note
		Increase	Balance	Increase	Balance	
August 6, 2013	Public offering	165,000	240,440	34,571	48,345	(Note 1)
September 4, 2013	Third-party allotment	1,182	241,622	247	48,592	(Note 2)
August 6, 2014	Public offering	36,375	277,997	8,273	56,865	(Note 3)
September 3, 2014	Third-party allotment	1,125	279,122	255	57,121	(Note 4)
February 4, 2015	Public offering	67,900	347,022	22,330	79,452	(Note 5)
March 4, 2015	Third-party allotment	2,067	349,089	679	80,132	(Note 6)

(Note 1) New investment units were issued at a price of ¥217,327 per unit (subscription price of ¥209,525 per unit) through a public offering in order to raise funds for acquiring new properties.

(Note 2) New investment units were issued at a price of ¥209,525 per unit through the third-party allotment in order to raise funds for miscellaneous expenses related to the acquisition of new properties.

(Note 3) New investment units were issued at a price of ¥235,657 per unit (subscription price of ¥227,439 per unit) through a public offering in order to raise funds for acquiring new properties.

(Note 4) New investment units were issued at a price of ¥227,439 per unit through the third-party allotment in order to raise funds for miscellaneous expenses related to the acquisition of new properties.

(Note 5) New investment units were issued at a price of ¥340,762 per unit (subscription price of ¥328,879 per unit) through a public offering in order to raise funds for acquiring new properties.

(Note 6) New investment units were issued at a price of ¥328,879 per unit through the third-party allotment in order to raise funds for miscellaneous expenses related to the acquisition of new properties.

(Note 7) KDR investment units was split 2-for-1 on the reference date as of February 28, 2018 and the effective date as of March 1, 2018. In connection with the Merger, 1 KDR unit following the Investment Unit Split was allocated to every JSL unit with respect to all the 84,750 outstanding JSL units on March 1, 2018 and number of investment units issued and outstanding is 782,928. Unitholders' capital is unchanged by this split and allocation.

【Fluctuation in market prices of the investment securities】

The fluctuation in market prices (closing price) of investment securities on Tokyo Stock Exchange REIT Market during each fiscal period is as follows.

Fiscal period As of/for the six months ended	8th January 31, 2016	9th July 31, 2016	10th January 31, 2017	11th July 31, 2017	12th January 31, 2018
Highest price	328,000	313,000	319,000	320,500	329,500
Lowest price	256,400	264,600	272,400	263,100	274,800

(4) Distributions

The distribution for the 12th fiscal period is 6,946 yen per unit; the Investment Corporation plans to apply the corporate income taxation special provision (Act on Special Measures Concerning Taxation, Article 67-15) that deducts an amount equivalent to profit distributions from an investment corporation's taxable income, and in accordance with the distribution policy set forth in the Investment Corporation's certificate of incorporation, Article 38 (1), has decided to distribute as a profit distribution 2,424,772 thousand yen of unappropriated retained earnings for the 12th fiscal period (net profit of 2,352,516 thousand yen + portion of retained earnings brought forward from

last fiscal year (72,255 thousand yen)).

Fiscal period		8th From Aug.1, 2015 to Jan.31, 2016	9th From Feb.1, 2016 to Jul.31, 2016	10th From Aug.1, 2016 to Jan.31, 2017	11th From Feb.1, 2017 to Jul.31, 2017	12th From Aug.1, 2017 to Jan.31, 2018
Unappropriated retained earnings	(Thousand yen)	2,258,172	2,275,223	2,365,163	2,400,002	2,437,011
Retained earnings	(Thousand yen)	82,998	55,017	84,564	84,495	12,239
Total distribution	(Thousand yen)	2,175,173	2,220,206	2,280,598	2,315,507	2,424,772
(Distribution per unit)	(Yen)	(6,231)	(6,360)	(6,533)	(6,633)	(6,946)
Profit distribution	(Thousand yen)	2,175,173	2,220,206	2,280,598	2,315,507	2,424,772
(Profit distribution per unit)	(Yen)	(6,231)	(6,360)	(6,533)	(6,633)	(6,946)
Unitcapital refunds	(Thousand yen)	-	-	-	-	-
(Unitcapital refunds per unit)	(Yen)	(—)	(—)	(—)	(—)	(—)
Unitcapital refund from retained earnings for temporary difference adjustment	(Thousand yen)	-	-	-	-	-
(Unitcapital refund from retained earnings for temporary difference adjustment per unit)	(Yen)	(—)	(—)	(—)	(—)	(—)
Unitcapital refunds from deduction of unitcapital under tax rules	(Thousand yen)	-	-	-	-	-
(Unitcapital refunds from deduction of unitcapital under tax rules per unit)	(Yen)	(—)	(—)	(—)	(—)	(—)

(5) Asset Management Strategies Going Forward and Challenges

Asset Management Outlook

The Investment Corporation has used the three core strategies of “steady external growth leveraging our judgment capabilities,” “efficient earnings management” and “new initiatives” and invested mainly in healthcare facilities such as rental housings. But the Investment Corporation partly changed its investment policy that defined healthcare facilities (including medical facilities such as hospitals, etc.) and accommodations added to residential facilities as main investment target.

Going forward, The Investment Corporation will continue to seek to enhance shareholder value through steady growth of assets, stable property management and appropriate financial strategies in accordance with the strategies set forth below based on the three core strategies.

(A) New property acquisitions

The Investment Corporation will invest primarily in residential, healthcare and accommodation facilities —“spaces where people live and stay”— as its target investments. In making investments, KDR will stringently select real estate etc. where stable demand from tenants and users and long-term stable revenue flows can be projected on the basis of an individual analysis of the attributes of a particular property, as well as regional analysis taking into account location, etc.

In residential facilities, the Investment Corporation focuses on the potential earnings power of land and use “location prestige,” “location convenience” and “whether there is a special market” and other metrics to determine investment opportunities providing rental income with medium- to long-term stability, and aggressively consider investments mainly in greater Tokyo and in regional cities.

In healthcare facilities and accommodations, the Investment Corporation judges investment opportunity considering scale and characteristic of market, regional financial affairs and status of competitive facilities, etc. and examines aggressively investment in not only greater Tokyo but also regional cities.

We leverage our “judgment capabilities” that we have developed as real estate investment professionals to select excellent investment opportunities among a broad range of targets, and we believe this enables us to acquire properties at a stable pace.

As a property acquisition channel, we use not only the pipeline from Kenedix, Inc. pursuant to the Memorandum of Understanding concerning Real Estate Information Provisions dated October 1, 2013 (including the change after the date and calls “Support Line MOU”. This Support Line MOU was used for i) residential facilities, ii) healthcare facilities and iii) accommodations) but also leverage the Asset Management Company’s own network, including Jyukyo Holdings Co., Ltd., with which a support agreement was executed on June 15, 2017 and Shinsei Bank, Limited, HASEKO Corporation, Mitsubishi UFJ Trust and Banking Corporation and LIXIL Group Corporation, with which a support agreement was executed on November 10, 2017 by the Merger, for flexible property acquisitions.

We also plan to control property acquisition timing in order to acquire properties at an advantageous timing in accordance with the future market and financing climates, and we are considering investment in silent partnership equities and real estate-backed securities (preferred securities, etc.).

(B) Management of existing assets

As residential facilities, with the goal of securing a rental income with medium- to long-term stability, PM companies and the Asset Management Company work together to formulate leasing strategies in accordance with individual property characteristics, and by closely allying with leading real estate companies experienced in regional rental markets, seek to maintain or improve occupancy rates and rent levels.

The Investment Corporation will also take into account the operation statuses of the properties and movements of competing properties and seek to maintain or improve occupancy rates, raise rent levels at the time of tenant changes, increase rent at the time of lease renewals, receive key money, reduce the time of vacancy, maintain or improve lease renewal rates, and secure parking revenue and other auxiliary revenue and other income opportunities to secure rent income.

The Investment Corporation will further strive to cut down on restoration and other repair and maintenance expenses, review the electricity provider for common areas in

connection with the liberalization of the electricity market, cut costs through the use of LED lighting for common areas, and reduce tenant solicitation and other costs.

The Investment Corporation will carry out strategic work to update common areas and enhance the value of leased areas of the properties and continue implementing appropriate, major repairs, as necessary, while it seek to maintain or enhance the market competitiveness of its assets.

As healthcare facilities, the Investment Corporation continues to monitor properly operational status of facilities it owns and business status of operators by information about them and companies from operators, inspection of operating status and interview by visiting them and interview with managements in operating company, etc.

Considering results of monitoring, the Investment Corporation proposes to improve buildings, facilities and operation and examines changing operators in case important issue occurs in succession of management in operators. The Investment Corporation contracts Back-up operation conclusion with operators and support companies in preparation of changing operators.

The Investment Corporation will manage to make internal growth by deepening relation with operators such as value-ups based on proposal from operators and cooperation for resolving issues in operation.

(C) Financing

We will continue to pay close attention to changes in interest rates and other developments in the financing environment and will consider various options and choose optimal financing means in order to achieve the optimal balance between financial stability and financing costs, and seek to build an appropriate financial base.

(D) Disclosure

The Investment Corporation's basic policy for disclosure is to engage in proactive investor relations activities to provide a broad range of information to investors and concerned parties and to quickly disclose accurate information to the extent possible. Specifically, we practice appropriate disclosure through the Tokyo Stock Exchange (TDnet registration and press releases) and through our website (<https://www.kdr-reit.com/en>).

(E) Measures regarding conflicts of interest

The Asset Management Company manages other investment corporations and real estate funds besides the Investment Corporation. For this reason, the Asset Management Company adopts "First picking rights" concerning consideration of acquisitions, set up internally a "pipeline meetings" that includes the compliance officer and implement operation in accordance with certain rules to prevent arbitrary real estate sales information and thereby prevent conflicts of interest between investment corporations and real estate funds for which the Asset Management Company manages assets and strives to implement proper measures to fight conflicts of interest.

(6) Material facts which occurred after book-closing

① The Merger by the Investment Corporation and Japan Senior Living Investment Corporation

The Investment Corporation, the surviving corporation, merged with Japan Senior Living Investment Corporation, the absorbed corporation, on March 1, 2018. The Investment Corporation changed its name from "Kenedix Residential Investment Corporation" to "Kenedix Residential Next Investment Corporation" on March 1, 2018.

(A) Purpose of the Merger

The Two Investment Corporations 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.

(B) Form of the Merger

The Investment Corporation will be the surviving corporation under an absorption-type merger and JSL was dissolved in the Merger.

(C) Allocation of units under the Merger

One post-Investment Unit Split KDR investment units was allocated and delivered for each JSL investment unit by the Merger. The Investment Corporation split one investment unit into two investment units on February 28, 2018. By these, total number of investment units issued and outstanding is 782,928 units in March 1, 2018.

(D) Delivered money due to the Merger

Apart from the abovementioned investment units, The Investment Corporation 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 corresponding to the cash distributions based on JSL’s distributable income for that same period (an amount (dropping any fractions of a 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).

(E) Unitholders’ equity

Unitholders’ capital and retained earnings increased by the Merger as follows.

Unitholders’ capital	0 yen
Retained earnings	The amount of changes about unitholders’ equity as defined in Article 22, Paragraph 1 of the Ordinance on Accounting at 7 Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, including subsequent amendments thereto) minus unitholders’ capital.

(F) Overview of JSL (From March 1, 2017 to August 31, 2018)

Business	Investment and management mainly in specified assets based on Investment Trust Law
Operating revenues	989 million yen
Net income	306 million yen
Total assets	35,333 million yen
Net debt	19,494 million yen
Net assets	15,838 million yen

② Investment unit split

The Investment Corporation split its investment units on March 1, 2018.

(A) Purpose of the split

The Merger will be 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, for the purpose of issuing 1 KDR unit or more to all JSL unitholders, it was decided that the KDR investment units will be split 2-for-1.

(B) Method of the split

KDR investment units owned by the KDR unitholders set forth or recorded in the final unitholder roster on February 28, 2018 (the day before the effective date of the Merger) was split 2-for-1.

(C) Investment unit numbers to increase after the investment unit split

Outstanding KDR units prior to the Investment Unit Split	349,089 units
Investment unit increase through the Investment Unit Split	349,089 units
Outstanding KDR units following the Investment Unit Split	698,178 units
Total outstanding KDR units following the Merger	782,928 units

Figures of information per unit in case this investment unit split is taken in August 1, 2017 are referred in “note about information per unit”.

2. Outline of the Investment Corporation

(1) Investment unit

Fiscal period As of	8th January 31, 2016	9th July 31, 2016	10th January 31, 2017	11th July 31, 2017	12th January 31, 2018
Number of investment units authorized (Unit)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Number of investment units issued and outstanding (Unit)	349,089	349,089	349,089	349,089	349,089
Total Unitholders' equity (Million yen)	80,132	80,132	80,132	80,132	80,132
Number of unitholders (people)	10,365	10,063	9,009	9,328	8,466

(2) Unitholders

Major unitholders as of January 31, 2018 are as follows.

Name	Address	Number of investment units owned (Units)	Ratio of number of investment units owned to total number of investment units issued (%) (Note)
Japan Trustee Services Bank, Ltd. (trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	108,149	30.98
The Master Trust Bank of Japan, Ltd. (trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	65,555	18.77
NOMURA BANK (LUXEMBOURG) S.A.	3-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo Standing Proxy, Sumitomo Mitsui Banking Corporation, Debt Finance department	15,211	4.35
Trust & Custody Services Bank, Ltd. (securities investment trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo Harumi Island Toriton Square Office Tower Z	14,959	4.28
The Nomura Trust and Banking Co., Ltd.	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	12,885	3.69
Mizuho Trust & Banking Co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	8,616	2.46
Kenedix, Inc.	6-5, Nihombashi Kabutocho, Chuo-ku, Tokyo	7,310	2.09
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	7,281	2.08
STATE STREET BANK AND TRUST COMPANY 505012	11-1, Nihombashi 3-chome, Chuo-ku, Tokyo Standing Proxy, The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch, Custody Business Department	6,046	1.73
The Gunma Bank, Ltd.	194, Motosojamachi, Maebashi-shi, Gunma	5,877	1.68
Total		251,889	72.15

(Note) Ratio of number of investment units owned to total number of investment units issued is calculated by being rounded down to two decimal places.

(3) Officers

- ① The Executive Directors, Supervisory Directors and the Independent Auditor during the 12th fiscal period are as follows.

Post	Name	Major additional post	Compensation or fees for the six months ended January 31, 2018 (Thousands of yen)
Executive Director	Keisuke Sato	Kenedix Real Estate Fund Management, Inc. Director & COO, Head of Residential REIT Department (Note 1)	1,500
Supervisory Director (Note 2)	Osamu Chiba	Akebono Law Office, Attorney Toin Law School, Associate Professor Maruzen Foods Corporation, Outside Auditor Imagica Robot Holdings Inc., Outside Director	1,500
	Satoshi Ogawa	Ogawa CPA Office, CPA GK Mercury Consulting, Representative Partner Oedo-Onsen Monogatari Co., Ltd, Auditor Oedo-Onsen Monogatari Group Co., Ltd, Auditor	1,500
Independent auditor	Ernst & Young ShinNihon LLC	—	15,000

(Note 1) The title of Head of Asset Investment Division, Residential REIT Department was added on March 1, 2018.

(Note 2) The Supervisory Directors may be officers of corporation other than the foregoing, but none of them, including the foregoing, have any conflicts of interest with the Investment Corporation.

② Policy on Decision to Dismiss or Not to Re-Appoint Independent Auditor

Dismissal of an independent auditor will be made in accordance with the Act on Investment Trusts and Investment Corporations, and a decision not to re-appoint an independent auditor will be considered by comprehensively taking into account the audit quality, compensation and other various circumstances by the board of directors of the Investment Corporation.

(4) Asset Management Company, Custodian and General Administrators

The asset management company, custodian and general administrators as of the end of the 12th fiscal period are as follows.

Classification	Name
Asset manager	Kenedix Real Estate Fund Management Inc.
Custodian	Mizuho Trust & Banking Co., Ltd.
General administrator (Unitholder registry)	Sumitomo Mitsui Trust Bank, Limited
General administrator (Regarding book keeping)	Mizuho Trust & Banking Co., Ltd.
General administrator (Administration)	Mizuho Trust & Banking Co., Ltd.
General administrator (Regarding investment corporation bonds)	Sumitomo Mitsui Trust Bank, Limited

3. Condition of investment assets

(1) Composition of assets

Classification of assets	Use	Region	11th As of July 31, 2017		12th As of January 31, 2018	
			Total of net book value (Million yen) (Note 4)	Composition ratio (%) (Note 5)	Total of net book value (Million yen) (Note 4)	Composition ratio (%) (Note 5)
Trust beneficiary interest in real property	Rental apartment	Tokyo Metropolitan Area (Note 2)	106,678	63.8	114,209	64.6
		Other Regional Area (Note 3)	47,685	28.5	49,033	27.7
Real property	Other	Tokyo Metropolitan Area (Note 2)	1,798	1.1	1,798	1.0
Silent partnership equity interest (Note 1)			91	0.1	221	0.1
Bank deposits and other assets			11,062	6.6	11,551	6.5
Total assets			167,316	100.0	176,813	100.0

(Note 1) Silent partnership equity interest of GK Tropic I in the 11th fiscal period and of GK Tropic I and II in the 12th fiscal period.

(Note 2) "Tokyo Metropolitan Area" means major cities in Tokyo, Kanagawa, Saitama and Chiba.

(Note 3) "Other Regional Area" means cities designated by cabinet order and other regional cities.

(Note 4) "Total on net book value" means carrying amounts on the balance sheet (amounts of Trust beneficiary interests in real property and real property are book values net of depreciation) at the end of fiscal period and rounded off to one dismal place.

(Note 5) "Composition ratio" means the ratio of carrying amounts of each classified assets to total assets on balance sheet and rounded off to one dismal place.

(2) Major property

The principal properties (Top 10 properties in net book value as of January 31, 2018) are as follows.

No.	Name of property	Book value (Million yen)	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of rental revenue to total rental revenue (%) (Note 4)	Major use
T-78	KDX Residence Toyosu	7,818	6,811.38	6,811.38	100.0	1.4	Apartment
T-56	KDX Residence Hanzomon	4,982	4,854.23	4,854.23	100.0	2.3	Apartment
T-1	KDX Daikanyama Residence	4,721	5,338.99	5,244.35	98.2	2.8	Apartment
R-39	KDX Residence Ohori Harbor View Tower	4,671	11,855.63	10,854.69	91.6	3.2	Apartment
T-52	KDX Residence Togoshi	3,782	4,591.76	4,441.03	96.7	2.1	Apartment
R-35	Leopalace Flat Shin-sakae	3,592	11,589.95	11,589.95	100.0	2.1	Apartment
T-26	KDX Residence Higashi- shinjuku	3,250	4,358.43	4,218.00	96.8	1.9	Apartment
R-37	KDX Residence Honmachibashi	3,218	6,511.88	6,361.03	97.7	1.9	Apartment
T-24	KDX Residence Nihombashi Suitengu	3,205	5,534.86	5,534.86	100.0	1.7	Apartment
T-63	KDX Residence Tachikawa	3,045	4,314.87	3,996.56	92.6	1.7	Apartment
Total		42,288	65,761.98	63,906.08	—	21.3	

(Note 1) “Leasable area” is the floor area of each portfolio asset for which the building is leasable (if a portfolio asset has more than one building, the total floor area of leasable buildings) that is set forth in a lease agreement as of January 31, 2018.

(Note 2) “Leased area” is the floor space set forth in a lease agreement that has been executed with an end tenant and leased as of January 31, 2018.

(Note 3) “Occupancy rate” = “leased area” / “leasable area” × 100

(Note 4) The ratio of rental revenue to total rental revenue = each property’s real estate lease business revenue / total for all properties.

(3) Details of property

Detail of Real Estate Portfolio Assets

Details of real properties, etc. owned by the Investment Corporation as of the end of the 12th fiscal period are as follows.

Area	No.	Name of property	Address	Form of ownership	Book value (Million yen)	Appraisal value at the end of fiscal period (Million yen) (Note 1)
Tokyo Metropolitan Area	T-1	KDX Daikanyama Residence	7-1,Sarugakucho,Shibuya-ku,Tokyo	TBI	4,721	5,680
	T-3	KDX Odemma Residence	3-10,Nihombashi-Odenmachi,Chuo-ku,Tokyo	TBI	1,731	1,990
	T-4	KDX Iwamoto-cho Residence	16-12,Iwamotocho 2-chome,Chiyoda-ku,Tokyo	TBI	800	928
	T-5	KDX Bunkyo Sengoku Residence	3-2,Honkomagome 6-chome,Bunkyo-ku,Tokyo	TBI	1,468	1,710
	T-6	KDX Azumabashi Residence	9-8,Agatsumabashi 1-chome,Sumida-ku,Tokyo	TBI	624	849
	T-7	KDX Shimura Sakaue Residence	16-5,Higashi-Sakashia 1-chome,Itabashi-ku,Tokyo	TBI	2,718	3,250
	T-9	Cosmo Heim Motosumiyoshi	5-1, Kizukikigioncho, Nakahara-ku, Kawasaki-shi, Kanagawa	RP	1,798	1,790
	T-10	KDX Musashi Nakahara Residence	18-22, Shimokodanaka 4-chome, Nakahara-ku, Kawasaki-shi, Kanagawa	TBI	637	713
	T-11	KDX Chiba Chuo Residence	2-17, Shindencho, Chuo-ku, Chiba-shi, China	TBI	1,367	1,750
	T-12	KDX Kawaguchi Saiwai-cho Residence	14-24, Saiwaicho 2-chome, Kawaguchi-shi, Saitama	TBI	1,128	1,350
	T-13	KDX Residence Shirokane I	7-8, Shiroganedai 4-chome, Minata-ku, Tokyo	TBI	3,019	3,430
	T-15	KDX Residence Shirokane II	7-8, Shiroganedai 4-chome, Minata-ku, Tokyo	TBI	2,812	3,340
	T-16	KDX Residence Minami-aoyama	4-8, Minami-Aoyama 3-chome, Minato-ku, Tokyo	TBI	2,244	2,470
	T-17	KDX Residence Minami-azabu	3-22, Minami-Azabu 2-chome, Minato-ku, Tokyo	TBI	2,082	2,530
	T-18	KDX Residence Shiba Koen	4-16, Shiba 3-chome, Minato-ku, Tokyo	TBI	1,776	2,220
	T-19	KDX Residence Azabu East	25-2, Higashi-Azabu 1-chome, Minato-ku, Tokyo	TBI	1,559	1,910
	T-20	KDX Residence Takanawa	15-7, Takanawa 3-chome, Minatoko-ku, Tokyo	TBI	770	987
	T-21	KDX Residence Nishihara	37-4, Nishihara 1-chome, Shibuya-ku, Tokyo	TBI	1,456	1,870
	T-22	KDX Residence Daikanyama II	11-22, Ebisu Nishi 2-chome, Shibuya-ku, Tokyo	TBI	762	928
	T-23	KDX Residence Sendagaya	38-7, Sendagaya 3-chome, Shibuya-ku, Tokyo	TBI	645	788
	T-24	KDX Residence Nihombashi Suitengu	41-6 Nihombashi Hakozaicho, Chuo-ku, Tokyo	TBI	3,205	3,870
	T-25	KDX Residence Nihombashi Hakozaiki	38-1 Nihombashi Hakozaicho, Chuo-ku, Tokyo	TBI	1,174	1,330
	T-26	KDX Residence Higashi-shinjuku	1-9 Okubo 2-chome, Shinjuku-ku, Tokyo	TBI	3,250	3,890
	T-27	KDX Residence Yotsuya	22-50 Arakicho, Shinjuku-ku, Tokyo	TBI	2,261	2,590
	T-28	KDX Residence Nishi-shinjuku	18-15, Nishi-Shinjuku 7-chome, Shinjuku-ku, Tokyo	TBI	1,003	1,250
	T-29	KDX Residence Kagurazaka	8-10, Tsukijicho, Shinjuku-ku, Tokyo	TBI	716	870
	T-30	KDX Residence Futako Tamagawa	31-29, Seta 2-chome, Setagaya-ku, Tokyo	TBI	1,276	1,420
	T-31	KDX Residence Komazawa Koen	21-6 Komazawa 5-chome, Setagaya-ku, Tokyo	TBI	915	1,070
	T-32	KDX Residence Mishuku	37-13, Mishuku 2chome, Setagata-ku, Tokyo	TBI	760	888
	T-33	KDX Residence Yoga	34-21, Seta 5-chome, Setagaya-ku, Tokyo	TBI	700	835
	T-34	KDX Residence Shimouma	21-8, Shimouma 1-chome, Setagaya-ku, Tokyo	TBI	604	727
	T-35	Raffine Minami-magome	24-8, Minami-Magome 5-chome, Ota-ku, Tokyo	TBI	1,247	1,450
	T-36	KDX Residence Yukigaya Otsuka	15-13, Minami-Yukigaya 2-chome, Ota-ku, Tokyo	TBI	1,039	1,280
	T-37	KDX Residence Denenchofu	40-14, Denenchofu Honmachi, Ota-ku, Tokyo	TBI	1,055	1,190
	T-38	KDX Residence Tamagawa	9-17, Tamagawa 1-chome, Ota-ku, Tokyo	TBI	755	901
	T-39	KDX Residence Monzennakacho	6-7, Kiba 3-chome, Koto-ku, Tokyo	TBI	770	938
	T-40	KDX Residence Okachimachi	28-4, Taito 2-chome, Taito-ku, Tokyo	TBI	846	1,020
	T-41	KDX Residence Moto-asakusa	8-10, Motoasakusa 4-chome, Taito-ku, Tokyo	TBI	799	968
	T-42	KDX Residence Itabashi Honcho	13-16, Yamatocho, Itabashi-ku, Tokyo	TBI	610	727
	T-43	KDX Residence Azusawa	7-13, Azusawa 1-chome, Itabashi-ku, Tokyo	TBI	560	635
	T-44	KDX Residence Tobu Nerima	27-9, Kitamachi 1-chome, Nerima-ku, Tokyo	TBI	407	496
	T-45	KDX Residence Yokohama Kannai	5-9, Bandaicho 3-chome, Naka-ku, Yokohama-shi, Kanagawa	TBI	787	960
	T-46	KDX Residence Miyamaedaira	14-3, Miyamaedaira 3-chome, Miyamae-ku, Kawasaki-shi, Kanagawa	TBI	999	1,130

Area	No.	Name of property	Address	Form of ownership	Book value (Million yen)	Appraisal value at the end of fiscal period (Million yen) (Note 1)
Tokyo Metropolitan Area	T-47	KDX Residence Machida	13-32, Kamitsurumahoncho, Minami-ku, Sagami-hara-shi, Kanagawa	TBI	1,745	1,990
	T-48	KDX Residence Kinshicho	24-13, Midori 4-chome, Sumida-ku, Tokyo	TBI	1,354	1,600
	T-49	KDX Residence Nihombashi Hamacho	33-4, Nishimbashi-Hamacho 3-chome, Chuo-ku, Tokyo	TBI	1,008	1,170
	T-50	KDX Residence Nihombashi Ningyocho	8-5, Nihombashi-Horidomecho 1-chome, Chuo-ku, Tokyo	TBI	566	643
	T-51	KDX Residence Jiyugaoka	11-27, Yakumo 3-chome, Meguro-ku, Tokyo	TBI	1,327	1,500
	T-52	KDX Residence Togoshi	1-1, Togoshi 5-chome, Shinagawa-ku, Tokyo	TBI	3,782	4,520
	T-53	KDX Residence Shinagawa Seaside	6-7, Higashi-Shinagawa 3-chome, Shinagawa-ku, Tokyo	TBI	2,612	3,100
	T-54	KDX Residence Ojima	8-4, Ojima 4-chome, Koto-ku, Tokyo	TBI	1,861	2,160
	T-55	KDX Residence Oyama	8-8, Oyamakanaimachi, Itabashi-ku, Tokyo	TBI	2,684	3,120
	T-56	KDX Residence Hanzomon	12-1, Kojimachi 2-chome, Chiyoda-ku, Tokyo	TBI	4,982	5,470
	T-57	B-Site Akihabara	7, Kanda-Sudacho 1-chome, Chiyoda-ku, Tokyo	TBI	869	941
	T-58	KDX Residence Kagurazaka Dori (Note 3)	120-1, Yaraicho, Shinjuku-ku, Tokyo	TBI	1,389	1,620
	T-59	KDX Residence Sendagi	43-17, Sendagi 3-chome, Bunkyo-ku, Tokyo	TBI	2,377	2,360
	T-60	KDX Residence Seijo	16-25, Seijyo 4-chome, Setagaya-ku, Tokyo	TBI	1,431	1,520
	T-61	KDX Residence Akihabara	13-7, Taito Higashi 2-chome, Taito-ku, Tokyo	TBI	1,266	1,430
	T-62	KDX Residence Iriya	10-7, Iriya 1-chome, Taito-ku, Tokyo	TBI	1,079	1,300
	T-63	KDX Residence Tachikawa	28-29, Akebonocho 2-chome, Tachikawa-shi, Tokyo	TBI	3,045	3,410
	T-64	KDX Residence Tsurumi	10, Mukaicho 1-chome, Tsurumi-ku, Yokohama-shi, Kanagawa	TBI	1,129	1,380
	T-65	KDX Residence Morishita Chitose	5-3, Chitose 1-chome, Sumida-ku, Tokyo	TBI	1,121	1,200
	T-66	KDX Residence Akasaka	13-11, Akasaka 6-chome, Minato-ku, Tokyo	TBI	1,203	1,530
	T-67	KDX Residence Kanda	8-2, Uchikanda 2-chome, Chiyoda-ku, Tokyo	TBI	733	1,020
	T-68	KDX Residence Ebisu	11-16, Ebisu Minami 1-chome, Shibuya-ku, Tokyo	TBI	2,972	3,880
	T-69	KDX Residence Nishi-magome	4-4, Minami-Magome 6-chome, Ota-ku, Tokyo	TBI	1,184	1,180
	T-70	KDX Residence Nishi-azabu	5-10, Nishi-Azabu 3-chome, Minato-ku, Tokyo	TBI	1,248	1,450
	T-71	KDX Residence Azabu Sendaizaka	1-7, Minami-Azabu 3-chome, Minato-ku, Tokyo	TBI	810	929
	T-72	KDX Residence Waseda Tsurumaki	574-25, Waseda-Tsurumakimachi, Shinjuku-ku, Tokyo	TBI	574	778
	T-73	KDX Residence Bunkyo Yushima	29-2, Yushima 2-chome, Bunkyo-ku, Tokyo	TBI	710	892
	T-74	KDX Residence Kamishakujii	18-5, Kamishakujii 1-chome, Nerima-ku, Tokyo	TBI	665	750
T-75	KDX Residence Shin-otsuka	44-16, Higashi-Ikebukuro 5-chome, Toshima-ku, Tokyo	TBI	785	922	
T-76	KDX Residence Sakurajosui	26-14, Shimotakaido 1-chome, Suginami-ku, Tokyo	TBI	919	1,100	
T-77	KDX Residence Ryogoku	19-13, Kamesawa 2-chome, Sumida-ku, Tokyo	TBI	868	1,050	
T-78	KDX Residence Toyosu	2-33, Toyosu 1-chome, Koto-ku, Tokyo	TBI	7,818	7,640	
Other Regional Area	R-2	KDX Jozenjidori Residence	3-25, Kasugamachi, Aoba-ku, Sendai-shi, Miyagi	TBI	965	1,270
	R-3	KDX Izumi Residence	24-28, Izumi 2-chome, Higashi-ku, Nagoya-shi, Aichi	TBI	1,074	1,300
	R-4	KDX Chihaya Residence	49-6, Shinsakae 1-chome, Naka-ku, Nagoya-shi, Aichi	TBI	1,025	1,350
	R-5	KDX Sakaisuji Hommachi Residence	7-15, Kawaracho 1-chome, Chuo-ku, Osaka-shi, Osaka	TBI	2,773	3,150
	R-6	KDX Shimmachi Residence	9-23, Shinmachi 4-chome, Nishi-ku, Osaka-shi, Osaka	TBI	962	1,200
	R-7	KDX Takarazuka Residence	2-43, Sakaemachi 3-chome, Takarazuka-shi, Hyogo	TBI	1,401	1,780
	R-8	KDX Shimizu Residence	21-27, Shimizu 1-chome, Minami-ku, Fukuoka-shi, Fukuoka	TBI	1,599	1,950
	R-9	KDX Residence Odori Koen	1000-4, Minami 2-jo 40-chome, Chuo-ku, Sapporo-shi, Hokkaido	TBI	741	901
	R-10	KDX Residence Kikusui Yojo	2-35, Kikusui 4-jo 3-chome, Shiroishi-ku, Sapporo-shi, Hokkaido	TBI	807	1,000
	R-11	KDX Residence Toyohira Koen	4-16, Hiragishi 4-jo 3-chome, Toyohira-ku, Sapporo-shi, Hokkaido	TBI	434	529
	R-13	KDX Residence Ichiban-cho	15-42, Ichibancho 1-chome, Aoba-ku, Sendai-shi, Miyagi	TBI	515	683
	R-14	KDX Residence Kotodai	3-25, Uesugi 1-chome, Aoba-ku, Sendai-shi, Miyagi	TBI	508	562
	R-15	KDX Residence Izumi Chuo	45-2, Ichinazaka-Ishidome, Izumi-ku, Sendai-shi, Miyagi	TBI	469	611

Area	No.	Name of property	Address	Form of ownership	Book value (Million yen)	Appraisal value at the end of fiscal period (Million yen) (Note 1)
Other Regional Area	R-16	KDX Residence Higashi-sakura I	13-22, Higashi-sakura 2-chome, Higashi-ku, Nagoya-shi, Aichi	TBI	2,299	2,700
	R-17	KDX Residence Higashi-sakura II	5-10, Higashi-sakura 1-chome, Higashi-ku, Nagoya-shi, Aichi	TBI	884	1,070
	R-18	KDX Residence Jingumae	4-27, Yokota 2-chome, Atsuta-ku, Nagoya-shi, Aichi	TBI	817	1,040
	R-19	KDX Residence Nishi-oji	40-3, Nishi 7-jo Kakekoshicho, Shimogyo-ku, Kyoto-shi, Kyoto	TBI	797	925
	R-20	KDX Residence Saiin	30-2, Sanintakadacho, Ukyo-ku, Kyoto-shi, Kyoto	TBI	430	498
	R-21	KDX Residence Namba	6-16, Inari 1-chome, Naniwa-ku, Osaka-shi, Osaka	TBI	1,388	1,630
	R-22	KDX Residence Namba-minami	11-9, Shiokusa 3-chome, Naniwa-ku, Osaka-shi, Osaka	TBI	1,314	1,560
	R-23	KDX Residence Shin-osaka	16-11, Kikawa Higashi 4-chome, Yodogawa-ku, Osaka-shi, Osaka	TBI	491	578
	R-24	KDX Residence Ibaraki I・II (Note 2)	9-11, 9-12, Takehashicho, Ibaragi-shi, Osaka	TBI	1,287	1,387
	R-25	KDX Residence Toyonaka-minami	7-22, Shonaihigashicho 2-chome, Toyonaka-shi, Osaka	TBI	706	840
	R-26	KDX Residence Moriguchi	12-12, Dainichihigashimachi, Moriguchi-shi, Osaka	TBI	532	640
	R-27	KDX Residence Sannomiya	8-10, Ninomiyacho 4-chome, Chuo-ku, Kobe-shi, Hyogo	TBI	1,059	1,290
	R-28	Ashiya Royal Homes	20-10, Oharacho, Ashiya-shi, Hyogo	TBI	1,462	1,720
	R-29	KDX Residence Funairi Saiwai-cho	10-5, Funairisaiwaicho, Naka-ku, Hiroshima-shi, Hiroshima	TBI	569	664
	R-30	KDX Residence Tenjin-higashi II	6-22, Chikukohonmachi, Hakata-ku, Fukuoka-shi, Fukuoka	TBI	664	851
	R-32	KDX Residence Nishi Koen	5-7, Minato 3-chome, Chuo-ku, Fukuoka-shi, Fukuoka	TBI	745	839
	R-33	KDX Residence Hirao Josui-machi	10-17, Hiraoyosuimachi, Chuo-ku, Fukuoka-shi, Fukuoka	TBI	751	867
	R-34	Melody Heim Gotenyama	6-1, Nagisa Nishimachi 1-chome, Hirakata-shi, Osaka	TBI	430	510
	R-35	Leopalace Flat Shin-sakae	5-31, Shinsakae 1-chome, Naka-ku, Nagoya-shi, Aichi	TBI	3,592	4,260
	R-36	KDX Residence Koman Yamate	9-3, Moriminamimachi 1-chome, Higashinada-ku, Kobe-shi, Hyogo	TBI	981	1,120
	R-37	KDX Residence Hommachibashi	2-14, Honmachibashi, Chuo-ku, Osaka-shi, Osaka	TBI	3,218	3,450
	R-38	KDX Residence Minami-kusatsu	1-8, Minamikusatsu 1-chome, Kusatsu-shi, Shiga	TBI	2,024	2,290
	R-39	KDX Residence Ohori Harbor View Tower	2-18, Minato 1-chome, Chuo-ku, Fukuoka-shi, Fukuoka	TBI	4,671	5,210
R-40	KDX Residence Minami-sanjo	3-2, Minami 3-jo Nishi 8-chome, Chuo-ku, Sapporo-shi, Hokkaido	TBI	952	1,560	
R-41	Serenite Kita-kyuhoji	3-15, Kitakyuhojicho 1-chome, Chuo-ku, Osaka-shi, Osaka	TBI	1,308	1,470	
R-42	Serenite Nishinomiya Hommachi	5-26, Honmachi, Nishinomiya-shi, Hyogo	TBI	657	739	
R-43	KDX Residence Nishijin	24-30, Nishijin 2-chome, Sawara-ku, Fukuoka-shi, Fukuoka	TBI	1,712	1,670	
Total					165,040	192,137

(Note 1) “Appraisal value at the end of the fiscal period” is the appraisal value in a real property appraisal prepared, pursuant to the asset appraisal techniques and standards in the Investment Corporation’s certificate of incorporation and the rules of the Investment Trusts Association, Japan, by Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd., Morii Appraisal & Investment Consulting Inc., or Tanizawa Sogo Appraisal Co., Ltd.

(Note 2) The property consists of two buildings and book value and appraisal value are total amount of each value of the two properties.

(Note 3) The name of the property was changed as follows.

Property No.	New Property Name	Current Property Name	Effective Date
T-58	KDX Residence Kagurazaka Dori	Bureau Kagurazaka	February 5, 2018

The changes in the rental business of the real properties owned by the Investment Corporation are as follows.

Area	No.	Name of property	11th (From February 1, 2017 to July 31, 2017)				12th (From August 1, 2017 to January 31, 2018)			
			Number of tenants at the end of period (Note 1)	Occupancy rate at the end of period (%) (Note 2)	Rental and other operating revenues (Million yen) (Note 3)	Ratio of rental revenue to total rental revenues (%)	Number of tenants at the end of period (Note 1)	Occupancy rate at the end of period (%) (Note 2)	Rental and other operating revenues (Million yen) (Note 3)	Ratio of rental revenue to total rental revenues (%)
Tokyo Metropolitan Area	T-1	KDX Daikanyama Residence	1	98.9	162	2.9	1	98.2	159	2.8
	T-3	KDX Odemma Residence	1	96.2	57	1.0	1	100.0	57	1.0
	T-4	KDX Iwamoto-cho Residence	1	90.9	27	0.5	1	98.0	27	0.5
	T-5	KDX Bunkyo Sengoku Residence	1	100.0	50	0.9	1	100.0	50	0.9
	T-6	KDX Azumabashi Residence	1	95.4	24	0.4	1	100.0	25	0.4
	T-7	KDX Shimura Sakaue Residence	1	96.6	102	1.8	1	100.0	103	1.8
	T-9	Cosmo Heim Motosumiyoshi	-	-	43	0.8	-	-	43	0.8
	T-10	KDX Musashi Nakahara Residence	1	97.2	26	0.5	1	94.3	24	0.4
	T-11	KDX Chiba Chuo Residence	1	95.1	58	1.0	1	95.5	60	1.1
	T-12	KDX Kawaguchi Saiwai-cho Residence	1	95.9	47	0.9	1	98.3	48	0.8
	T-13	KDX Residence Shirokane I	1	97.2	110	2.0	1	98.8	108	1.9
	T-15	KDX Residence Shirokane II	1	95.8	90	1.6	1	98.8	90	1.6
	T-16	KDX Residence Minami-aoyama	1	95.8	65	1.2	1	70.8	51	0.9
	T-17	KDX Residence Minami-azabu	1	92.7	70	1.3	1	98.0	73	1.3
	T-18	KDX Residence Shiba Koen	1	98.4	62	1.1	1	97.5	63	1.1
	T-19	KDX Residence Azabu East	1	100.0	53	1.0	1	98.9	55	1.0
	T-20	KDX Residence Takanawa	1	100.0	26	0.5	1	97.4	26	0.5
	T-21	KDX Residence Nishihara	1	91.3	50	0.9	1	100.0	48	0.9
	T-22	KDX Residence Daikanyama II	1	100.0	28	0.5	1	100.0	27	0.5
	T-23	KDX Residence Sendagaya	1	100.0	22	0.4	1	100.0	21	0.4
	T-24	KDX Residence Nihombashi Suitengu	1	100.0	96	1.7	1	100.0	97	1.7
	T-25	KDX Residence Nihombashi Hakozaki	1	98.7	40	0.7	1	98.7	40	0.7
	T-26	KDX Residence Higashi-shinjuku	1	100.0	108	2.0	1	96.8	110	1.9
	T-27	KDX Residence Yotsuya	1	98.1	76	1.4	1	100.0	78	1.4
	T-28	KDX Residence Nishi-shinjuku	1	96.6	34	0.6	1	98.0	34	0.6
	T-29	KDX Residence Kagurazaka	1	97.2	24	0.4	1	97.2	24	0.4
	T-30	KDX Residence Futako Tamagawa	1	97.6	43	0.8	1	100.0	43	0.8
	T-31	KDX Residence Komazawa Koen	1	100.0	28	0.5	1	95.5	28	0.5
	T-32	KDX Residence Mishuku	1	100.0	26	0.5	1	97.7	26	0.5
	T-33	KDX Residence Yoga	1	100.0	23	0.4	1	90.0	23	0.4
	T-34	KDX Residence Shimouma	1	96.8	20	0.4	1	100.0	20	0.4
	T-35	Raffine Minami-magome	1	100.0	47	0.8	1	100.0	46	0.8
	T-36	KDX Residence Yukigaya Otsuka	1	100.0	38	0.7	1	98.7	39	0.7
	T-37	KDX Residence Denenchofu	1	100.0	37	0.7	1	100.0	38	0.7
	T-38	KDX Residence Tamagawa	1	98.1	29	0.5	1	98.1	28	0.5
	T-39	KDX Residence Monzennakacho	1	100.0	27	0.5	1	95.9	27	0.5
	T-40	KDX Residence Okachimachi	1	100.0	32	0.6	1	100.0	29	0.5
	T-41	KDX Residence Moto-asakusa	1	98.5	29	0.5	1	95.9	29	0.5
	T-42	KDX Residence Itabashi Honcho	1	98.1	22	0.4	1	96.1	23	0.4
	T-43	KDX Residence Azusawa	1	100.0	19	0.4	1	100.0	20	0.4
	T-44	KDX Residence Tobu Nerima	1	96.6	17	0.3	1	100.0	17	0.3
	T-45	KDX Residence Yokohama Kannai	1	93.1	34	0.6	1	97.0	34	0.6
	T-46	KDX Residence Miyamaedaira	1	100.0	37	0.7	1	97.5	36	0.6
	T-47	KDX Residence Machida	1	95.8	63	1.1	1	100.0	58	1.0
	T-48	KDX Residence Kinshicho	1	100.0	45	0.8	1	100.0	43	0.8
	T-49	KDX Residence Nihombashi Hamacho	1	100.0	29	0.5	1	100.0	30	0.5
	T-50	KDX Residence Nihombashi Ningyocho	1	96.8	18	0.3	1	100.0	18	0.3
	T-51	KDX Residence Jiyugaoka	1	97.9	39	0.7	1	97.7	39	0.7
	T-52	KDX Residence Togoshi	1	98.9	121	2.2	1	96.7	119	2.1

Area	No.	Name of property	11th (From February 1, 2017 to July 31, 2017)				12th (From August 1, 2017 to January 31, 2018)				
			Number of tenants at the end of period (Note 1)	Occupancy rate at the end of period (%) (Note 2)	Rental and other operating revenues (Million yen) (Note 3)	Ratio of rental revenue to total rental revenues (%)	Number of tenants at the end of period (Note 1)	Occupancy rate at the end of period (%) (Note 2)	Rental and other operating revenues (Million yen) (Note 3)	Ratio of rental revenue to total rental revenues (%)	
Tokyo Metropolitan Area	T-53	KDX Residence Shinagawa Seaside	1	98.6	87	1.6	1	97.1	86	1.5	
	T-54	KDX Residence Ojima	1	96.6	63	1.1	1	100.0	63	1.1	
	T-55	KDX Residence Oyama	1	94.4	92	1.7	1	95.3	90	1.6	
	T-56	KDX Residence Hanzomon	1	97.2	129	2.3	1	100.0	130	2.3	
	T-57	B-Site Akihabara	1	100.0	23	0.4	1	100.0	23	0.4	
	T-58	KDX Residence Kagurazaka Dori	1	100.0	39	0.7	1	100.0	39	0.7	
	T-59	KDX Residence Sendagi	1	100.0	66	1.2	1	100.0	64	1.1	
	T-60	KDX Residence Seijo	1	97.5	40	0.7	1	97.5	40	0.7	
	T-61	KDX Residence Akihabara	1	100.0	38	0.7	1	97.0	39	0.7	
	T-62	KDX Residence Iriya	1	100.0	39	0.7	1	98.6	38	0.7	
	T-63	KDX Residence Tachikawa	1	98.8	99	1.8	1	92.6	98	1.7	
	T-64	KDX Residence Tsurumi	1	100.0	53	1.0	1	100.0	52	0.9	
	T-65	KDX Residence Morishita Chitose	1	96.8	38	0.7	1	97.4	38	0.7	
	T-66	KDX Residence Akasaka	1	96.4	39	0.7	1	96.6	37	0.7	
	T-67	KDX Residence Kanda	1	100.0	29	0.5	1	100.0	27	0.5	
	T-68	KDX Residence Ebisu	1	92.1	92	1.7	1	100.0	96	1.7	
	T-69	KDX Residence Nishi-magome	1	91.1	21	0.4	1	96.1	30	0.5	
	T-70	KDX Residence Nishi-azabu	1	96.9	38	0.7	1	97.3	38	0.7	
	T-71	KDX Residence Azabu Sendaizaka	1	94.0	26	0.5	1	100.0	25	0.5	
	T-72	KDX Residence Waseda Tsurumaki	1	92.4	21	0.4	1	100.0	21	0.4	
	T-73	KDX Residence Bunkyo Yushima	1	97.8	23	0.4	1	100.0	25	0.4	
	T-74	KDX Residence Kamishakujii	1	95.7	23	0.4	1	93.8	23	0.4	
	T-75	KDX Residence Shin-otsuka	1	100.0	22	0.4	1	100.0	22	0.4	
	T-76	KDX Residence Sakurajosui	1	100.0	34	0.6	1	85.5	27	0.5	
	T-77	KDX Residence Ryogoku	1	97.9	27	0.5	1	93.4	27	0.5	
	T-78	KDX Residence Toyosu	-	-	-	-	1	100.0	79	1.4	
	Other Regional Area	R-2	KDX Jozenji Dori Residence	1	95.0	49	0.9	1	93.0	48	0.9
		R-3	KDX Izumi Residence	1	97.4	42	0.8	1	94.8	42	0.7
R-4		KDX Chihaya Residence	1	91.8	48	0.9	1	96.2	48	0.8	
R-5		KDX Sakaisuji Hommachi Residence	1	95.0	106	1.9	1	97.0	107	1.9	
R-6		KDX Shimmachi Residence	1	94.7	37	0.7	1	96.8	37	0.7	
R-7		KDX Takarazuka Residence	1	99.3	59	1.1	1	100.0	58	1.0	
R-8		KDX Shimizu Residence	1	91.5	71	1.3	1	95.9	70	1.2	
R-9		KDX Residence Odori Koen	1	96.1	33	0.6	1	97.4	33	0.6	
R-10		KDX Residence Kikusui Yojo	1	92.8	38	0.7	1	94.4	37	0.7	
R-11		KDX Residence Toyohira Koen	1	95.4	23	0.4	1	89.1	21	0.4	
R-13		KDX Residence Ichiban-cho	1	95.4	27	0.5	1	97.3	26	0.5	
R-14		KDX Residence Kotodai	1	96.4	20	0.4	1	100.0	20	0.4	
R-15		KDX Residence Izumi Chuo	1	89.0	23	0.4	1	94.0	22	0.4	
R-16		KDX Residence Higashi-sakura I	1	94.6	95	1.7	1	93.0	97	1.7	
R-17		KDX Residence Higashi-sakura II	1	95.5	40	0.7	1	95.5	38	0.7	
R-18		KDX Residence Jingumae	1	96.0	40	0.7	1	91.4	38	0.7	
R-19		KDX Residence Nishi-oji	1	95.9	33	0.6	1	97.0	32	0.6	
R-20		KDX Residence Saiin	1	100.0	18	0.3	1	98.0	18	0.3	
R-21		KDX Residence Namba	1	100.0	57	1.0	1	97.0	56	1.0	
R-22		KDX Residence Namba-minami	1	97.4	54	1.0	1	96.9	56	1.0	
R-23		KDX Residence Shin-osaka	1	90.9	21	0.4	1	97.7	20	0.4	
R-24		KDX Residence Ibaraki I・II	1	100.0	53	1.0	1	96.7	53	0.9	
R-25		KDX Residence Toyonaka-minami	1	95.7	29	0.5	1	95.6	28	0.5	

Area	No.	Name of property	11th (From February 1, 2017 to July 31, 2017)				12th (From August 1, 2017 to January 31, 2018)			
			Number of tenants at the end of period (Note 1)	Occupancy rate at the end of period (%) (Note 2)	Rental and other operating revenues (Million yen) (Note 3)	Ratio of rental revenue to total rental revenues (%)	Number of tenants at the end of period (Note 1)	Occupancy rate at the end of period (%) (Note 2)	Rental and other operating revenues (Million yen) (Note 3)	Ratio of rental revenue to total rental revenues (%)
Other Regional Area	R-26	KDX Residence Moriguchi	1	96.1	24	0.4	1	100.0	24	0.4
	R-27	KDX Residence Sannomiya	1	96.7	39	0.7	1	100.0	40	0.7
	R-28	Ashiya Royal Homes	1	95.0	65	1.2	1	100.0	66	1.2
	R-29	KDX Residence Funairi Saiwai-cho	1	100.0	28	0.5	1	98.4	27	0.5
	R-30	KDX Residence Tenjin-higashi II	1	98.4	31	0.6	1	95.2	30	0.5
	R-32	KDX Residence Nishi Koen	1	91.1	30	0.5	1	91.2	30	0.5
	R-33	KDX Residence Hirao Josui-machi	1	91.6	27	0.5	1	95.7	28	0.5
	R-34	Melody Heim Gotenyama	1	97.5	21	0.4	1	100.0	21	0.4
	R-35	Leopalace Flat Shin-sakae	1	100.0	121	2.2	1	100.0	121	2.1
	R-36	KDX Residence Koman Yamate	1	95.2	34	0.6	1	95.9	33	0.6
	R-37	KDX Residence Hommachibashi	1	97.7	105	1.9	1	97.7	109	1.9
	R-38	KDX Residence Minami-kusatsu	1	95.0	99	1.8	1	95.1	98	1.7
	R-39	KDX Residence Ohori Harbor View Tower	1	93.0	184	3.3	1	91.6	180	3.2
	R-40	KDX Residence Minami-sanjo	1	98.4	55	1.0	1	95.4	53	0.9
	R-41	Serenite Kita-kyuhoji	1	97.5	42	0.8	1	96.4	41	0.7
R-42	Serenite Nishinomiya Hommachi	1	98.1	23	0.4	1	98.1	23	0.4	
R-43	KDX Residence Nishijin	-	-	-	-	1	88.6	55	1.0	
Total			112	96.8	5,574	100.0	114	97.0	5,671	100.0

(Note 1) In the “number of tenants” column, if a master lease agreement has been executed with a master lease company, 1 is entered as the number of tenants. As of January 31, 2018, master lease agreements had been executed for all investment assets of the Investment Corporation except for one case of ownership of leased land and Raffine Minami-magome; the “total” for the “number of tenants” is the sum of the master lease agreements for the properties (running number); and for the properties with no master lease agreement, the number of end tenants is entered. There are a total of 15 master lease companies.

(Note 2) The “occupancy rate” = leased area / leasable area x 100. The “total” for the “occupancy rate” column is the occupancy rate for the portfolio as a whole (excluding leased land). For the 12th fiscal period, the occupancy rate for the portfolio as a whole, including leased land (area total 3,040.11m²), was 97.0%.

(Note 3) “Rental and other operating revenues” is the sum of a property’s rental business income for each fiscal period.

(Details of investment securities)

Investment securities as of January 31, 2018 are as follows.

Name of assets	Type	Unit	Book value (Million yen)		Assessed value (Million yen) (Note 3)		Gain (Loss) on valuation (Million yen)	Remarks
			Unit value	Value	Unit value	Value		
Equity interests in TK property fund with G.K. Tropic One as operator (Note 1)	Subordinated silent partnership equity interest	—	—	88	—	88	—	—
Equity interests in TK property fund with G.K. Tropic Two as operator (Note 2)	Subordinated silent partnership equity interest			133		133		
Total		—	—	221	—	221	—	—

(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.

(4) Details of specified transaction

The details of specified transaction at the end of 12th fiscal period are as follows.

Classification	Transaction	Contact amount (Million yen)		Fair value (Million yen) (Note 2) (Note 3)
		(Note 1)	Maturing after 1 year (Note 1)	
Over-the-counter	Interest rate swap (Floating-rate to fixed- rate interest)	68,800	60,800	80
Total	—	68,800	60,800	80

(Note 1) The interest rate swap contract amount, etc. is based on the assumed principal.

(Note 2) With respect to those meeting the requirements for special treatment under the accounting standards for financial products, the fair value is not listed.

(Note 3) Appraised at the price presented by the financial institution that is the other party in the transaction.

(5) Other assets

Real estate properties as well as beneficiary interests having real estate properties as major trust assets are all set forth in (3) Details of portfolio assets above.

(6) Asset ownership per country or region

There is no relevant information for countries and regions other than Japan.

4. Capital expenditures for property

(1) Schedule of capital expenditures

The current significant plan for capital expenditures on property maintenance for the six months ended July 31, 2018 for real properties and real estate related to trust beneficiary interest the Investment Corporation owns. The amounts of estimated cost shown in the below table are including expenses that will be charged to income.

No.	Name of property	Address	Purpose	Scheduled term for construction or maintenance	Estimate cost(Million yen)		
					Total	Payment for the six months ended January 31, 2018	Total of advanced payment
T-13	KDX Residence Shirokane I	Minato-ku, Tokyo	Major renewal construction	From February, 2018 To July, 2018	100	—	—
T-15	KDX Residence Shirokane II	Minato-ku, Tokyo	Major renewal construction	From February, 2018 To July, 2018	80	—	—
R-43	KDX Residence Nishijin	Fukuoka-shi, Fukuoka	Major renewal construction (2 nd phase)	From February, 2018 To July, 2018	54	—	—
R-11	KDX Residence Toyohira Koen	Sapporo-shi, Hokkaido	Major renewal construction	From February, 2018 To July, 2018	44	—	—
R-43	KDX Residence Nishijin	Fukuoka-shi, Fukuoka	Intercom facilities exchange construction	From February, 2018 To July, 2018	16	—	—

(2) Capital expenditures for the six months ended January 31, 2018

The outlines of major construction categorized into capital expenditure for the six months ended January 31, 2018 are as follows.

The construction cost for the period amounted to ¥514 million, consisting of ¥286 million of capital expenditures and ¥228 million of repair and maintenance expenses charged to income.

No.	Name of property	Address	Purpose	Term	Capital expenditures (Million yen)
T-56	KDX Residence Hanzomon	Chiyoda-ku, Tokyo	Major renewal construction	From August, 2017 to December, 2017	56
R-43	KDX Residence Nishijin	Fukuoka-shi, Fukuoka	Major renewal construction (1 st phase)	From October, 2017 to January, 2018	48
T-25	KDX Residence Nihombashi Hakozaki	Chuo-ku, Tokyo	Major renewal construction	From September, 2017 to January, 2018	40
R-35	Leopalace Flat Shin-sakae	Nagoya-shi, Aichi	Waterproofing construction of rooftop	From November, 2017 to December, 2017	4
R-17	KDX Residence Higashi-Sakura II	Nagoya-shi, Kanagawa	Renewal construction of common area	From November, 2017 to December, 2017	4
Others					131
Total					286

(3) Reserved funds for long-term maintenance plan

In accordance with its long-term repair and maintenance plan for each property, the Investment Corporation sets aside, from the cash flow during a fiscal period, repair and maintenance reserves designed to finance payment of future medium- to long-term major repair and maintenance work.

(Million yen)

Term	8th From Aug. 1, 2015 to Jan. 31, 2016	9th From Feb. 1, 2016 to Jul. 31, 2016	10th From Aug. 1, 2016 to Jan. 31, 2017	11th From Feb. 1, 2017 to Jul. 31, 2017	12th From Aug. 1, 2017 to Jan. 31, 2018
Reserve balance at the start of the fiscal period	777	938	1,074	1,161	1,295
Reserves set aside during the fiscal period	189	149	149	151	263
Reserves drawn down during the fiscal period	28	13	62	17	174
Amount carried forward to the next fiscal period	938	1,074	1,161	1,295	1,384

5. Expenditures and liabilities

(1) Details of asset management expenses

(Thousand yen)

Item	11th From February 1, 2017 to July 31, 2017	12th From August 1, 2017 to January 31, 2018
① Asset management fees (Note 1)	371,229	377,361
② Asset custody fees	11,363	11,365
③ Administrative service fees	38,143	39,023
④ Directors' compensation	4,500	4,500
⑤ Other operating expenses (Note 2)	192,121	252,166
Total	617,357	684,417

(Note 1) There are other asset management fees in addition to the amount set forth above: asset management fees pertaining to the subordinated silent partnership (the 11th fiscal period: 900 thousand yen and the 12th fiscal period: 1,300 thousand yen) and asset management fees pertaining to property acquisitions (the 12th fiscal period: 91,000 thousand yen) that were calculated into the book value of each property.

(Note 2) There is cost related the Merger : 67,446 in the other operating expenses in the 12th fiscal period.

(2) 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 1) (Note 2)	Payment due date	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	(Note 4)	Unsecured/Unguaranteed
	Sumitomo Mitsui Banking Corporation	-	830,000	-	830,000	0.438%	July 31, 2018		
	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	-	0.910%	August 31, 2017	(Note 4)	Unsecured/Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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	-				
	Sumitomo Mitsui Banking Corporation (Note 5)	3,250,000	-	-	3,250,000	1.052%	August 31, 2018		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 5)	2,000,000	-	-	2,000,000				
	Aozora Bank, Ltd. (Note 5)	1,000,000	-	-	1,000,000				
	Resona Bank, Limited (Note 5)	500,000	-	-	500,000				
	Sumitomo Mitsui Trust Bank, Limited (Note 5)	500,000	-	-	500,000				
	Mizuho Trust & Banking Co., Ltd. (Note 5)	500,000	-	-	500,000				
	Mizuho Bank, Ltd. (Note 5)	250,000	-	-	250,000				
	Development Bank of Japan Inc. (Note 3) (Note 5)	3,000,000	-	-	3,000,000	1.088%	August 31, 2018		
	Sub total	22,000,000	-	11,000,000	11,000,000				
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	1.109%	January 31, 2021	(Note 4)	Unsecured/Unguaranteed
	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	1,000,000	-	-	1,000,000	1.267%	April 30, 2022		

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 1) (Note 2)	Payment due date	Use	Remarks
(in thousands of yen)									
	UFJ, Ltd.								
	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.	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%	August 7, 2021		
	Sumitomo Mitsui Banking Corporation	400,000	-	-	400,000	1.254%	August 7, 2023		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	400,000	-	-	400,000				
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	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. (Note 3)	500,000	-	-	500,000	1.320%	August 7, 2023		
	Sumitomo Mitsui Banking Corporation	600,000	-	-	600,000	0.945%	August 31, 2021		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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	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			
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,200,000	-	-	1,200,000	1.105%	January 31, 2024	(Note 4)	Unsecured/Unguaranteed
	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.	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		

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 1) (Note 2)	Payment due date	Use	Remarks
		(in thousands of yen)							
	Corporation								
	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.	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. (Note 3)	1,000,000	-	-	1,000,000	1.193%	August 31, 2024		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	300,000	-	-	300,000	0.624%	October 27, 2020		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	1.156%	April 27, 2025		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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 3)	1,000,000	-	-	1,000,000	0.660%	July 31, 2025		
	Mizuho Bank, Ltd. (Note 3)	1,500,000	-	-	1,500,000	0.816%	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		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 3)	2,000,000	-	-	2,000,000	0.670%	August 31, 2025		
	The Mizuho Trust and Banking Co., Limited (Note 3)	500,000	-	-	500,000	0.751%	August 31, 2025		
	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.906%	August 31, 2026		
	Development Bank of Japan Inc. (Note 3)	1,000,000	-	-	1,000,000	0.773%	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.	-	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	-	1,000,000	-	1,000,000	0.900%	August		

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 1) (Note 2)	Payment due date	Use	Remarks
(in thousands of yen)									
	Trust Bank, Limited						22, 2027		
	Shinsei Bank, Ltd.	-	1,000,000	-	1,000,000	0.900%	August 22, 2027		
	The Mizuho Trust and Banking Co., Limited (Note 3)	-	1,200,000	-	1,200,000	0.928%	August 22, 2027		
	Development Bank of Japan Inc. (Note 3)	-	1,000,000	-	1,000,000	0.928%	August 22, 2027		
	Mizuho Bank, Ltd. (Note 3)	-	500,000	-	500,000	0.928%	August 22, 2027		
	THE BANK OF FUKUOKA, LTD. (Note 3)	-	500,000	-	500,000	0.928%	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.	-	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.	-	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 (Note 3)	-	500,000	-	500,000	0.661%	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) All debts except for the following Note 3 are borrowing at a floating rate.

(Note 2) 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 3) Borrowings is applied at a fixed rate.

(Note 4) 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 5) Debts included in the classification of current portion of long-term loans payable from the 12th fiscal period and in of long-term loans payable in the 11th fiscal period.

(3) 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	August 30, 2016	1,000,000	-	1,000,000	0.200%	August 30, 2021		
Second series of unsecured investment corporation bonds	August 30, 2016	1,000,000	-	1,000,000	0.540%	August 28, 2026	(Note 1)	(Note 2)
Third series of unsecured investment corporation bonds	August 30, 2016	1,000,000	-	1,000,000	0.800%	August 30, 2028		
Total		3,000,000	-	3,000,000				

(Note 1) 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 2) Ranking pari passu among the specified investment corporation bonds.

(4) Short-term corporation bonds

Not applicable

(5) Investment Unit warrants

Not applicable

6. Buying and Selling during the Period

(1) Acquisitions and dispositions of real estate properties and asset-backed securities, etc., infrastructure assets and infrastructure-related assets

Type	No.	Name	Acquisition		Disposition			
			Acquisition date	Acquisition price (Million yen) (Note)	Disposition date	Disposition price (Million yen)	Book value (Million yen)	Gain and loss (Million yen)
Trust Beneficiary Interest	T-78	KDX Residence Toyosu	August 22, 2017	7,500	—	—	—	—
Trust Beneficiary Interest	R-43	KDX Residence Nishijin	August 1, 2017	1,600	—	—	—	—
Subordinated Silent Partnership Equity Interests	—	Equity interests in TK property fund with G.K. Tropic Two as operator	August 30, 2017	130	—	—	—	—

(Note) The acquisition price is the amount identified in the purchase agreement of each trust beneficiary interest (excluding expenses required for the acquisition and taxes, etc.) and the investment price set forth in a silent partnership equity interest agreement, etc. (excluding expenses required for the investment), rounded down to the nearest whole million yen.

(2) Acquisitions and dispositions of other assets

Other than the foregoing real estate properties, asset-backed securities, infrastructure assets and other infrastructure-related assets, major assets in general are bank deposits or bank deposits within trust assets.

(3) Investigation of specified assets prices, etc.

① Real estate properties, etc.

Transaction	Type	No.	Name	Acquisition date	Acquisition price (Million yen) (Note 1)	Appraisal value (Million yen) (Note 2)	Appraiser	Appraisal date
Acquisition	TBI	T-78	KDX Residence Toyosu	August 22, 2017	7,500	7,620	The Tanizawa Sogo Appraisal Co., Ltd.	May 1, 2017
	TBI	R-43	KDX Residence Nishijin	August 1, 2017	1,600	1,670		June 1, 2017

(Note 1) “Acquisition price” represents the purchase amount (excluding acquisition costs and consumption taxes) of each property or beneficiary right of real estate in trust as stated in the Sales and Purchase Agreement.

(Note 2) “Appraisal value” of specific assets above was calculated in accordance with the guideline of “Real Estate Appraisal Standards, Chapter 3, Appraisal of Securitized Real Estate.”

② Investment security and others

Transaction	Name	Acquisition Date	Acquisition price (Million yen) (Note)	Assessed price of specific asset (Million yen)
Acquisition	Subordinated Silent Partnership equity interests in TK property fund with G.K. Tropic Two as operator	August 30, 2017	130	125

(Note) The acquisition price is the investment price set forth in a silent partnership equity interest agreement, etc. (excluding expenses required for the investment), rounded down to the nearest whole million yen.

(A) Investigator

Ernst & Young ShinNihon LLC

(B) Investigation results and method: overview

With respect to transactions conducted at the Investment Corporation for which a price investigation was deemed necessary under the Act on Investment Trust and Investment Corporations, the investigation was assigned to Ernst & Young ShinNihon LLC. One transaction (acquisition of a silent partnership equity interest) fell under the period subject to investigation (August 1, 2017 to January 31, 2018), and the Investment Corporation received a signed report on said transaction from Ernst & Young ShinNihon. For this transaction to acquire a silent partnership equity interest and 12 interest swap transactions, the Investment Corporation entrusted an investigation on matters concerning business property pertaining to the silent partnership agreement, particulars of the silent partnership agreement, the transaction price and particulars of the transaction to acquire said silent partnership equity interest and of the interest swap contracts, such as the name of counter parties, contract amounts, or the period of transactions.

The investigation was not part of the audit of financial statements and does not guarantee the appropriateness of the price or the internal control structure.

(4) Transactions with stakeholders

① Transactions

Not applicable

② Fees paid, etc.

Category	Total paid fees (A)	Transaction with stakeholders		Ratio to total (B)/(A)
		Paid to	Paid amount (B)	
Property management compensation	204 million yen	Space Design, Inc.	0 million yen	0.3%
Building management fees	158 million yen	Space Design, Inc.	2 million yen	1.5%
Repair and maintenance costs	228 million yen	Space Design, Inc.	0 million yen	0.0%

(Note 1) Stakeholders, etc. mean stakeholders, etc. of the asset management company having executed an asset management entrustment agreement with the Investment Corporation provided in Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations and Article 26, Item 27 of Rules on asset management reports, pertaining to investment trusts and investment corporations of the Investment Trusts Association, Japan.

(Note 2) Excluding fees paid, etc. as above, payment for stakeholders, etc. by repayments, etc. in the 12th fiscal period is as follows.

Kenedix Engineering, inc. 39 million yen

(5) Transactions with asset management company, which pertain to other operations of said asset management company

The Asset Management Company (Kenedix Real Estate Fund Management, Inc.) is also engaged in the type II financial instruments business and the real estate transaction business; however, there are no transactions that fall under the category above. It is not engaged in either the type I financial instruments business or a specified joint real estate venture, and there are no transactions that fall under the category above.

7. Accounting

(1) Assets, liabilities, principal and profit/loss

Please see the Balance Sheet, the Statement of Income and Retained Earnings, the Statement of Unitholders' Equity, Notes and the Calculation pertaining to Distributions below.

(2) Change to calculation of depreciation amount

Not applicable

(3) Change to real estate and other infrastructure assets appraisal method

Not applicable

(4) Disclosure pertaining to investment trust beneficial right securities, etc.

① Acquisitions

Not applicable

② Ownership

Not applicable

(5) Disclosure pertaining to overseas real estate holding corporations

Not applicable

(6) Disclosure pertaining to real estate held by overseas real estate holding corporations

Not applicable

8. Other

(1) Notice

① Unitholders general meeting

The Investment Corporation held the 5th Unitholders General Meeting on January 25, 2018.

An overview of the matters approved at the Unitholders General Meeting is as follows.

Resolution	Overview
<p>Agenda No. 1: Partial Changes to Articles of Incorporation</p>	<p>(1) It was decided that in implementing the absorption-type merger having March 1, 2018 as the effective date and KDR as the surviving corporation and Japan Senior Living Investment Corporation (“JSL”) as the dissolving corporation (“Merger”), the trade name of KDR would be changed as of the effective date of the Merger; accordingly, the trade name will be changed (the name of the new investment corporation will be Kenedix Residential Next Investment Corporation) (amendment to Article 1 of the current Articles of Incorporation).</p> <p>(2) Because the head office of Kenedix Real Estate Fund Management, Inc., which is the asset management company of KDR, was relocated to Chiyoda-ku, Tokyo, the location of the head office of KDR will change from Chuo-ku, Tokyo to Chiyoda-ku, Tokyo (amendment to Article 3 of the current Articles of Incorporation).</p> <p>(3) In conjunction with the Merger, KDR plans to carry out a 2-for-1 split of KDR investment units for the purpose of delivering at least one KDR investment unit to each JSL unitholder. Because the total number of outstanding investment units will increase due to such investment unit split, the number of authorized investment units will be increased beforehand (total number of authorized investment units of the new investment corporation will increase from 5,000,000 units to 10,000,000 units) (amendment to Article 5, Paragraph 1 of the current Articles of Incorporation).</p> <p>(4) As the roles and responsibilities of the financial auditor continue to increase, audit work will expand in conjunction with the increase in scale of KDR’s asset portfolio; accordingly, the maximum compensation for the financial auditor will be changed so that the compensation for the financial auditor can be set at a reasonable level; in addition, in order to maintain flexibility in timing for payment of remuneration, the time for payment of compensation will change to the end of the month following the month of receipt of the auditor’s report (maximum amount of the compensation for the financial auditor will increase from 12 million yen to 15 million yen) (amendment to Article 28 of the current Articles of Incorporation).</p> <p>(5) In conjunction with the Merger, the principal use of properties in which KDR will primarily invest will be changed to include, in addition to residential facilities, healthcare facilities (including hospitals and other medical facilities) and accommodation facilities; further, because many of those properties for such uses to be newly added are located in major provincial cities, the definition of a regional economic region, which is one of the primary investment areas of KDR, will be amended and provisions will be amended so that major local cities can be included (amendment to Article 30, Paragraph 1 and 2 of the current Articles of Incorporation).</p> <p>(6) With respect to the distribution policy, provisions will be amended so that the definition of profit from among the total amount of monies to be distributed to unitholders is made consistent with the provisions of the Act concerning Investment Trusts and Investment Corporations (amendment to Article 38 of the current Articles of Incorporation).</p> <p>(7) Because, in conjunction with the Merger, Kenedix Real Estate Fund Management, Inc. as the asset management company carried out investigation and valuation of assets etc. owned by JSL, negotiations with related parties and other services in order to realize the Merger, new provisions relating to merger fees will be added to enable payment of proper consideration for such services rendered by the asset management company (establishment of a new rule that if KDR implements a consolidation-type or absorption-type merger with another investment corporation, the Asset Management Company will be paid merger compensation in an amount equal to the appraisal value on the merger effective date of the real estate-related assets held by the other investment corporation,</p>

	multiplied by a rate up to a maximum of 1.0% as separately agreed upon between KDR and the Asset Management Company). (8) In order to make the amendments to the Articles of Incorporation set forth above in (1), (3) and (5) effective when the Merger comes into force, a provision to such effect will be set forth in the supplementary provisions (related to Chapter 11 of the proposed amendment).
Agenda No. 2: Election of Two (2) Executive Directors	As proposed in the resolution, Keisuke Sato and Katsue Okuda were appointed Executive Director. Their term is 2 years commencing on March 1, 2018.
Agenda No. 3: Election of One (1) Alternate Executive Director	As proposed in the resolution, Shin Yamamoto was appointed Alternate Executive Director. The resolution pertaining to the appointment of one Alternate Executive Director is effective until March 1, 2020, the date on which the term for the Alternate Executive Director expires, as provided in Resolution 2.
Agenda No. 4: Election of Three (3) Supervisory Directors	As proposed in the resolution, Osamu Chiba, Satoshi Ogawa and Soichiro Iwao were appointed Supervisory Directors. Their term is 2 years from March 1, 2018.

② Board of directors

overviews of major agreement executions and amendments approved by the Investment Corporation's board of directors during the 12th fiscal period are as follows.

Approval date	Item	Overview
November 10, 2017	Execution of the Merger agreement	The Investment Corporation and JSL entered into an absorption-type merger agreement, whereby it will be the surviving corporation and JSL the dissolving corporation, effective March 1, 2018 on November 10, 2017.
December 22, 2017	Execution of amendment MOU pertaining to asset management entrustment agreement by partial changes to Articles of Incorporation	The Investment Corporation and the asset management company executed the amendment MOU on January 25, 2018 to add healthcare facilities (including medical facilities such as hospitals) and accommodations to residential facilities as of main use the Investment Corporation mainly invests in and change the definition of regional area.
December 22, 2017	Execution of memorandum of fee regarding asset custody and asset administration	The Investment Corporation agreed the method of calculating fee regarding asset custody and asset administration.

(2) Other

Unless otherwise specified, amounts are rounded down and ratios are rounded off.

[Provisional Translation Only]

English translation of the original Japanese document is provided solely for information purposes.

Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

Financial Statements

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

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

Independent Auditor's Report

Balance Sheets

Statements of Income and Retained Earnings

Statements of Changes in Net Assets

Statements of Cash Flows

Notes to Financial Statements

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)		
ASSETS		
Current assets		
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
Total current assets	10,519,513	10,215,108
Noncurrent assets		
Property, plant and equipment (Notes 12 and 17)		
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
Total property, plant and equipment, net	165,040,946	156,161,704
Investments and other assets		
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
Total investments and other assets	1,228,631	892,858
Total noncurrent assets	166,269,577	157,054,563
Deferred assets		
Investment corporation bond issuance costs	24,461	26,340
Investment unit issuance costs	421	20,039
Total deferred assets	24,883	46,380
Total assets	¥176,813,974	¥167,316,051

	12th Fiscal Period as of January 31, 2018	11th Fiscal Period as of July 31, 2017
	(in thousands of yen)	
LIABILITIES		
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
Total current liabilities	15,201,290	13,483,955
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
Total noncurrent liabilities	78,962,549	71,273,087
Total liabilities	94,163,839	84,757,042
NET ASSETS		
Unitholders' equity		
Unitholders' capital	80,132,379	80,132,379
Surplus		
Unappropriated retained earnings	2,437,011	2,400,002
Total surplus	2,437,011	2,400,002
Total unitholders' equity	82,569,390	82,532,381
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 8 and 9)	80,743	26,626
Total valuation and translation adjustments	80,743	26,626
Total net assets (Note 3)	82,650,134	82,559,008
Total liabilities and net assets	¥176,813,974	¥167,316,051

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)						
Balance as of January 31, 2017	¥ 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)
Total changes of items during the period	-	34,839	34,839	34,839	(27,992)	6,847
Balance as of July 31, 2017 (Note 5)	¥ 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
Total changes of items during the period	-	37,008	37,008	37,008	54,116	91,125
Balance as of January 31, 2018 (Note 5)	¥ 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)
Subtotal	3,670,003	3,662,503
Interest income received	12	12
Interest expenses paid	(415,950)	(393,545)
Income taxes (paid) refund	(2,693)	(1,696)
Net cash provided by (used in) operating activities	3,251,371	3,267,273
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
Net cash provided by (used in) investing activities	(9,969,526)	(239,024)
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)
Net cash provided by (used in) financing activities	7,012,897	(2,282,658)
Net increase (decrease) in cash and cash equivalents	294,741	745,590
Cash and cash equivalents at the beginning of period	10,184,942	9,439,351
Cash and cash equivalents at the end of period (Note 6)	¥10,479,684	¥10,184,942

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

- 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
- 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
- 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
- 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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