

NEXT



KENEDIX

Residential NEXT Investment Corporation

Semi-annual Report for the 13th Period

From February 1, 2018 to July 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 13th fiscal period (from February 1, 2018 to July 31, 2018), operating revenue totaled ¥7,097 million, operating income was ¥3,439 million, ordinary income was ¥2,842 million and net income was ¥5,416 million. The distribution to unitholders was ¥4,026 per unit, 15.9% higher than in the previous period.

In March 2018, KDR merged with Japan Senior Living Investment Corporation with investments in healthcare facilities such as Private senior homes (with nursing care), and began a new start as a REIT that aims to realize stable revenue and continuous asset growth through diversified investment in “spaces where people live and stay” encompassing residential facilities, healthcare facilities and accommodations. Through this merger, 14 healthcare facilities valued at 28.9 billion yen were added to our portfolio assets. Furthermore, we carried out asset reshuffling by selling 1 rental residential property in Osaka and acquiring 1 private senior homes (with nursing care) in Kyoto in July 2018. Our properties continued to perform well as shown in the increase in rent of new tenants and renewal tenants compared with the previous amounts for residential facilities, in addition to the period-end occupancy rate remaining at a high level of 97.6%.

As to our activities in the 13th fiscal period onward, we procured funds in August 2018 through public offering for the first time in about three and a half years, and by using the funds combined with borrowings acquired 4 rental residential properties and 5 nursing and health facilities, the first of such for a J-REIT. As a result, we own assets of 138 properties valued at 218.3 billion yen (total acquisition price) as of August 31, 2018.

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.



Kenedix Residential Next Investment Corporation

Executive Director **Keisuke Sato**

Executive Director **Katsue Okuda**

Financial Highlights

Distribution per Unit

13th (Ended July 2018) Actual	4,026 yen
14th (Ending January 2019) Forecast	3,852 yen
15th (Ending July 2019) Forecast	3,753 yen

(Note) Distribution per unit for 14th fiscal period and 15th fiscal period is estimated based on certain assumptions as of September 12, 2018

Business Results

	10th Period (January 2017)	11th Period (July 2017)	12th Period (January 2018)	13th Period (July 2018)	14th Period ⁽¹⁾ (January 2019)	15th Period ⁽¹⁾ (July 2019)
Operating Revenues (mln yen)	5,468	5,574	5,681	7,097	7,528	7,578
Operating Income (mln yen)	2,838	2,833	2,889	3,439	3,939	3,839
Ordinary Income (mln yen)	2,311	2,316	2,353	2,842	3,339	3,254
Net Income (mln yen)	2,310	2,315	2,352	5,416	3,338	3,253
Number of Investment Units Issued	349,089	349,089	349,089	782,928	869,133	869,133
Distribution per Unit (yen)	6,533	6,633	6,946 (after the unit split 3,473 yen)	4,026	3,852	3,753

(Note 1) Figures for 14th fiscal period and 15th fiscal period are estimated based on certain assumptions as of September 12, 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 July 31, 2018 (REIT) as of September 12, 2018. A 2-for-1 split of investment units was implemented with March 1, 2018 as the effective date.

Financial Position

	10th Period (January 2017)	11th Period (July 2017)	12th Period (January 2018)	13th Period (July 2018)
Unitholders' Equity (mln yen)	82,552	82,559	82,650	98,745
Interest-bearing Debt (mln yen)	81,800	81,800	91,130	106,130
Interest-bearing Debt Ratio to Assets Ratio ⁽¹⁾	48.9%	48.9%	51.5%	49.7%
Total Asset (mln yen)	167,276	167,316	176,813	213,558
Net Asset Ratio	49.4%	49.3%	46.7%	46.2%
Unitholders' Equity per Unit (yen)	236,478	236,498	236,795 (after the unit split) 118,379yen	126,123

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

Management interview



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

Heisuke Sato

KDR has continued to implement various measures to further increase unitholder value in the 13th fiscal period, including the merger with Japan Senior Living Investment Corporation, strategic asset reshuffling and decision on public offering. I would like to explain the outline of each measure as well as our future growth strategy.

■ The merged with Japan Senior Living Investment Corporation

Having steadily grown as a REIT specializing in residential properties since the listing in April 2012, KDR merged with Japan Senior Living Investment Corporation on March 1, 2018 to pursue further growth. In addition to the previous main investment target of residential facilities such as rental residential properties, healthcare facilities such as homes for the elderly and accommodations such as hotels were added to the main investment targets. KDR has made a new start as a REIT that aims to realize stable revenue and continuous growth by widely investing in these “spaces where people live and stay.” Furthermore, we changed the name of KDR to Kenedix Residential Next Investment Corporation upon the merger.

■ Asset reshuffle

In July 2018, KDR conducted strategic asset reshuffling through which it sold KDX Shimmachi Residence, a rental residential property in Nishi-ku, Osaka-shi, and acquired Excellent Kitano, a private senior homes (with nursing care) in Kita-ku, Kyoto-shi, using the proceeds. KDR decided to sell KDX Shimmachi Residence since the property was unlikely to see internal growth for the time being as more competitive properties had been newly constructed in the surrounding area. On the other hand, Excellent Kitano is a relatively new property with high scarcity value, located adjacent to Kitano Tenmangu enjoying an excellent living environment and transport convenience. With favorable occupancy, the home for the elderly is believed to contribute to stable revenue for KDR.

Through the asset reshuffling this time, KDR’s gain from the sale of KDX Shimmachi Residence was 436 million yen, of which 300 million yen (383 yen per unit) will be returned to unitholders in the form of distribution for the 13th fiscal period. The remaining 136 million yen will be internally reserved to level distributions for the 14th fiscal period onward upon sales of properties.

KDR plans to continuously sell properties as part of its strategic asset reshuffling which improves portfolio quality, so long as the current status of the real estate investment market remains unchanged, and aims to increase distribution per unit using the gain on sale.

Property Sold		Asset reshuffle	Property Acquired	
KDX Shimmachi Residence			Excellent Kitano	
Property type	Residential facilities (Rental housing)		Property type	Healthcare facilities (private senior home)
Selling price	¥1,420 mln		Acquisition price	¥737 mln
NOI cap rate after depreciation ⁽¹⁾	2.4%		NOI cap rate after depreciation ⁽²⁾	4.0%
Completion	October 2007		Completion	March 2015

Note 1: The NOI cap rate after depreciation is the annualized actual NOI cap rate before depreciation in the 12th period divided by the planned sale prices (before taxes).

Note 2: The NOI cap rate after depreciation is the NOI using the direct capitalization method and appraisal report values minus estimated depreciation based on engineering reports prepared by Kenedix Real Estate Fund Management, Inc. divided by the planned acquisition price (before taxes).

Public offering

KDR decided to conduct public offering and third-party allotment for the first time in about three and a half years during the 13th fiscal period and newly acquired a total of 9 properties (25.4 billion yen), 4 residential facilities and 5 healthcare facilities using the funds procured through the offerings as well as newly borrowed funds. With the offerings and new asset acquisition, KDR's asset size surpassed the target mark of 200 billion and KDR was included in FTSE EPRA/NAREIT Global Real Estate Index due to the increase in its market capitalization. The offerings were extremely significant as a culmination of a series of measures starting from the merger with Japan Senior Living Investment Corporation, which KDR implemented with the aim of enhancing its position in the J-REIT market and maximizing unitholder value.

Highlight

- First public offering after the merger
- Issued a total of 86,205 new investment units including those issued by way of third-party allotment, procuring approximately 13 billion yen
- Strong demand far surpassing the number of units offered due to support from a broad range of investors
- Acquired 9 new properties using the proceeds and 12.7 billion yen of new borrowings
- KDR's asset size surpassed 200 billion yen
- Became the first J-REIT to acquire Nursing and health facilities
- Size of healthcare assets has grown to one of the largest among J-REITs

		At KDR-JSL merger	Asset reshuffle		Public offering (PO)	After the PO
			13th period sales	13th period purchases	PO-funded purchases	
Residential facilities ⁽¹⁾	Properties	115	1	-	4	118
	Asset size	¥164.1 bln	¥1.0 bln	-	¥13.8 bln	¥176.9 bln
Healthcare facilities	Properties	14	-	1	5	20
	Asset size	¥28.9 bln	-	¥0.7 bln	¥11.6 bln	¥41.3 bln
Total	Properties	129	1	10		138
	Asset size	¥193.1 bln	¥1.0 bln	¥26.2 bln		¥218.3 bln

(Note): Properties and assets of "Residential Facilities" in the above table include one property which is on land with leasehold interests.

Newly Acquired Properties

Residential Facilities

4 rental residential properties selected with focus on "attractive power of land"



Healthcare Facilities


The first J-REIT to make an investment in 5 nursing and health facilities.



Measures for More Growth

In order to further expand the asset size, KDR established a bridge fund comprised of 2 healthcare facilities in July 2018 and acquired preferential negotiation rights for acquisition of the 2 properties. In addition, KDR has also acquired preferential negotiation rights for acquisition of 1 healthcare property owned by Kenedix, Inc., the sponsor. Furthermore, since external growth through investment in healthcare facilities is believed to remain highly probable going forward, KDR revised the target investment ratio (based on acquisition price) for healthcare facilities set forth in the Management Guidelines of the Asset Management Company from “20% or less” to “30% or less” in order to realize sustainable growth through flexible and agile real estate investment. The target investment ratio for residential facilities such as rental residential properties remains as “at least 60%” and KDR intends to continue building a portfolio centering on residential facilities going forward.

Pipe line (Preferential Negotiation Rights)

	Owned by sponsor	bridge fund	
			
Location	East building / West building Machida-shi, Tokyo	Meguro-ku, Tokyo	Kobe-shi, Hyogo
Property type	Private senior home with nursing care	Private senior home with nursing care	Private senior home with nursing care

Revision to Management Guidelines (Change in target ratio)

Use	Current Investment Ratio	Target Investment Ratio for the Management Guideline
Residential Facilities	80.2%	At least 60%
Healthcare Facilities	19.0%	20% or less → 30% or less
Accommodations	-	20% or less
Other	0.8%	10% or less

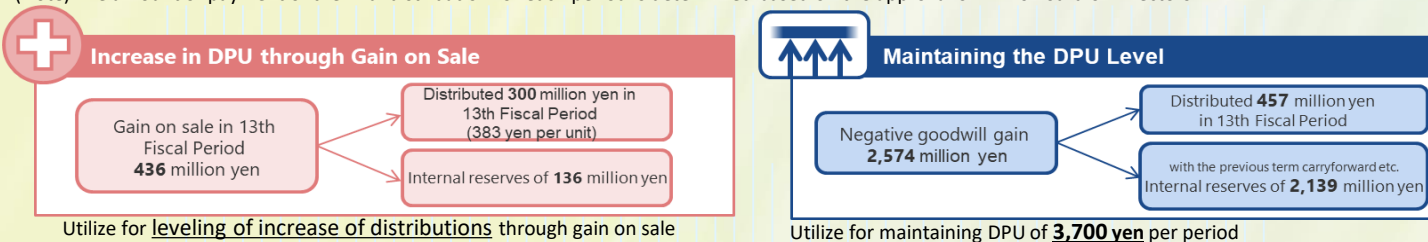
KDR will continue to aim for an increase in unitholder value by “expanding asset size,” “increasing market capitalization” and “maintaining and increasing DPU.”

As to “expansion of asset size,” KDR aims to achieve an asset size of 300 billion yen by 2022 by conducting selective investment and asset replacement. As to “increase in market capitalization,” KDR is aiming for a market capitalization of 200 billion yen by 2022 through the continuous conducting of public offerings in the future.

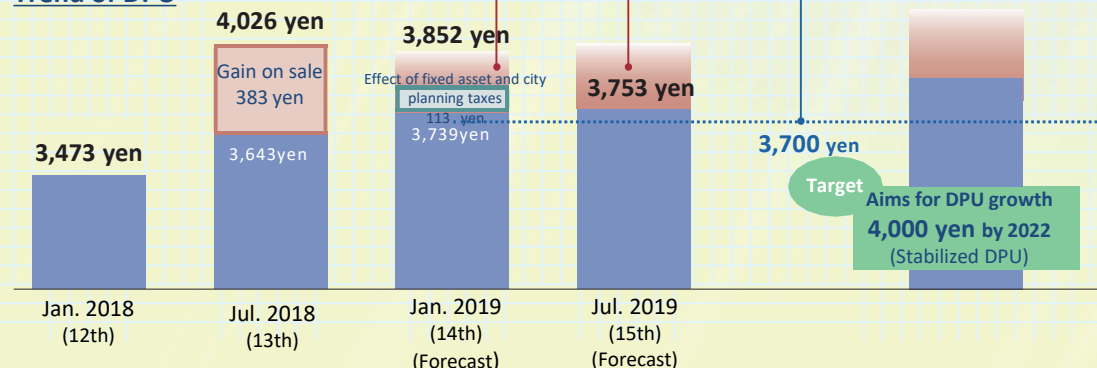
Concerning “maintenance and increase of DPU,” KDR is aiming for DPU of 4,000 yen by 2022 through seeking external growth, internal growth, reduction of financial costs and such. In addition, KDR aims to increase distribution through use of gain on sale of properties accompanying strategic asset reshuffling.

Furthermore, by flexibly reversing and utilizing 2.13 billion yen (as of July 31, 2018) of internal reserve gained on negative goodwill, etc. upon the merger, KDR intends to maintain the DPU level at 3,700 yen for the 14th fiscal period onward ^(Note).

(Note) The amount of payment of the final distribution for each period is determined based on the approval of KDR's Board of Directors.



Trend of DPU



(Note) Figures for the 12th fiscal period take into account the investment unit split.

External growth

KDR has seen steady external growth since the listing in 2012 through utilization of the Asset Management Company's own network and sponsor support. Upon property acquisition, KDR selectively invests in properties where solid demand from tenants or users as well as stable revenue can be expected over the long term, based on regional analysis and individual analysis considering characteristics, locations, etc. of properties.

Properties acquired in the 14th fiscal period

R-45 KDX Residence Shukugawa Hills

Jigurai
Family

Large-scale residence located in Shukugawa area where luxury residential area



Acquisition Date	Aug 2, 2018
Acquisition price	¥6.88 bln
Appraisal value	¥7.30 bln
Location	Nishinomiya-shi, Hyogo
Site area	13,537.12㎡
Total floor area	25,932.97㎡
Leasable number of units	239 units
PM company	Haseko Livenet Inc.



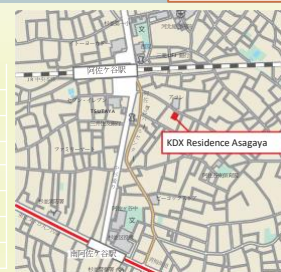
T-79 KDX Residence Asagaya

Daily life convenience
Small Family

Located in rare area nearby "Asagaya" Station where is famous as a residential area



Acquisition Date	Aug 2, 2018
Acquisition price	¥1.93 bln
Appraisal value	¥2.10 bln
Location	Suginami-ku, Tokyo
Site area	822.00㎡
Total floor area	2,337.01㎡
Leasable number of units	44 units
PM company	Tokyu Housing Lease Corporation



T-80 KDX Residence Hiyoshi

Jigurai
Family

Family Residence located in a quiet residential area of Yokohama



Acquisition Date	Aug 2, 2018
Acquisition price	¥2.63 bln
Appraisal value	¥2.71 bln
Location	Yokohama-shi, Kanagawa
Site area	3,271.00㎡
Total floor area	6,390.51㎡
Leasable number of units	92 units
PM company	R.A. Asset Management Inc.



R-44 Serenite Kobe Motomachi

Jigurai
Single

Residences for singles who enjoy history and shopping



Acquisition Date	Aug 2, 2018
Acquisition price	¥2.39 bln
Appraisal value	¥2.55 bln
Location	Kobe-shi, Hyogo
Site area	639.91㎡
Total floor area	4,134.91㎡
Leasable number of units	138 units
PM company	Haseko Livenet Inc.



External growth

H-16 Anesis Teradacho

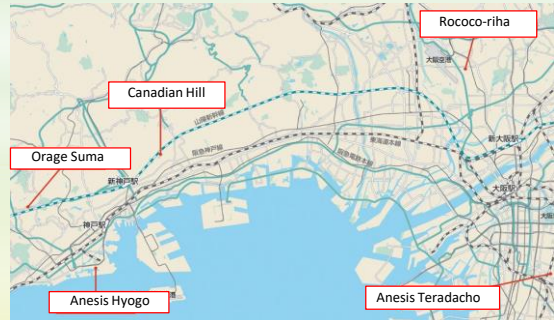
Nursing and health facility

Complex health care facility with good access from central Osaka



Acquisition Date	Aug 2, 2018
Acquisition price	¥3.49 bln
Appraisal value	¥3.63 bln
Location	Osaka-shi, Osaka
Site area	1983.49㎡
Facility scale	45 rooms/150 beds (nursing and health facilities) 100 rooms (with nursing care)
Operator	Hakusinkai Medical Corporation

(Nursing and health facility)



H-18 Orage Suma

Nursing and health facility

Complex health care facility with good access from central Osaka



Acquisition Date	Aug 2, 2018
Acquisition price	¥2.81 bln
Appraisal value	¥2.82 bln
Location	Kobe-shi, Hyogo
Site area	3,596.79㎡
Facility scale	100 rooms/100 beds (Nursing and health facilities) 35 rooms (Serviced senior housing)
Operator	Hakusinkai Medical Corporation

H-17 Rococo-riha

Nursing and health facility

Nursing and health facility located in a quiet residential and traditional area



Acquisition Date	Aug 2, 2018
Acquisition price	¥2.10 bln
Appraisal value	¥2.18 bln
Location	Toyonaka-shi, Osaka
Site area	2,335.00㎡
Facility scale	52 rooms/100 beds
Operator	Hakusinkai Medical Corporation

H-19 Canadian Hill

Nursing and health facility

Nursing and health facility located at the foot of Rokko mountain overlooking Osaka bay



Acquisition Date	Aug 2, 2018
Acquisition price	¥1.83 bln
Appraisal value	¥1.87 bln
Location	Kobe-shi, Hyogo
Site area	5,145.84㎡
Facility scale	40 rooms/115 beds
Operator	Hakusinkai Medical Corporation

H-20 Anesis Hyogo

Nursing and health facility

Nursing and health facility located in a downtown area where housing development, roads, parks etc. are under development



Acquisition Date	Aug 2, 2018
Acquisition price	¥1.42 bln
Appraisal value	¥1.43 bln
Location	Kobe-shi, Hyogo
Site area	4,887.51㎡
Facility scale	58 rooms/100 beds
Operator	Hakusinkai Medical Corporation

Properties acquired in the 13th fiscal period

H-15 Excellent Kitano

Private senior homes (residential)

Blessed with tourism resources, next to Kitano Tenman-gu Shrine, located in Kyoto as a town with a high residential preference since long ago

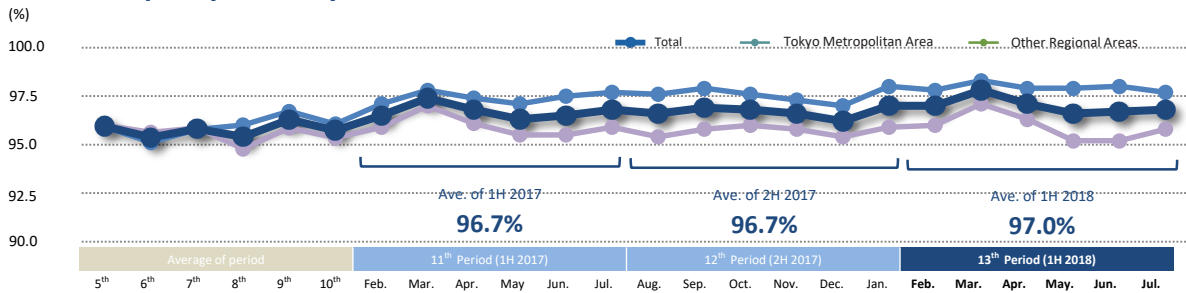


Acquisition Date	Jul. 6, 2018
Acquisition price	¥737 mln
Appraisal value	¥783 mln
Location	Kyoto-shi, Kyoto
Site area	843.20㎡
Facility scale	41 rooms/41 people
Operator	Excellent Care System Co., Ltd.

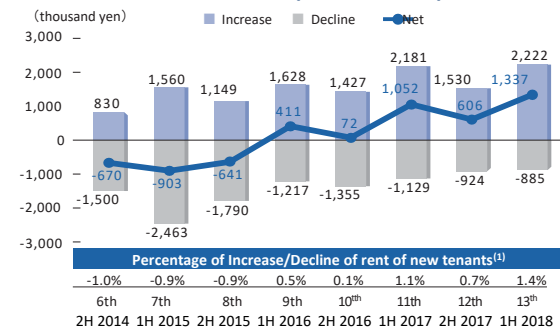
Steady performance of rental housing

The occupancy rate of rental housing continued to remain high and stable. The occupancy rate for the 13th fiscal period was 96.8%, the average occupancy rate was 97.0%. Rent for both new and renewal tenants has continued to increase.

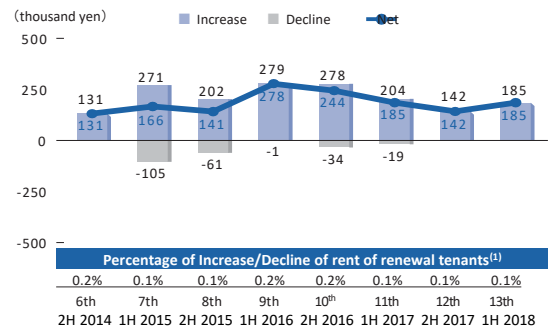
► Occupancy Rates by Area



► Rent Increase/Decline (New Tenant)



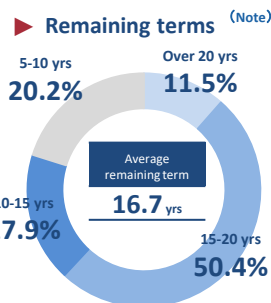
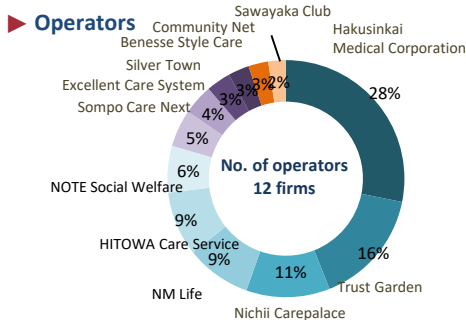
► Rent Increase/Decline (Renewal Tenants)



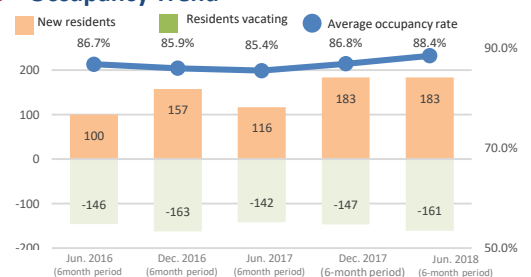
Note 1: Percentage of Increase/Decline of rent of tenants = Total Increase/Decline of rent of tenants / Total rent before revisions

Stable cash flow through Healthcare facility

We have been operating healthcare facilities stably based on fixed-rent, long-term lease contracts concluded with each operator while pursuing diversification of operators. In addition, we have confirmed through operational status monitoring of facilities that their occupancy rates have been stable.



► Occupancy Trend

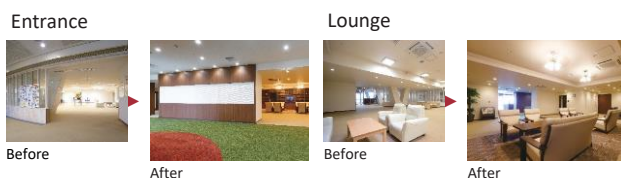


(Note) The breakdown of the portfolio is calculated based on acquisition price as of August 2, 2018.

► Initiatives to Improve Internal Growth

Value-up renovation for strengthen competitiveness of the facilities
Agreement to length the contract term and increase in rent with the operator

Value-up renovation in common area



Revision of Contract Conditions with Value-up Renovation

Rent	NOI 4.9% UP	Investment efficiency 5.5% (Note)
Contract Term	+10 yrs	Until July 31, 2032

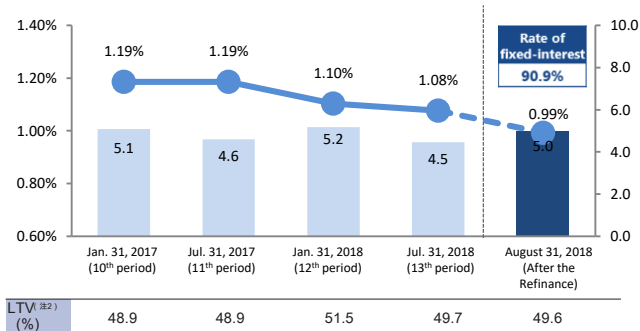
(Note) "Investment efficiency" = Increase price of annual cash flow / costs of value-ups

Finance and Sustainability

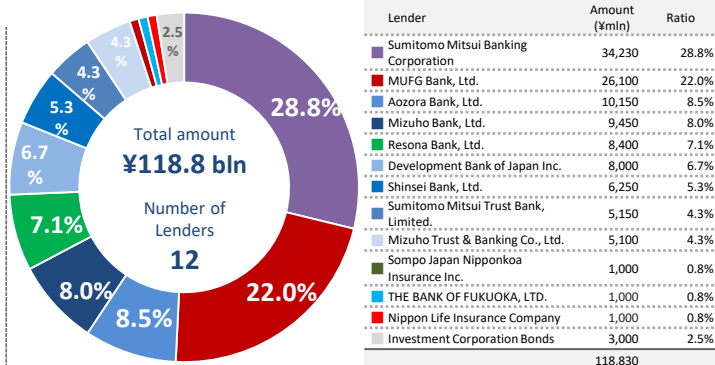
Stable Financial Strategy

Based on its defensive financial strategy, KDR has financial policies that contribute to financial stability, such as prolonging the debt, diversifying the repayment date, prolonging the average remaining term of debt and reducing interest expenses. In addition, KDR aim to maximize unitholder value through various initiatives such as fixing interest rates and diversifying debt.

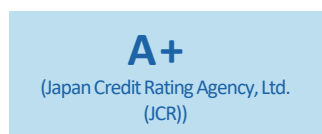
▶ Key Debt Indicators ⁽¹⁾



▶ Status of Interest-bearing Liabilities (as of August 31, 2018)



▶ 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 August 31, 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 August 31, 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: LTV = Interest-bearing Liabilities / Total Assets.

Initiatives for Sustainability

Through investment management in real estate, KDR makes various efforts that take environment and social consideration into account. KDR acquired “Green Star” given to participants who make excellent efforts related to sustainability.

▶ GRESB Real Estate Assessment

Participated in GRESB real estate evaluation since 2016, continued participation in 2018



KDR efforts for improving sustainability were evaluated, receiving high evaluation on both “implementation and measurement” and “management and policy”. The Investment Corporation also acquired two star GRESB Rating, which is calculated relative to the global performance of reporting entities.

「GRESB (Global Real Estate Sustainability Benchmark) is a benchmark to evaluate sustainability performance of private and listed real estate portfolio, etc. from environmental and social perspectives.

▶ Others

LED Lights in Common Area	
Property (props)	37
Expense (mln yen)	6,400
Annual reduction (mln yen)	1,920

Secure Lockers for Deliveries	
Property (props)	110

Secure lockers for parcels eliminate the need for delivery companies to return to a property when a resident is not home the first time. This reduces transportation CO2 emissions and wasted working time for drivers. Installing these lockers therefore contributes to fighting climate change and supporting economic growth, two of the U.N. sustainable development goals.

Outlets for recharging electric cars	
Property (props)	3

Parking areas have outlets so that residents can easily recharge electric cars.

▶ DBJ Green Building Certification⁽¹⁾

5 residential properties are certificated DBJ Green Building.

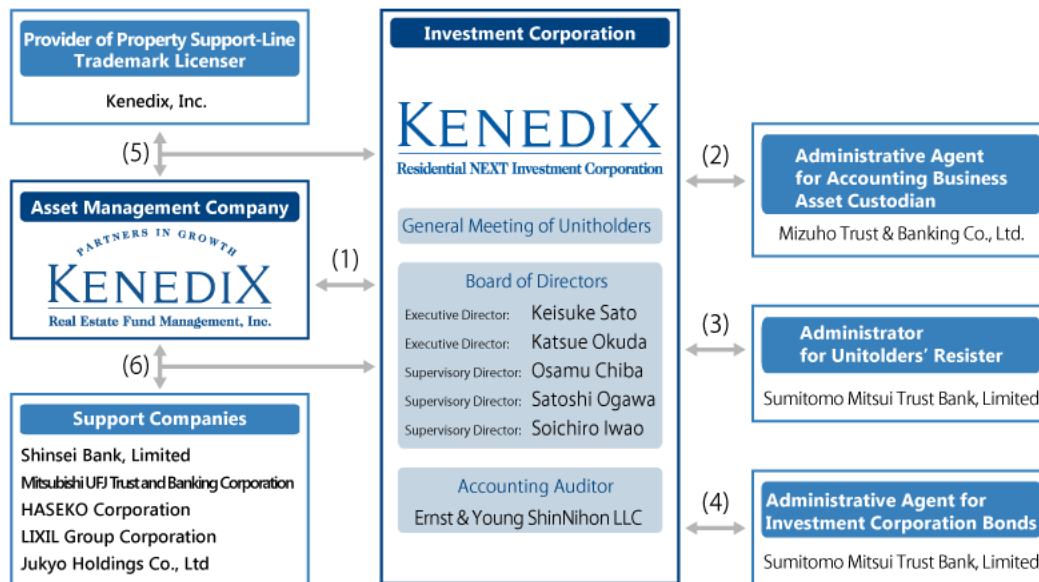


others	
KDX Residence Toyosu	2017
KDX Residence Hanzomon	2017
KDX Residence Yotsuya	2017
KDX Residence Ebisu	2016

(Note) “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.

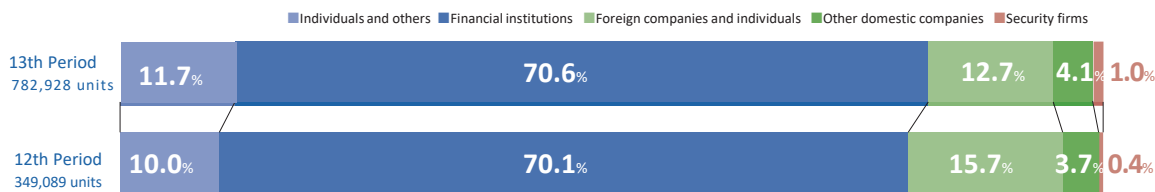
Information for Unitholders

As of July 31, 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

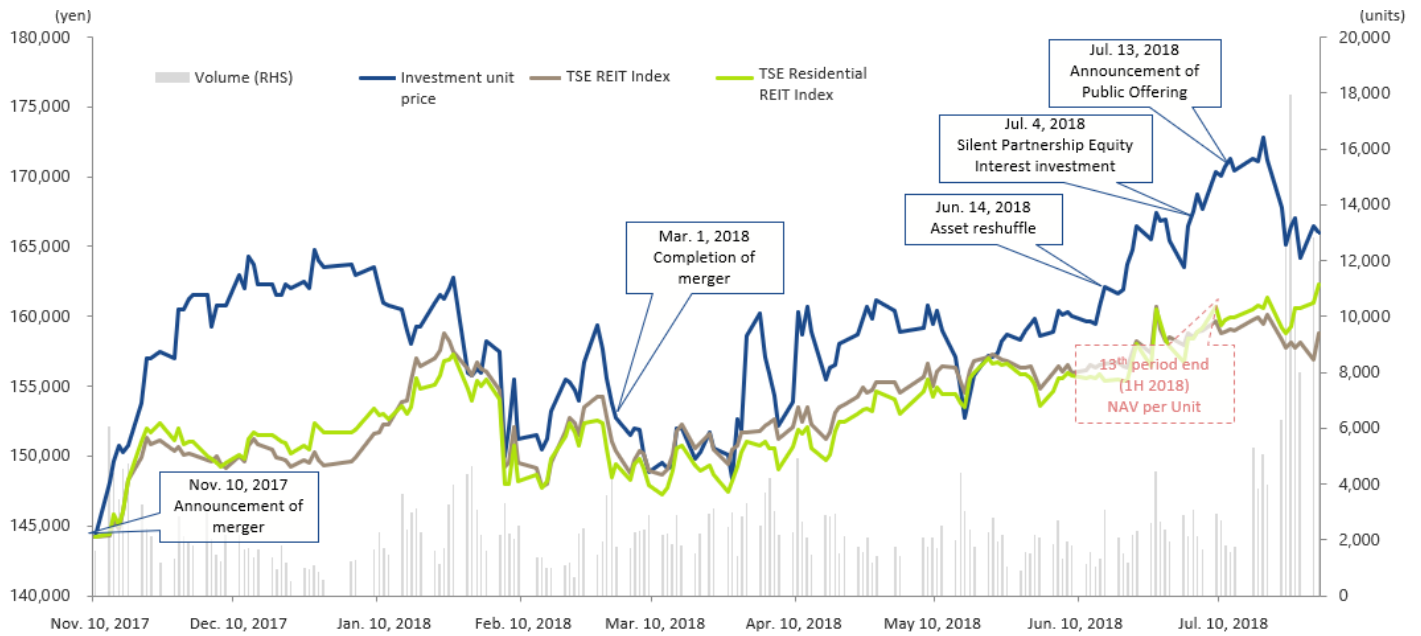
Trend in Unitholders



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



(Note 1) Tokyo Stock Exchange REIT Index and Tokyo Stock Exchange Residential REIT Index on the announcement date of the JSL merger of November 10, 2017 are indexed as the investment unit price (closing price) of KDR on the same date.

(Note 2) Investment unit price reflect the two-for-one split of the investment units of KDR implemented with March 1, 2018 as the effective date.

Portfolio List

Use	Area	No.	Name	Location	Completion Date	Type (Note 1)	Acquisition Price (min yen)	Occupancy Rate (Note 2) (%)
Residential Facilities	Tokyo Metropolitan Area	T-1	KDX Daikanyama Residence	Shibuya-ku, Tokyo	Feb. 10, 2003	Small family	4,700	100.0
		T-3	KDX Odenma Residence	Chuo-ku, Tokyo	Mar. 14, 2007	Small family	1,775	96.1
		T-4	KDX Iwamoto-cho Residence	Chiyoda-ku, Tokyo	Sep. 5, 2007	Small family	822	100.0
		T-5	KDX Bunkyo Sengoku Residence	Bunkyo-ku, Tokyo	Aug. 9, 2005	Studio	1,488	97.6
		T-6	KDX Azumabashi Residence	Sumida-ku, Tokyo	Sep. 26, 2007	Studio	650	90.7
		T-7	KDX Shimura Sakaue Residence	Itabashi-ku, Tokyo	Jul. 2, 2007	Family	2,830	95.1
		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	93.4
		T-12	KDX Kawaguchi Saiwai-cho Residence	Kawaguchi-shi, Saitama	Feb. 9, 2007	Small family	1,150	96.6
		T-13	KDX Residence Shirokane I	Minato-ku, Tokyo	Feb. 21, 2003	Small family	3,000	97.6
		T-15	KDX Residence Shirokane II	Minato-ku, Tokyo	Nov. 12, 2004	Studio	2,800	98.9
		T-16	KDX Residence Minami-aoyama	Minato-ku, Tokyo	Feb. 26, 2004	Small family	2,230	95.8
		T-17	KDX Residence Minami-azabu	Minato-ku, Tokyo	Oct. 7, 2004	Small family	2,080	96.7
		T-18	KDX Residence Shiba Koen	Minato-ku, Tokyo	Nov. 18, 2005	Small family	1,781	98.3
		T-19	KDX Residence Azabu East	Minato-ku, Tokyo	Jan. 6, 2004	Studio	1,560	97.7
		T-20	KDX Residence Takanawa	Minato-ku, Tokyo	Jul. 19, 2007	Small family	770	95.6
		T-21	KDX Residence Nishihara	Shibuya-ku, Tokyo	Apr. 9, 2004	Small family	1,450	97.6
		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	100.0
		T-26	KDX Residence Higashi-shinjuku	Shinjuku-ku, Tokyo	Nov. 21, 2007	Studio	3,270	95.0
		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	91.5
		T-29	KDX Residence Kagurazaka	Shinjuku-ku, Tokyo	Jan. 17, 2006	Studio	720	100.0
		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	97.8
		T-32	KDX Residence Misuyuku	Setagaya-ku, Tokyo	May 18, 2006	Studio	760	100.0
		T-33	KDX Residence Yoga	Setagaya-ku, Tokyo	Dec. 20, 2005	Studio	700	100.0
		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 Yukiigaya Otsuka	Ota-ku, Tokyo	Jan. 11, 2006	Studio	1,050	97.3
		T-37	KDX Residence Denen Chofu	Ota-ku, Tokyo	Feb. 17, 1997	Family	1,000	91.7
		T-38	KDX Residence Tamagawa	Ota-ku, Tokyo	Feb. 7, 2007	Studio	776	94.5
		T-39	KDX Residence Monzennakacho	Koto-ku, Tokyo	Mar. 31, 2005	Studio	773	97.5
		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	98.4
		T-42	KDX Residence Itabashi Honcho	Itabashi-ku, Tokyo	Aug. 23, 2007	Studio	620	100.0
		T-43	KDX Residence Azusawa	Itabashi-ku, Tokyo	Oct. 6, 2006	Studio	550	96.8
		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	94.2
		T-46	KDX Residence Miyamaedaira	Kawasaki-shi, Kanagawa	Oct. 16, 1998	Family	999	94.7
		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	96.9
		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	92.8
		T-52	KDX Residence Togoshi	Shinagawa-ku, Tokyo	Nov. 27, 2006	Small family	3,745	100.0
		T-53	KDX Residence Shinagawa Seaside	Shinagawa-ku, Tokyo	Aug. 10, 2006	Studio	2,593	99.1
		T-54	KDX Residence Ojima	Koto-ku, Tokyo	Jul. 23, 2008	Studio	1,857	95.7
		T-55	KDX Residence Oyama	Itabashi-ku, Tokyo	Feb. 13, 2008	Small family	2,679	98.1
		T-56	KDX Residence Hanzomon	Chiyoda-ku, Tokyo	Dec. 18, 2003	Family	4,832	97.3
		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	95.8
		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	93.2
		T-61	KDX Residence Akihabara	Taito-ku, Tokyo	Jan. 19, 2008	Small family	1,250	90.9
		T-62	KDX Residence Iriya	Taito-ku, Tokyo	Feb. 14, 2007	Studio	1,062	100.0
		T-63	KDX Residence Tachikawa	Tachikawa-shi, Tokyo	Mar. 12, 2008	Studio	3,026	95.4
		T-64	KDX Residence Tsurumi	Yokohama-shi, Kanagawa	Jul. 31, 1990	Small family	1,050	98.4

Use	Area	No.	Name	Location	Completion Date	Type (Note 1)	Acquisition Price (min yen)	Occupancy Rate (Note 2) (%)	
Tokyo Metropolitan Area	T-65	KDX Residence Morishita Chitose	Sumida-ku, Tokyo	Jan. 9, 2007	Studio	1,100	98.7		
	T-66	KDX Residence Akasaka	Minato-ku, Tokyo	Dec. 12, 2014	Small family	1,150	100.0		
	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	100.0		
	T-70	KDX Residence Nishi-azabu	Minato-ku, Tokyo	Feb. 20, 2008	Small family	1,224	96.9		
	T-71	KDX Residence Azabu Sendaizaka	Minato-ku, Tokyo	Oct. 6, 2006	Studio	792	96.2		
	T-72	KDX Residence Waseda Tsurumaki	Shinjuku-ku, Tokyo	Aug. 6, 2007	Studio	561	97.6		
	T-73	KDX Residence Bunkyo Yushima	Bunkyo-ku, Tokyo	Jan. 23, 2006	Studio	695	97.8		
	T-74	KDX Residence Kamishakujii	Nerima-ku, Tokyo	Jun. 26, 2007	Studio	648	97.9		
	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	100.0		
	T-77	KDX Residence Ryogoku	Sumida-ku, Tokyo	Feb. 3, 2016	Studio	842	100.0		
	T-78	KDX Residence Toyosu	Koto-ku, Tokyo	Jul. 7, 2017	Studio	7,500	100.0		
	T-79	KDX Residence Asagaya	Suginami-ku, Tokyo	Feb. 29, 2000	Small family	1,930	—		
	T-80	KDX Residence Hiyoshi	Yokohana-shi, Kanagawa	Sep. 30, 1996	Family	2,635	—		
	Residential Facilities / Tokyo Metropolitan Area 77 props						Total / Ave.	119,346	97.7
	Residential Facilities	Other Regional Areas	R-2	KDX Jozenji Dori Residence	Sendai-shi, Miyagi	Jan. 15, 2008	Studio	1,015	97.0
			R-3	KDX Izumi Residence	Nagoya-shi, Aichi	Apr. 7, 2009	Family	1,120	92.1
R-4			KDX Chihaya Residence	Nagoya-shi, Aichi	Jul. 28, 2009	Small family	1,080	95.1	
R-5			KDX Sakaisuji Hommachi Residence	Osaka-shi, Osaka	Oct. 25, 2007	Small family	2,910	98.5	
R-7			KDX Takarazuka Residence	Takarazuka-shi, Hyogo	Feb. 29, 2008	Family	1,510	96.4	
R-8			KDX Shimizu Residence	Fukuoka-shi, Fukuoka	May 2, 2008	Small family	1,680	96.7	
R-9			KDX Residence Odori Koen	Sapporo-shi, Hokkaido	Jan. 4, 2007	Small family	765	100.0	
R-10			KDX Residence Kikusui Yojo	Sapporo-shi, Hokkaido	Feb. 22, 2007	Small family	830	90.3	
R-11			KDX Residence Toyohira Koen	Sapporo-shi, Hokkaido	Feb. 17, 2007	Small family	445	95.2	
R-13			KDX Residence Ichiban-cho	Sendai-shi, Miyagi	Apr. 26, 2007	Small family	530	92.4	
R-14			KDX Residence Kotodai	Sendai-shi, Miyagi	Oct. 7, 2006	Small family	520	88.9	
R-15			KDX Residence Izumi Chuo	Sendai-shi, Miyagi	Mar. 1, 2007	Small family	480	95.8	
R-16			KDX Residence Higashi-sakura I	Nagoya-shi, Aichi	Jan. 21, 2008	Small family	2,350	90.4	
R-17			KDX Residence Higashi-sakura II	Nagoya-shi, Aichi	Mar. 2, 2006	Small family	900	89.5	
R-18			KDX Residence Jingumae	Nagoya-shi, Aichi	Feb. 14, 2007	Small family	840	96.9	
R-19			KDX Residence Nishi-oji	Kyoto-shi, Kyoto	Mar. 12, 2007	Studio	813	100.0	
R-20			KDX Residence Saion	Kyoto-shi, Kyoto	Jul. 4, 2006	Studio	440	96.1	
R-21			KDX Residence Namba	Osaka-shi, Osaka	Jul. 12, 2006	Studio	1,410	95.5	
R-22			KDX Residence Namba-minami	Osaka-shi, Osaka	Apr. 27, 2007	Studio	1,350	97.3	
R-23		KDX Residence Shin-osaka	Osaka-shi, Osaka	Feb. 17, 2007	Small family	510	100.0		
R-24		KDX Residence Ibaraki I・II	Ibaraki-shi, Osaka	May 27, 1991 Mar. 17, 1993	Family	1,275	100.0		
R-25		KDX Residence Toyonaka-minami	Toyonaka-shi, Osaka	Mar. 5, 2007	Small family	740	95.8		
R-26		KDX Residence Moriguchi	Moriguchi-shi, Osaka	Oct. 26, 2006	Family	551	96.5		
R-27		KDX Residence Sannomiya	Kobe-shi, Hyogo	Jan. 10, 2007	Studio	1,080	98.3		
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	94.9		
R-33		KDX Residence Hirao Josui-machi	Fukuoka-shi, Fukuoka	Oct. 18, 2005	Family	760	100.0		
R-34		Melody Heim Gotenyama	Hirakata-shi, Osaka	Jul. 14, 1989	Family	400	94.5		
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	97.4		
R-37		KDX Residence HommachiBASHI	Osaka-shi, Osaka	Feb. 28, 2007	Small family	3,201	98.9		
R-38	KDX Residence Minami-kusatsu	Kusatsu-shi, Shiga	Mar. 4, 2008	Studio	1,974	100.0			
R-39	KDX Residence Ohori Harbor View Tower	Fukuoka-shi, Fukuoka	Feb. 17, 2009	Small family	4,606	90.5			
R-40	KDX Residence Minami-sanjo	Sapporo-shi, Hokkaido	Dec. 14, 2010	Small family	915	92.3			
R-41	Serenite Kita-kyuhoji	Osaka-shi, Osaka	Jul. 10, 2015	Studio	1,290	98.7			
R-42	Serenite Nishinomiya Hommachi	Nishinomiya-shi, Hyogo	Feb. 24, 2016	Studio	617	88.7			
R-43	KDX Residence Nishijin	Fukuoka-shi, Fukuoka	Apr. 30, 1996	Small family	1,600	89.5			
R-44	Serenite Kobe Motomachi	Kobe-shi, Hyogo	Feb. 19, 2017	Single	2,390	—			
R-45	KDX Residence Shukugawa Hills	Nishinomiya-shi, Hyogo	Aug. 26, 1998	Family	6,884	—			
Residential Facilities / Other Regional Areas 41 props						Total / Ave.	57,647	95.8	
Residential Facilities 118 props						Total / Ave.	176,994	96.8	

Portfolio List

Use	No.	Name	Location	Completion Date	Type ^(Note 8)	Acquisition Price (mln yen)	Actual Occupancy Rate ^(Note 3) (%)
Healthcare Facilities	H-1	Irise Kamata/Yuseien	Ota-ku, Tokyo	Jun. 8, 2007	Nursing Care	1,120	95.8
	H-2	Nichii Home Nakano-Minamidai	Nakano-ku, Tokyo	Jun. 25, 1992	Nursing Care	1,780	75.9
	H-3	Joy Stage Hachioji	Hachioji-shi, Tokyo	Oct. 31, 1995	Nursing Care	3,690	90.9
	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	70.8
	H-6	Ten	Sapporo-shi, Hokkaido	Sep. 5, 2007	Nursing Care	2,630	87.1
	H-7	Irise Nishioka	Sapporo-shi, Hokkaido	May 9, 2014	Residential	858	89.2
	H-8	Joy Stage Hachioji	Eniwa-shi, Hokkaido	Jan. 28, 2015	Residential	1,660	91.8
	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	87.0
	H-11	Sompo Care LAVIERE Kobe Tarumi	Kobe-shi, Hyogo	Mar. 3, 2010	Nursing Care	2,110	95.0
	H-12	Granda Mondo Yakuin	Nishinomiya-shi, Hyogo	Jul. 18, 2014	Residential	1,190	N/A
	H-13	Excellent Nishinomiya	Nishinomiya-shi, Hyogo	Feb. 8, 2010	Nursing Care	971	100.0
	H-14	Gran Hills Ogawarako	Kamikita-gun, Aomori	Mar. 23, 2007	Serviced housing	1,380	100.0
	H-15	Excellent Kitano	Kyoto-shi, Kyoto	Mar. 1, 2015	Residential	737	97.6
	H-16	Anesis Teradacho	Osaka-shi, Osaka	Dec. 31, 2010	Nursing and health facility	3,490	—
	H-17	Rococo-riha	Toyonaka-shi, Osaka	Apr. 19, 2011	Nursing and health facility	2,100	—
	H-18	Orage Suma	Kobe-shi, Hyogo	Sep. 14, 2010	Nursing and health facility	2,810	—
	H-19	Canadian Hill	Kobe-shi, Hyogo	Jan. 15, 2002	Nursing and health facility	1,830	—
	H-20	Anesis Hyogo	Kobe-shi, Hyogo	Sep. 12, 2005	Nursing and health facility	1,420	—
Healthcare Facilities 20 props						41,385	—
Total 138 props						218,379	—

(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 July 2018.

(Note 3) "Actual Occupancy Rate" = Number of residents / number of rooms on June 2018. "Actual Occupancy Rate" is based on documents from operators but that of "Granda Mondo Yakuin" 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 property name has been changed from "Bereau Kagurazaka" on February 5, 2018.

(Note 5) The property name has been changed from "Alpha Eniwa Sta. Nishiguchi Saikaihatsu Building" on April 1, 2018. 2018

(Note 6) T-9 "Cosmo Heim Motosumiyoshi (Land)" is classified as "Other", but in the above list, "Cosmo Heim Motosumiyoshi (Land)" is included in residential facility.

(Note 7) The list above shows the assets held as of August 2, 2018.

(Note 8) If there are multiple facility types, the main facility types are listed.

Main properties

Daily life convenience

Jigurai

Residential Facilities



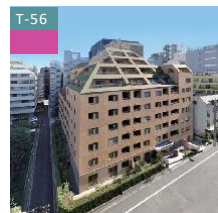
KDX Residence Toyosu



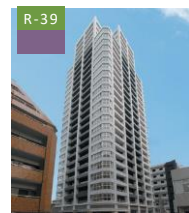
KDX Daikanyama Residence



KDX Residence Togoshi



KDX Residence Hanzomon



KDX Residence Ohori
Harbor View Tower

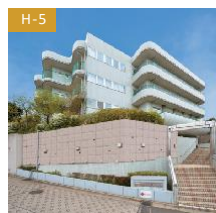
Residential Facilities



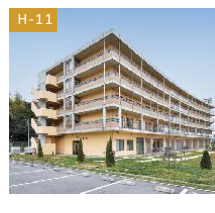
KDX Residence Toyosu



Joy Stage Hachioji



Nichii Home Tama Plaza

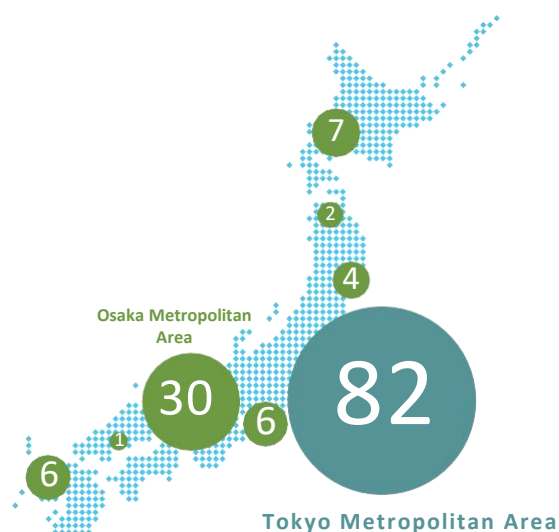
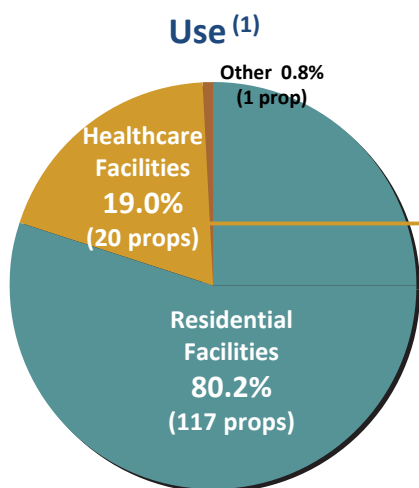


Sompo Care LAVIERE
Kobe Tarumi



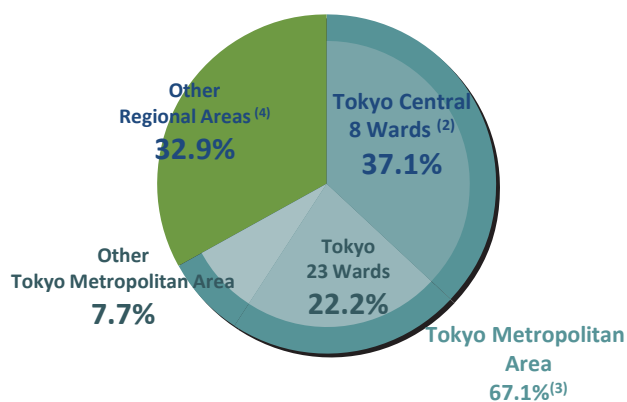
Ten

Overview of Portfolio

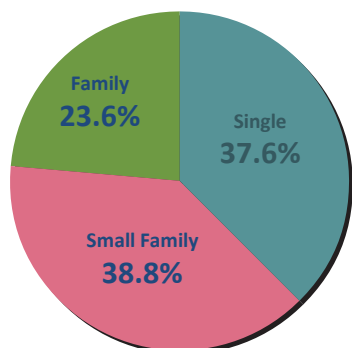


Residential Facilities

Area (1)

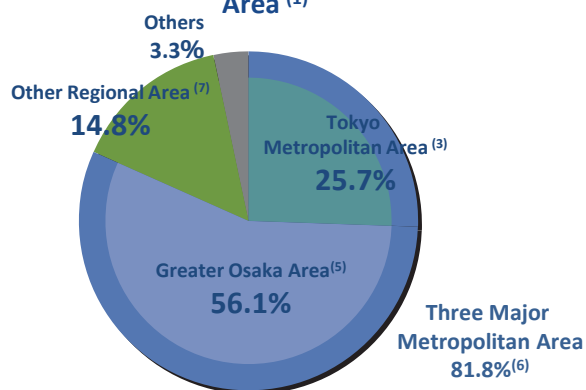


Room type (1)

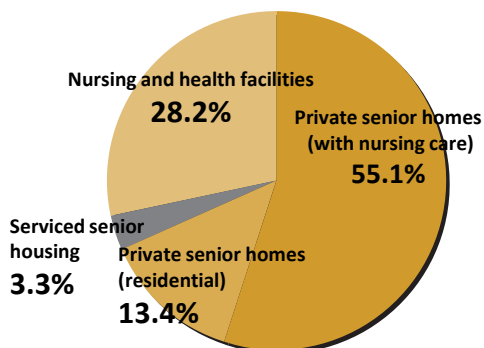


Healthcare Facilities

Area (1)



Use (1)



(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.

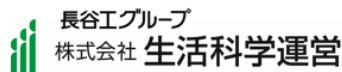
(Note 5) "Greater Osaka Area" includes Osaka, Kyoto, Nara, Hyogo and Shiga.

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

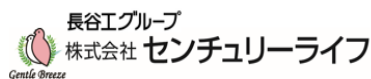
(Note 7) "Other Regional Areas" include other regional cities excluding "Three Major Metropolitan Areas".

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

Unitholders' benefit programs



Seikatsu Kagaku Un-Ei Co., Ltd.	
Benefits	• Same-day facility site-visit (with lunch) free of charge
Eligible Person	Unitholder and his / her spouses and his / her relatives (up to the second degree)
Facilities Available	All of the private senior homes (with nursing care) operated by Seikatsu Kagaku Un-Ei Co., Ltd. as of July 31,2018.
The Number of Facilities	26
Area	Tokyo, Saitama, Kanagawa, Chiba, Shizuoka, Aichi, Kyoto, Hyogo, Osaka
Contact No.	+81-120-580-731
Homepage	http://www.seikatsu-kagaku.co.jp/



CENTURY LIFE CORPORATION	
Benefits	• Same-day facility site-visit(with lunch) free of charge
Eligible Person	Unitholder and his / her spouses and his / her relatives (up to the second degree)
Facilities Available	All the private senior homes (with nursing care) and Serviced senior Housing operated by CENTURY LIFE CORPORATION as of July 31,2018.
The Number of Facilities	10
Area	Tokyo, Saitama, Chiba, Kanagawa, Osaka
Contact No.	+81-120-580-731
Homepage	http://www.centurylife.co.jp/



LIXIL SENIOR LIFE COMPANY	
Benefits	≪On the condition of advance payment≫ • Discount on one-time payment for resident (¥ 300,000 discount) • Trial residence free of charge (1-night, 2-day stay, with dinner and breakfast) • Same-day facility site-visit (with lunch) free of charge
Eligible Person	Unitholder and his / her spouses and his / her relatives (up to the second degree)
Facilities Available	All of Private senior homes (with nursing care)and apartment for the elderly operated by LIXIL SENIOR LIFE COMPANY as of July 31,2018.
The Number of Facilities	5
Area	Tokyo, Fukuoka
Contact No.	+81-120-1165-97
Homepage	https://www.jsdsl.co.jp/



Sompo Care Inc.	
Benefits	I . Sompo Care LAVIERE • ≪ On the condition of advance payment≫ 3% discount on one-time payment for resident • ≪On the condition of monthly payment≫ 3% discount on monthly rent equivalent (Until the contract ends) • Same-day facility site-visit (with lunch) free of charge II . Private senior homes (with nursing care) for Sompo Care Sompo no ie, Sompo no ie S, Sompo no ie GH, the private senior homes (with nursing care) 、 Serviced housing for the elderly, Group homes • 3% discount on monthly rent equivalent (Until the contract ends) • Same-day facility site-visit(with lunch) free of charge (Only applicable to SOMPO no ie)
Eligible Person	Unitholder and his / her spouses and his / her relatives (up to the second degree)
Facilities Available	I . Sompo Care LAVIERE operated by Sompo Care Inc as of July 31,2018. (Excluding short-term use) II . All of the private senior homes (with nursing care) for Sompo Care Sompo no ie, Sompo no ie S, Sompo no ie GHthe private senior homes (with nursing care) 、 Serviced senior housing, Group homes operated by Sompo Care Inc. as of July 31,2018. (Excluding the facilities for short-term use, franchise contractor, business partner, the operator other that Sompo care Inc.)
The Number of Facilities	424
Area	Hokkaido, Akita, Miyagi, Saitama, Chiba, Tokyo Kanagawa, Yamanashi, Shizuoka, Aichi, Mie, Kyoto, Osaka, Hyogo, Nara, Okayama, Hiroshima, Kagawa, Fukuoka, Kumamoto
Contact No.	+81-120-155-703
Homepage	https://www.sompocare.com/



HITOWA Care Service Co., Ltd.	
Benefits	• Same-day facility site-visit(with lunch) free of charge • Discount on usage charge for two-month equivalent
Eligible Person	Unitholder and his / her spouses and his / her relatives (up to the second degree) ※A resident of the requested healthcare facility is ineligible and use of another company's introduction system is unavailable as well.
Facilities Available	All of the private senior homes (with nursing care) operated by HITOWA Care Service Co., Ltd as of July 31,2018.
The Number of Facilities	99
Area	Hokkaido, Miyagi, Saitama, Chiba, Tokyo, Kanagawa, Nagano, Hyogo, Okinawa
Contact No.	+81-120-12-2943
Homepage	http://www.irs.jp/



Nichii Carepalace Company	
Benefits	<ul style="list-style-type: none"> • Same-day facility site-visit (with lunch) free of charge • Trial residence free of charge (1-night, 2-day stay, with dinner, lunch and breakfast)
Eligible Person	Unitholder and his / her spouses and his / her relatives (up to the second degree)
Facilities Available	All of the private senior homes (with nursing care) operated by Nichii Carepalace Company as of July 31,2018.
The Number of Facilities	73
Area	Tokyo, Saitama, Chiba, Kanagawa, Shizuoka
Contact No.	+81-120-555-800
Homepage	http://www.nichii-carepalace.co.jp/



Sawayaka Club Corporation	
Benefits	<ul style="list-style-type: none"> • 10% discount on usage charge for first month • Trial residence free of charge (1-night, 2-day stay, with dinner and breakfast) • Same-day facility site-visit(with lunch) free of charge
Eligible Person	Unitholder and his / her spouses and his / her relatives (up to the second degree)
Facilities Available	All of the private senior homes (with nursing care) operated by Sawayaka Club Corporation as of July 31,2018.
The Number of Facilities	68
Area	Saitama, Chiba, Kanagawa, Niigata, Shizuoka, Aichi, Mie, Kyoto, Osaka, Hyogo, Ehime, Wakayama, Fukuoka, Oita
Contact No.	+81-120-958-490
Homepage	http://www.sawayakaclub.jp/



Excellent Care System Co., Ltd.	
Benefits	<ul style="list-style-type: none"> •10% discount on usage charge for first month • Trial residence free of charge (1-night, 2-day stay, with dinner and breakfast) •Same-day facility site-visit (with lunch) free of charge
Eligible Person	Unitholder and his / her spouses and his / her relatives (up to the second degree)
Facilities Available	All of the private senior homes (with nursing care) operated by Excellent Care System Co., Ltd. as of July 31,2018.
The Number of Facilities	15
Area	Tokyo, Kanagawa, Kyoto, Hyogo, Tokushima
Contact No.	+81-42-538-1165
Homepage	http://www.excare.co.jp/



NM LIFE Co., Ltd.	
Benefits	<ul style="list-style-type: none"> •Discount on one-time payment for resident (¥ 200,000 discount) •Trial residence free of charge, up to three times (1-night, 2-day stay, with dinner and breakfast)•Same-day facility site-visit(with lunch) free of charge (up to three times)
Eligible Person	Unitholder and his / her spouses and his / her relatives (up to the second degree)
Facilities Available	Joy Stage Hachioji
The Number of Facilities	1
Area	Tokyo
Contact No.	+81-120-38-0161
Homepage	http://www.joystage.com/

(Note1) A resident of the requested healthcare facility is ineligible .

(Note2) The are and the number of facilities are as of July 31, 2018.

(Note3) There may be restrictions on trial residence due to the operating condition of operators.

(Note 4) In the case of private senior homes (with nursing care), those who are not required for nursing care may not be able to use this Unitholder Benefits Program .

(Note 5) It may be necessary to consult with care manager and Medical checkup before trial residence.

Unitholders' benefit programs

Through the utilization of the Unitholder Benefit Program, KDR hope that the unitholders and their families will be able to realize healthy longevity.

General Outline of the Unitholder Benefit Program	
1. Eligible Unitholder	Unitholders stated or recorded on the unitholders' register of the Investment Corporation as of July 31, 2018 will be eligible for the unitholder benefit program.
2. Contents	Unitholders owing more than 1 unit will be entitled to the benefits as described previous page.
3. Method for the Use of Benefits	Please present Semi-annual Report for the fiscal period ending July 2018 (13th fiscal period) and the paper setting forth the name, address, etc. of the unitholder, which is enclosed in the Semi-annual Report, to the healthcare facility.
4. Validity Period	April 30, 2019
Q&A	
About Benefit program	Q At which facilities will I be eligible for benefit programs?
	A Facilities offering programs are shown on the list, but applicable facility types vary depending on each operator. Please call the operator to find out which facilities offer benefit programs.
	Q How can I check the details of benefit programs?
	A Details of benefit programs vary depending on each operator. Moreover, there may be some restrictions to benefit programs due to the operational status of facilities and such. Please call the operator to find out the details of the benefit programs.
How to use	Q What are the procedures required to use the program?
	A Please call and tell the operator that you wish to use the "Unitholder Benefit Program." You will be provided with detailed information on necessary procedures.
	Q What do I need to bring when using the program?
	A Please bring the document enclosed with this Semi-annual Report affixed with your address, name and other information. Some operators or facilities may require additional confirmation documents. Please confirm the details with the relevant operator.
	Q Can I go directly to a facility when I want to see the facility or do a trial residence?
	A If you visit a facility without prior notice, they may not be able to respond to your request depending on the operational status or vacancy status. Please call the operator in advance and receive instructions before a visit.

II. Asset management report

1. Outline of asset management operation

(1) Operating result and financial position

	Fiscal period	Unit	9th	10th	11th	12th	13th
			From Feb. 1, 2016 to Jul. 31, 2016	From Aug. 1, 2016 to Jan. 31, 2017	From Feb. 1, 2017 to Jul. 31, 2017	From Aug. 1, 2017 to Jan. 31, 2018	From Feb. 1, 2018 to Jul. 31, 2018
Operating result	Operating revenues	mil.yen	5,333	5,468	5,574	5,681	7,097
	(Rental revenues)	mil.yen	5,329	5,437	5,574	5,671	6,655
	Operating expenses	mil.yen	2,610	2,629	2,741	2,791	3,657
	(Expenses related to rent business)	mil.yen	2,032	2,050	2,124	2,107	2,554
	Operating income	mil.yen	2,723	2,838	2,833	2,889	3,439
	Ordinary income	mil.yen	2,193	2,311	2,316	2,353	2,842
Net income	mil.yen	2,192	2,310	2,315	2,352	5,416	
Asset	Total asset	mil.yen	159,948	167,276	167,316	176,813	213,558
	(period to period change)	%	(Δ0.1)	(+4.6)	(+0.0)	(+5.7)	(+20.8)
	Interest-bearing debt	mil.yen	74,800	81,800	81,800	91,130	106,130
	Unitholders' equity	mil.yen	82,365	82,552	82,559	82,650	98,745
(period to period change)	%	(Δ0.0)	(+0.2)	(+0.0)	(+0.1)	(+19.5)	
Unitholders' capital	mil.yen	80,132	80,132	80,132	80,132	80,132	
Distribution per unit	Total distribution	mil.yen	2,220	2,280	2,315	2,424	3,152
	Dividend payout ratio(Note2)	%	101.3	98.7	100.0	103.1	58.2
	Number of investment units issued and outstanding	unit	349,089	349,089	349,089	349,089	782,928
	Net income per unit (Note 3,4)	yen	6,279	6,617	6,632	3,369	7,036
	Unitholders' equity per unit (Note 3)	yen	235,943	236,478	236,498	118,379	126,123
	Distribution per unit	yen	6,360	6,533	6,633	6,946	4,026
	Profit distribution	yen	6,360	6,533	6,633	6,946	4,026
Distribution in excess of profit	yen	—	—	—	—	—	
Financial indicator	Return on assets (Note 5)	%	1.4	1.4	1.4	1.4	1.5
	Annualized (Note 6)	%	2.7	2.8	2.8	2.7	2.9
	Return on net assets (Note 7)	%	2.7	2.8	2.8	2.8	6.0
	Annualized (Note 6)	%	5.3	5.6	5.7	5.6	12.0
	Net asset ratio	%	51.5	49.4	49.3	46.7	46.2
	(period to period change)	%	(+0.0)	(Δ2.1)	(Δ0.0)	(Δ2.6)	(Δ0.5)
	Interest-bearing debt ratio on assets (Note 8)	%	46.8	48.9	48.9	51.5	49.7
	FFO (Note 8) (Funds from Operation)	mil.yen	3,104	3,189	3,227	3,295	6,126
	FFO per unit (Note 3,10)	yen	8,892	9,137	9,246	4,720	7,824
	Leasing NOI (Note11) (Net Operating Income)	mil.yen	4,153	4,265	4,335	4,486	5,245
	Annualized NOI yield (Note 6,12)	%	5.6	5.5	5.6	5.4	5.5
Leasing NCF(Note 13) (Net Cash Flow)	mil.yen	3,990	4,044	4,094	4,199	4,808	
Annualized NCF yield (Note 6,14)	%	5.4	5.2	5.3	5.1	5.0	

Reference	Number of properties(Residential)	properties	105	113	113	115	129
	Leased units (Note 15)	unit	6,952	7,229	7,285	7,646	7,552
	Total leasable floor area (Note 15)	m ²	286,310.51	292,324.33	292,324.33	303,608.43	410,556.41
	Occupancy ratio (Note 15)	%	95.9	96.2	96.8	97.0	97.6
	Depreciation expenses	mil.yen	857	878	884	921	1,144
	Capital expenditures	mil.yen	163	220	241	286	436

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

(Note 2) Dividend payout ratio = Total distribution(excluding Distribution in excess of profit)/Net income×100
Net income for 13th fiscal period include negative goodwill of 2,574 million yen.

(Note 3) 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 4) Net income per unit is calculated by the net income divided by weighted average of number of investment units

(Note 5) Return on assets = Net income / {(Total assets at the beginning of period + Total assets at the end of period)/2} × 100

(Note 6) Annualized values for the 9th fiscal period are calculated based on a period of 182 days, 184 days for 10th fiscal period, 181 days for 11th fiscal period, 184 days for 12th fiscal period, 181 days for 13th fiscal period.

(Note 7) Return on net assets = Net income / {(Total net assets at the beginning of period + Total net assets at the end of period) / 2} × 100

(Note 8) Interest-bearing debt ratio of assets = Interest-bearing debt at the end of period / Total assets at the end of period×100

(Note 9) FFO = Net income + Depreciation expenses + Amortization of deferred assets - Gain on sale of real estate property + Loss on sale of real estate property. Net income for 13th fiscal period include negative goodwill of 2,574 million yen.

(Note 10) FFO per unit = FFO / Number of investment units issued and outstanding(rounded down to the nearest ¥1)

(Note 11) Leasing NOI = Rental revenues - Expenses related to rent business + Depreciation expenses

(Note 12) Annualized NOI yield = Annualized NOI / Total acquisition prices of properties × 100

(Note 13) Leasing NCF = Leasing NOI - Capital expenditures

(Note 14) Annualized NCF yield = Annualized NCF / Total acquisition prices of properties × 100

(Note 15) Figure and ratio include for land. Excluding figure and ratio for land are as follows.

	9th fiscal period	10th fiscal period	11th fiscal period	12th fiscal period	13th fiscal period
Total leasable floor area (m ²)	286,310.51	292,324.33	292,324.33	303,608.43	407,516.30
Occupancy ratio (%)	95.9	96.2	96.8	97.0	97.6

(2) Outline of asset management operation for the 13th 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). Afterwards, the Investment Corporation issued new investment units through three public offerings and by way of third-party allotment. Most recently, the Investment Corporation implemented a 2-for-1 investment unit split with March 1, 2018 as the effective date, and also at the same time conducted an absorption type merger (“the Merger”) with the Investment Corporation as the surviving corporation and Japan Senior Living Investment Corporation (“JSL”) as the absorbed corporation. As of the end of the 13th fiscal period (July 31, 2018), the number of properties was 129 (total acquisition price: 192,889 million yen (excluding silent partnership equities; the same applies hereinafter)) and the number of investment units issued and outstanding totaled 782,928 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. As the asset manager, the Asset Management Company provides real estate investment management services with flexibility and agility unique to a J-REIT (Note 2) sponsored by an independent real estate management company by flexibly pursuing optimal investment opportunities and income opportunities and agilely investing and managing based on swift information gathering and decision-making while accurately grasping real estate-related trends.

(Note 1) The Investment Corporation changed its name from Kenedix Residential Investment Corporation to Kenedix Residential Next Investment Corporation on March 1, 2018.

(Note 2) “J-REIT” is an investment corporation listed on the real estate investment trust of the Tokyo Stock Exchange.

② Operating Environment

The Japanese economy continues its gradual recovery with improvement seen in employment, income growth, 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.

Concerning the environment surrounding healthcare facilities, with one of the longest average life expectancies for both men and women, Japan now has a super-aging society (Note) which no other country has ever experienced, and the "aging," or the increase in the ratio of the elderly population against total population and the increase in elderly population itself, is expected to continue going forward. As is responding to such trends, the number of senior care facilities such as Private senior homes (with nursing care) and Serviced senior housing has been on the rise in recent years. The Investment Corporation believes that demand for senior care facilities, including nursing care facilities, will continue to increase.

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 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, due to the ongoing harsh property acquisition environment, expected yield is likely to remain at a low level.

(Note) "Super-aging society" refers to a society with a population aging rate (ratio of the elderly population aged 65 or over against total population) exceeding 21%, as defined by the World Health Organization and the United Nations.

③ Operating Results

(A) Acquisition and Sale of assets

The Investment Corporation succeeded 14 healthcare facilities (acquisition price: 28,998 million yen) from JSL through the Merger in the 13th fiscal period. In addition, after comprehensively taking into account the composition of the entire portfolio, earnings power in the future, etc., the Investment Corporation sold 1 residential property (KDX Shimmachi Residence, sold price: 1,420 million yen) and acquired 1 healthcare facility (Excellent Kitano, acquisition price: 737 million yen) at the same time. Furthermore, with the primary purpose of flexible growth in asset size and securing additional income opportunities, the Investment Corporation acquired a subordinated silent partnership equity (acquisition price: 110 million yen) in G.K. Tropic Three, whose assets under management include 2 healthcare facilities. As a result of the above, as of the end of the 13th fiscal period, we owned a total of 129 properties (total acquisition price: 192,889 million yen), which consist of 113 residential properties (acquisition price: 161,404 million yen), 15 healthcare facilities (acquisition price: 29,735 million yen) and 1 other property (land with leasehold interest; acquisition price: 1,750 million yen).

(B) Management of real estate holdings

With respect to residential, The Investment Corporation managed our real estate holdings by working with a property management company (“PM Company”) that operates and manages properties, 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 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 for residential as a whole had an occupancy rate of 96.8% as of the end of fiscal period (July 31, 2018). During the fiscal period, the average occupancy rate was high at 97.0% as same as the previous fiscal period.

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 four properties, 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 5 properties obtained certification as of 13th fiscal period.

Concerning healthcare facilities, the Investment Corporation discussed and proposed value-enhancement work of facilities helped by good relationships with operators, in addition to implementing adequate maintenance work. Moreover, as part of operator monitoring activities, the Investment Corporation visits facilities as necessary to check their operational status while also inquiring about business conditions, future management policies, etc. through interviews with operation managers, etc. During the 13th fiscal period, status succession occurred at two facilities in line with mergers of operators.

As a result of the above, the occupancy rate of healthcare facilities stood at 100.0% as of the end of the 13th fiscal period (July 31, 2018). Furthermore, the average occupancy rate in the 13th fiscal period also marked 100.0%.

The occupancy rate for the entire portfolio including land with leasehold interest was 97.6% as of the end of the 13th fiscal period (July 31, 2018).

(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 succeeded borrowing for JSL of 15,000million yen and 7,130 million yen in loans as funds for repaying the borrowings for which repayment was due during the 13th fiscal period. The outstanding debt balance as of the end of the 13th fiscal period (July 31, 2018) was 103,130 million yen.

As a result of the foregoing, the average remaining interest-bearing debt (Note 1) was 4.5 years, and the average interest rate at the end of the 13th fiscal period (Note 2) was 1.08%. The long-term debt ratio (Note 3) came to 84.8%, the fixed interest-rate ratio (Note 4) was 95.2%, and the loan to value ratio (LTV) came to 49.7%.

(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) 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 4) The fixed interest-rate ratio = (balance of fixed interest-ratio 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 (July 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, 2018 with the following overview.

Planned issuance amount	100,000 million yen
Planned issuance period	From July 6, 2018 to July 5, 2020
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.

④ Over view of Financial Results and Cash Distribution

As a result of these management efforts, the Investment Corporation reported total operating revenues of 7,097 million yen, operating income of 3,439 million yen, ordinary income of 2,842 million yen and net income of 5,416 million yen for the current fiscal period.

In regard to profit distributions for the 13th 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 to distribute unappropriated retained earnings of 3,152,068,128 yen as profit distribution for the 13th fiscal period, which is the amount of part of gain on negative goodwill, part of gain on sale of real estate property and other adjustments deducted

from net income.

In the event we have gains from property sales, we will consider whether we need similar internal reserves as long as net profit, 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		Unitholders' capital		Note
		Issued and outstanding		(Million yen)		
		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)
March 1, 2018	Investment unit split	349,089	698,178	—	80,132	(Note 7)
March 1, 2018	Marger	84,750	782,928	—	80,132	(Note 8)

(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.

(Note 8) In connection with the Merger, 1 KDR unit following the Investment Unit Split was allocated to every JSL unit with 84,750 JSL units newly issued on March 1, 2018.

【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 are as follows.

Fiscal period	9th	10th	11th	12th	13th ^(Note)
As of/for the six months ended	July 31, 2016	January 31, 2017	July 31, 2017	January 31, 2018	July 31, 2018
Highest price	313,000	319,000	320,500	329,500	172,800
Lowest price	264,600	272,400	263,100	274,800	148,400

(Note) 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.

Figures for the 13th fiscal period take into account the investment unit split.

(4) Distributions

The distribution for the 13th fiscal period is 4,026 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 unappropriated retained earnings of 3,152,068 thousand yen as profit distribution for the 13th fiscal period, which is the amount of part of gain on negative goodwill, part of gain on sale of real estate property and other adjustments deducted from net income.

Fiscal period		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	13th From Feb.1, 2018 to Jul.31, 2018
Unappropriated retained earnings	(Thousand yen)	2,275,223	2,365,163	2,400,002	2,437,011	5,428,676
Retained earnings	(Thousand yen)	55,017	84,564	84,495	12,239	2,276,608
Total distribution	(Thousand yen)	2,220,206	2,280,598	2,315,507	2,424,772	3,152,068
(Distribution per unit)	(Yen)	(6,360)	(6,533)	(6,633)	(6,946)	(4,026)
Profit distribution	(Thousand yen)	2,220,206	2,280,598	2,315,507	2,424,772	3,152,068
(Profit distribution per unit)	(Yen)	(6,360)	(6,533)	(6,633)	(6,946)	(4,026)
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 primarily invests in residential facilities mainly used as rental residential properties, etc., healthcare facilities such as Private senior homes (with nursing care) and accommodations such as hotels, based on the three core strategies: “Consistent External Growth by Making Use of Good Judgment,” “Efficient Profit Management” and “Challenge to New Business Opportunities.”

Going forward, the Investment Corporation will continue to seek maximization of unitholder value by evolving into a REIT capable of adapting to change in social/economical structures and improving its “stability” and “ability to pursue growth,” through diversified investment in “spaces where people live and stay” encompassing residential facilities, healthcare facilities and accommodations.

(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 invests also in rental residential properties and other residential facilities located mainly in greater Tokyo and in Other Regional Areas (government-designed municipalities and other regional cities. The same applies hereinafter.) by discerning room types where stable rent demand can be expected, in accordance with the locational characteristics after analyzing the attractiveness of the land in detail.

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 and) healthcare facilities and iii) accommodations and Residential REIT department is applied for those having a priority consideration right to responsible for the asset management of the Investment Corporation) 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

Issuance of New Investment Units

The Investment Corporation resolved at the Board of Directors' meeting on July 13, 2018 and July 24, 2018 to issue new investment units to apply the funds toward a payment for the acquisition of specified assets.

Payment has been completed on August 1, 2018, and issuance of new investment units by third-party allotment has been completed on August 29, 2018.

As a result, Unitholders' capital came to 93,226,228,903yen and Number of investment units issued and outstanding came to 869,133 units as of August 29, 2018.

(Issuance of New Investment Units through Public Offering)

Total number of units to be offered	: 82,100 unit
Issue price (offer price)	: 157,047 yen per unit
Total amount issue price (offer price)	: 12,893,558,700 yen
Purchase price (Amount to be paid in)	: 151,892 yen per unit
Total amount purchase price(Amount to be paid in)	: 12,470,333,200 yen

Payment date : August 1, 2018

(New Investment Units by Third-Party Allotment)

Number of units to be issued : 4,105 units

Issue Price (Paid-in-Value) : 151,892 yen per unit

Purchase price (Amount to be paid in) : 623,516,660 yen

Payment date : August 29, 2018

Allottee : SMBC Nikko Securities Inc.

(Reference)

① Acquisition of assets

The Investment Corporation acquired the following trust beneficiary interest in real estate on August 2, 2018.

Date of Acquisition	Property number	Property name	Location	Previous Owner	Acquisition Price (million yen) (Note)
August 2, 2018	T-79	KDX Residence Asagaya	Suginami-ku, Tokyo	G.K. Tropic II	1,930
	T-80	KDX Residence Hiyoshi	Yokohana-shi, Kanagawa	G.K. Tropic II	2,635
	R-44	Serenite Kobe Motomachi	Kobe-shi, Hyogo	G.K. Tropic II	2,390
	R-45	KDX Residence Shukugawa Hills	Nishinomiya-shi, Hyogo	G.K. Tropic I	6,884
	H-16	Anesis Teradacho	Osaka-shi, Osaka	G.K. KSLF8	3,490
	H-17	Rococo-riha	Toyonaka-shi, Osaka	G.K. KSLF8	2,100
	H-18	Orange Suma	Kobe-shi, Hyogo	G.K. KSLF8	2,810
	H-19	Canadian Hill	Kobe-shi, Hyogo	G.K. KSLF8	1,830
	H-20	Anesis Hyogo	Kobe-shi, Hyogo	G.K. KSLF8	1,420
Total					25,490

(Note) "Acquisition Price" is the sales amount of each trust beneficiary interest (excluding acquisition costs, property tax, city planning tax or consumption tax, etc.) indicated in each trust beneficiary interest sales contract concerning the to-be acquired assets and is rounded down to the nearest thousand yen.

② Borrowing

The Investment Corporation implemented debt financing of 12,700 million yen (series 28) to apply the funds toward a payment for the acquisition of specified assets on August 2, 2018.

2. Outline of the Investment Corporation

(1) Investment unit

Fiscal period	9th July 31,2016	10th January 31,2017	11th July 31,2017	12th January 31,2018	13th July 31,2018
Number of investment units authorized (Unit)	5,000,000	5,000,000	5,000,000	5,000,000	10,000,000
Number of investment units issued and outstanding (Unit)	349,089	349,089	349,089	349,089	782,928
Total Unitholders' equity (Million yen)	80,132	80,132	80,132	80,132	80,132
Number of unitholders(people)	10,063	9,009	9,328	8,466	12,847

(2) Unitholders

Major unitholders as of July 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	242,472	30.96
The Master Trust Bank of Japan, Ltd. (trust account)	11-3, Hamamatsu-cho 2-chome,Minato-ku, Tokyo	160,306	20.47
Trust & Custody Services Bank, Ltd. (securities investment trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo Harumi Island Toriton Square Office Tower Z	30,374	3.87
The Nomura Trust and Banking Co., Ltd.	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	23,847	3.04
Kenedix, Inc.	2-1 Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo	16,570	2.11
Mizuho Trust & Banking Co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	14,764	1.88
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	14,562	1.85
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	13,482	1.72
The Gunma Bank, Ltd.	194, Motosojamachi, Maebashi-shi, Gunma	12,849	1.64
DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	27-30 Shinjuku 6-chome, Shinjuku-ku, Tokyo Standing Proxy, Citibank, N.A., Tokyo Branch	9,124	1.16
Total		538,350	68.76

(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 13th fiscal period are as follows.

Post	Name	Major additional post	Compensation or fees for the six months ended July 31,2018 (Thousands of yen)
Executive Director	Keisuke Sato	Kenedix Real Estate Fund Management, Inc. Director & COO, Head of Residential REIT Department and Head of Asset Investment Divisio	1,750
	Katsue Okuda (Note 2)	Ogata Appraisal Corporation, Director Lecturer in Meiji University's Graduate School of Global Business Japan Association of Real Estate Appraisers, Managing director Kudan Ogata Holdings Corporation, Representative director Kudan Urban Appraisal Co., Ltd., Director CERESPO CO.,LTD., Auditor	1,500
Supervisory Director (Note 1)	Osamu Chiba	Akebono Law Office, Attorney Toin Law School, Associate Professor Maruzen Foods Corporation, Outside Auditor Imagica Robot Group Inc. (Note 4) 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
	Soichiro Iwao (Note 2)	Keio University's School of Medicine, Resident professor Hungarian Medical Universities, Director Chigasaki Central Clinic, Director Medical Corporate Body Ken-iku kai, Vice President Medical Corporation Kyo sai kai, Director Medical Corporation Jyo ban kai, Director National Federation of Industrial Health Organization, Director	1,250
Independent auditor (Note 3)	Ernst & Young ShinNihon LLC	—	15,000

(Note 1) Supervisory Director may be an officers of corporations other than mentioned above, but there is no interest in relation to the Investment Corporation.

(Note 2) They are newly appointed as of March 1, 2018 with the merger.

(Note 3) The fee of Independent auditor includes remuneration for Comfort Letter creation work related to issuance of new investment units.

(Note 4) Imagica Robot Holdings Inc. changed it company name to Imagica Robot Group Inc. on October 1, 2018.

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 13th 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	12th As of January 31, 2018		13th As of July 31, 2018	
			Total of net book value (Million yen) (Note 5)	Composition ratio (%) (Note 6)	Total of net book value (Million yen) (Note 5)	Composition ratio (%) (Note 6)
Trust beneficiary interest in real estate	Residential	Tokyo Metropolitan Area (Note 2)	114,209	64.6	113,969	53.4
		Other Regional Area (Note 3)	49,033	27.7	47,808	22.4
	Healthcare	Tokyo Metropolitan Area (Note 2)	—	—	10,593	5.0
		Other Regional Area (Note 3)	—	—	17,613	8.2
		Other (Note 4)	—	—	1,364	0.6
	Total (Trust beneficiary interest in real estate)			163,242	92.3	191,350
Real estate	Other	Tokyo Metropolitan Area (Note 2)	1,798	1.0	1,798	0.8
Total (Real estate)			1,798	1.0	1,798	0.8
Silent partnership equity interest (Note 1)			221	0.1	512	0.2
Bank deposits and other assets			11,551	6.5	19,898	9.3
Total assets			176,813	100.0	213,558	100.0

(Note 1) Silent partnership equity interest of GK Tropic I and GK Tropic II in the 12th fiscal period and of GK Tropic I, GK Tropic II and GK KSLF8 in the 13th fiscal period.

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

(Note 3) “Other regional areas” include government-designed municipalities and other regional cities.

(Note 4) “Other” means cities except Tokyo Metropolitan Area and Other regional areas.

(Note 5) “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 6) “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 July 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	7,789	6,811.38	6,811.38	100.0	2.4	Apartment
H-10	Activa Biwa	6,516	39,649.84	39,649.84	100.0	Undisclosed (Note 5)	Healthcare
T-56	KDX Residence Hanzomon	4,970	4,854.23	4,722.37	97.3	2.0	Apartment
T-1	KDX Daikanyama Residence	4,709	5,338.99	5,338.99	100.0	2.4	Apartment
R-39	KDX Residence Ohori Harbor View Tower	4,630	11,855.63	10,731.22	90.5	2.7	Apartment
T-52	KDX Residence Togoshi	3,771	4,591.76	4,591.76	100.0	1.9	Apartment
H-3	Joy Stage Hachioji	3,673	13,812.27	13,812.27	100.0	Undisclosed (Note 5)	Healthcare
R-35	Leopalace Flat Shin-sakae	3,563	11,589.95	11,589.95	100.0	1.8	Apartment
T-26	KDX Residence Higashi-shinjuku	3,241	4,358.43	4,140.12	95.0	1.7	Apartment
R-37	KDX Residence Honmachibashi	3,196	6,511.88	6,437.13	98.9	1.6	Apartment
Total		46,062	109,374.36	107,825.03	—	21.1	

(Note1) “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 July 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 July 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.

(Note 5) Not disclosed because tenant's consent has not been obtained.

(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.

Use	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)
Residential Facilities	Tokyo Metropolitan Area	T-1	KDX Daikanyama Residence	7-1,Sarugakucho,Shibuya-ku,Tokyo	TBI	4,709	5,680
		T-3	KDX Odemma Residence	3-10,Nihombashi-Odenmacho,Chuo-ku,Tokyo	TBI	1,724	2,040
		T-4	KDX Iwamoto-cho Residence	16-12,Iwamotocho 2-chome,Chiyoda-ku,Tokyo	TBI	797	950
		T-5	KDX Bunkyo Sengoku Residence	3-2,Honkomagome 6-chome,Bunkyo-ku,Tokyo	TBI	1,462	1,740
		T-6	KDX Azumabashi Residence	9-8,Agatsumabashi 1-chome,Sumida-ku,Tokyo	TBI	619	873
		T-7	KDX Shimura Sakaue Residence	16-5,Higashi-Sakashia 1-chome,Itabashiku,Tokyo	TBI	2,698	3,310
		T-10	KDX Musashi Nakahara Residence	18-22, Shimokodanaka 4-chome, Nakahara-ku, Sasaki-shi, Kanagawa	TBI	640	719
		T-11	KDX Chiba Chuo Residence	2-17, Shindencho, Chuo-ku, Chiba-shi, China	TBI	1,350	1,780
		T-12	KDX Kawaguchi Saiwai-cho Residence	14-24, Saiwaicho 2-chome, Kawaguchi-shi, Saitama	TBI	1,122	1,380
		T-13	KDX Residence Shirokane I	7-8, Shiroganedai 4-chome, Minata-ku, Tokyo	TBI	3,092	3,460
		T-15	KDX Residence Shirokane II	7-8, Shiroganedai 4-chome, Minata-ku, Tokyo	TBI	2,867	3,400
		T-16	KDX Residence Minami-aoyama	4-8, Minami-Aoyama 3-chome, Minato-ku, Tokyo	TBI	2,241	2,470
		T-17	KDX Residence Minami-azabu	3-22, Minami-Azabu 2-chome, Minato-ku, Tokyo	TBI	2,081	2,580
		T-18	KDX Residence Shiba Koen	4-16, Shiba 3-chome, Minato-ku, Tokyo	TBI	1,771	2,290
		T-19	KDX Residence Azabu East	25-2, Higashi-Azabu 1-chome, Minato-ku, Tokyo	TBI	1,555	1,910
		T-20	KDX Residence Takanawa	15-7, Takanawa 3-chome, Minatoko-ku, Tokyo	TBI	767	1,020
		T-21	KDX Residence Nishihara	37-4, Nishihara 1-chome, Shibuya-ku, Tokyo	TBI	1,451	1,870
		T-22	KDX Residence Daikanyama II	11-22, Ebisu Nishi 2-chome, Shibuya-ku, Tokyo	TBI	761	935
		T-23	KDX Residence Sendagaya	38-7, Sendagaya 3-chome, Shibuya-ku, Tokyo	TBI	643	805
		T-24	KDX Residence Nihombashi Suitengu	41-6 Nihombashi Hakozaicho, Chuo-ku, Tokyo	TBI	3,187	3,870
		T-25	KDX Residence Nihombashi Hakozaiki	38-1 Nihombashi Hakozaicho, Chuo-ku, Tokyo	TBI	1,167	1,360
		T-26	KDX Residence Higashi-shinjuku	1-9 Okubo 2-chome, Shinjuku-ku, Tokyo	TBI	3,241	3,990
		T-27	KDX Residence Yotsuya	22-50 Arakicho, Shinjuku-ku, Tokyo	TBI	2,253	2,650
		T-28	KDX Residence Nishi-shinjuku	18-15, Nishi-Shinjuku 7-chome, Shinjuku-ku, Tokyo	TBI	1,000	1,290
		T-29	KDX Residence Kagurazaka	8-10, Tsukijicho, Shinjuku-ku, Tokyo	TBI	713	905
		T-30	KDX Residence Futako Tamagawa	31-29, Seta 2-chome, Setagaya-ku, Tokyo	TBI	1,276	1,440
		T-31	KDX Residence Komazawa Koen	21-6 Komazawa 5-chome, Setagaya-ku, Tokyo	TBI	911	1,090
		T-32	KDX Residence Mishuku	37-13, Mishuku 2chome, Setagata-ku, Tokyo	TBI	757	907
		T-33	KDX Residence Yoga	34-21, Seta 5-chome, Setagaya-ku, Tokyo	TBI	699	854
		T-34	KDX Residence Shimouma	21-8, Shimouma 1-chome, Setagaya-ku, Tokyo	TBI	602	741
		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	1,033	1,310
		T-37	KDX Residence Denenchofu	40-14, Denenchofu Honmachi, Ota-ku, Tokyo	TBI	1,064	1,210
		T-38	KDX Residence Tamagawa	9-17, Tamagawa 1-chome, Ota-ku, Tokyo	TBI	750	920
		T-39	KDX Residence Monzennakacho	6-7, Kiba 3-chome, Koto-ku, Tokyo	TBI	768	961
		T-40	KDX Residence Okachimachi	28-4, Taito 2-chome, Taito-ku, Tokyo	TBI	844	1,040
		T-41	KDX Residence Moto-asakusa	8-10, Motoasakusa 4-chome, Taito-ku, Tokyo	TBI	795	990
		T-42	KDX Residence Itabashi Honcho	13-16, Yamatocho, Itabashi-ku, Tokyo	TBI	606	743
		T-43	KDX Residence Azusawa	7-13, Azusawa 1-chome, Itabashi-ku, Tokyo	TBI	557	637
		T-44	KDX Residence Tobu Nerima	27-9, Kitamachi 1-chome, Nerima-ku, Tokyo	TBI	403	502

Residential Facilities	Tokyo Metropolitan Area	T-45	KDX Residence Yokohama Kannai	5-9, Bandaicho 3-chome, Naka-ku, Yokohama-shi, Kanagawa	TBI	785	979
		T-46	KDX Residence Miyamaedaira	14-3, Miyamaedaira 3-chome, Miyamae-ku, Kawasaki-shi, Kanagawa	TBI	1,005	1,130
		T-47	KDX Residence Machida	13-32, Kamitsurumahoncho, Minami-ku, Sagami-hara-shi, Kanagawa	TBI	1,734	2,020
		T-48	KDX Residence Kinshicho	24-13, Midori 4-chome, Sumida-ku, Tokyo	TBI	1,348	1,630
		T-49	KDX Residence Nihombashi Hamacho	33-4, Nishimbashi-Hamacho 3-chome, Chuo-ku, Tokyo	TBI	1,006	1,190
		T-50	KDX Residence Nihombashi Ningyocho	8-5, Nihombashi-Horidomecho 1-chome, Chuo-ku, Tokyo	TBI	565	643
		T-51	KDX Residence Jiyugaoka	11-27, Yakumo 3-chome, Meguro-ku, Tokyo	TBI	1,325	1,540
		T-52	KDX Residence Togoshi	1-1, Togoshi 5-chome, Shinagawa-ku, Tokyo	TBI	3,771	4,630
		T-53	KDX Residence Shinagawa Seaside	6-7, Higashi-Shinagawa 3-chome, Shinagawa-ku, Tokyo	TBI	2,599	3,170
		T-54	KDX Residence Ojima	8-4, Ojima 4-chome, Koto-ku, Tokyo	TBI	1,851	2,210
		T-55	KDX Residence Oyama	8-8, Oyamakanaimachi, Itabashi-ku, Tokyo	TBI	2,669	3,190
		T-56	KDX Residence Hanzomon	12-1, Kojimachi 2-chome, Chiyoda-ku, Tokyo	TBI	4,970	5,470
		T-57	B-Site Akihabara	7, Kanda-Sudacho 1-chome, Chiyoda-ku, Tokyo	TBI	867	962
		T-58	KDX Residence Kagurazaka Dori	120-1, Yaraicho, Shinjuku-ku, Tokyo	TBI	1,387	1,750
		T-59	KDX Residence Sendagi	43-17, Sendagi 3-chome, Bunkyo-ku, Tokyo	TBI	2,368	2,390
		T-60	KDX Residence Seijo	16-25, Seijyo 4-chome, Setagaya-ku, Tokyo	TBI	1,429	1,530
		T-61	KDX Residence Akihabara	13-7, Taito Higashi 2-chome, Taito-ku, Tokyo	TBI	1,260	1,470
		T-62	KDX Residence Iriya	10-7, Iriya 1-chome, Taito-ku, Tokyo	TBI	1,074	1,330
		T-63	KDX Residence Tachikawa	28-29, Akebonocho 2-chome, Tachiakwa-shi, Tokyo	TBI	3,035	3,470
		T-64	KDX Residence Tsurumi	10, Mukaicho 1-chome, Tsurumi-ku, Yokohama-shi, Kanagawa	TBI	1,138	1,430
		T-65	KDX Residence Morishita Chitose	5-3, Chitose 1-chome, Sumida-ku, Tokyo	TBI	1,116	1,230
		T-66	KDX Residence Akasaka	13-11, Akasaka 6-chome, Minato-ku, Tokyo	TBI	1,199	1,600
		T-67	KDX Residence Kanda	8-2, Uchikanda 2-chome, Chiyoda-ku, Tokyo	TBI	729	1,050
		T-68	KDX Residence Ebisu	11-16, Ebisu Minami 1-chome, Shibuya-ku, Tokyo	TBI	2,961	4,000
		T-69	KDX Residence Nishi-magome	4-4, Minami-Magome 6-chome, Ota-ku, Tokyo	TBI	1,179	1,200
		T-70	KDX Residence Nishi-azabu	5-10, Nishi-Azabu 3-chome, Minato-ku, Tokyo	TBI	1,245	1,510
		T-71	KDX Residence Azabu Sendaizaka	1-7, Minami-Azabu 3-chome, Minato-ku, Tokyo	TBI	809	975
		T-72	KDX Residence Waseda Tsurumaki	574-25, Waseda-Tsurumakimachi, Shinjuku-ku, Tokyo	TBI	572	791
T-73	KDX Residence Bunkyo Yushima	29-2, Yushima 2-chome, Bunkyo-ku, Tokyo	TBI	707	915		
T-74	KDX Residence Kamishakujii	18-5, Kamishakujii 1-chome, Nerima-ku, Tokyo	TBI	662	786		
T-75	KDX Residence Shin-otsuka	44-16, Higashi-Ikebukuro 5-chome, Toshima-ku, Tokyo	TBI	782	945		
T-76	KDX Residence Sakurajosui	26-14, Shimotakaido 1-chome, Suginami-ku, Tokyo	TBI	914	1,110		
T-77	KDX Residence Ryogoku	19-13, Kamesawa 2-chome, Sumida-ku, Tokyo	TBI	863	1,080		
T-78	KDX Residence Toyosu	2-33, Toyosu 1-chome, Koto-ku, Tokyo	TBI	7,789	7,640		
Other Regional Area	R-2	KDX Jozenjidori Residence	3-25, Kasugamachi, Aoba-ku, Sendai-shi, Miyagi	TBI	956	1,290	
	R-3	KDX Izumi Residence	24-28, Izumi 2-chome, Higashi-ku, Nagoya-shi, Aichi	TBI	1,067	1,320	
	R-4	KDX Chihaya Residence	49-6, Shinsakae 1-chome, Naka-ku, Nagoya-shi, Aichi	TBI	1,015	1,350	
	R-5	KDX Sakaisuji Hommachi Residence	7-15, Kawaracho 1-chome, Chuo-ku, Osaka-shi, Osaka	TBI	2,751	3,230	
	R-7	KDX Shimmachi Residence	9-23, Shinmachi 4-chome, Nishi-ku, Osaka-shi, Osaka	TBI	1,385	1,830	
	R-8	KDX Takarazuka Residence	2-43, Sakaemachi 3-chome, Takarazuka-shi, Hyogo	TBI	1,585	1,960	

Residential Facilities

R-9	KDX Residence Odori Koen	1000-4, Minami 2-jo 40-chome, Chuo-ku, Sapporo-shi, Hokkaido	TBI	736	931
R-10	KDX Residence Kikusui Yojo	2-35, Kikusui 4-jo 3-chome, Shiroishi-ku, Sapporo-shi, Hokkaido	TBI	801	1,030
R-11	KDX Residence Toyohira Koen	4-16, Hiragishi 4-jo 3-chome, Toyohira-ku, Sapporo-shi, Hokkaido	TBI	476	539
R-13	KDX Residence Ichiban-cho	15-42, Ichibancho 1-chome, Aoba-ku, Sendai-shi, Miyagi	TBI	511	694
R-14	KDX Residence Kotodai	3-25, Uesugi 1-chome, Aoba-ku, Sendai-shi, Miyagi	TBI	504	567
R-15	KDX Residence Izumi Chuo	45-2, Ichinazaka-Ishidome, Izumi-ku, Sendai-shi, Miyagi	TBI	464	617
R-16	KDX Residence Higashi-sakura I	13-22, Higashi-sakura 2-chome, Higashi-ku, Nagoya-shi, Aichi	TBI	2,282	2,740
R-17	KDX Residence Higashi-sakura II	5-10, Higashi-sakura 1-chome, Higashi-ku, Nagoya-shi, Aichi	TBI	878	1,080
R-18	KDX Residence Jingumae	4-27, Yokota 2-chome, Atsuta-ku, Nagoya-shi, Aichi	TBI	810	1,060
R-19	KDX Residence Nishi-oji	40-3, Nishi 7-jo Kakekoshicho, Shimogyo-ku, Kyoto-shi, Kyoto	TBI	791	946
R-20	KDX Residence Saiin	30-2, Sanintakadacho, Ukyo-ku, Kyoto-shi, Kyoto	TBI	427	509
R-21	KDX Residence Namba	6-16, Inari 1-chome, Naniwa-ku, Osaka-shi, Osaka	TBI	1,378	1,660
R-22	KDX Residence Namba-minami	11-9, Shiokusa 3-chome, Naniwa-ku, Osaka-shi, Osaka	TBI	1,302	1,580
R-23	KDX Residence Shin-osaka	16-11, Kikawa Higashi 4-chome, Yodogawa-ku, Osaka-shi, Osaka	TBI	487	578
R-24	KDX Residence Ibaraki I・II (Note 2)	9-11, 9-12, Takehashicho, Ibaragi-shi, Osaka	TBI	1,297	1,413
R-25	KDX Residence Toyonaka-minami	7-22, Shonaihigashicho 2-chome, Toyonaka-shi, Osaka	TBI	698	853
R-26	KDX Residence Moriguchi	12-12, Dainichihigashimachi, Moriguchi-shi, Osaka	TBI	528	649
R-27	KDX Residence Sannomiya	8-10, Ninomiyacho 4-chome, Chuo-ku, Kobe-shi, Hyogo	TBI	1,051	1,300
R-28	Ashiya Royal Homes	20-10, Oharacho, Ashiya-shi, Hyogo	TBI	1,460	1,720
R-29	KDX Residence Funairi Saiwai-cho	10-5, Funairisaiwaicho, Naka-ku, Hiroshima-shi, Hiroshima	TBI	564	676
R-30	KDX Residence Tenjin-higashi II	6-22, Chikukohonmachi, Hakata-ku, Fukuoka-shi, Fukuoka	TBI	658	875
R-32	KDX Residence Nishi Koen	5-7, Minato 3-chome, Chuo-ku, Fukuoka-shi, Fukuoka	TBI	739	858
R-33	KDX Residence Hirao Josui-machi	10-17, Hiraoyosuumachi, Chuo-ku, Fukuoka-shi, Fukuoka	TBI	748	886
R-34	Melody Heim Gotenyama	6-1, Nagisa Nishimachi 1-chome, Hirakata-shi, Osaka	TBI	427	510
R-35	Leopalace Flat Shin-sakae	5-31, Shinsakae 1-chome, Naka-ku, Nagoya-shi, Aichi	TBI	3,563	4,290
R-36	KDX Residence Koman Yamate	9-3, Moriminamimachi 1-chome, Higashinada-ku, Kobe-shi, Hyogo	TBI	977	1,120
R-37	KDX Residence Hommachibashi	2-14, Honmachibashi, Chuo-ku, Osaka-shi, Osaka	TBI	3,196	3,490
R-38	KDX Residence Minami-kusatsu	1-8, Minamikusatsu 1-chome, Kusatsu-shi, Shiga	TBI	2,006	2,340
R-39	KDX Residence Ohori Harbor View Tower	2-18, Minato 1-chome, Chuo-ku, Fukuoka-shi, Fukuoka	TBI	4,630	5,210
R-40	KDX Residence Minami-sanjo	3-2, Minami 3-jo Nishi 8-chome, Chuo-ku, Sapporo-shi, Hokkaido	TBI	941	1,600

		R-41	Serenite Kita-kyuhoji	3-15, Kitakyuhochi 1-chome, Chuo-ku, Osaka-shi, Osaka	TBI	1,298	1,500
		R-42	Serenite Nishinomiya Hommachi	5-26, Hommachi, Nishinomiya-shi, Hyogo	TBI	652	739
		R-43	KDX Residence Nishijin	24-30, Nishijin 2-chome, Sawara-ku, Fukuoka- shi, Fukuoka	TBI	1,751	1,670
Total						161,777	192,248

Use	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)
Healthcare Facilities	Tokyo Metropolitan Area	H-1	Irise Kamata/Yuseien(Note 3)	2-15-21 Kitakojiya, Ota-ku, Tokyo	TBI	1,115	1,120
		H-2	Nichii HomeNakano-Minamidai(Note 3)	3-26-24 Minamidai, Nakano-ku, Tokyo	TBI	1,777	1,780
		H-3	Joy Stage Hachioji(Note 3)	924-2 Yokokawamachi, Hachioji-shi, Tokyo	TBI	3,673	3,700
		H-4	Yuimaru Hijirigaoka(Note 3)	2-22-4 Hijirigaoka, Tama-shi, Tokyo (Building A) 2-20-6 Hijirigaoka, Tama-shi, Tokyo (Building B) 2-21-2 Hijirigaoka, Tama-shi, Tokyo (Building C)	TBI	1,112	1,120
		H-5	Nichii Home Tama Plaza(Note 3)	Nichii Home Tama Plaza	TBI	2,915	2,940
	Other Regional Area	H-6	Ten(Note 3)	6-3-1 Tsukisamuchuodori, Toyohira-ku, Sapporo-shi, Hokkaido	TBI	2,607	2,640
		H-7	Irise Nishioka(Note 3)	13-7-10 Nishioka Sanjo, Toyohira-ku, Sapporo-shi, Hokkaido	TBI	850	854
		H-8	Izarie Eniwa Building(Note 3)	2-1 Aioimachi, Eniwa-shi, Hokkaido	TBI	1,644	1,670
		H-9	Sawayaka Sakura Nibankan	1-10-3 Oroshimachi, Akita-shi, Akita	TBI	978	990
		H-10	Activa Biwa(Note 3)	6-16-16 Ogoto, Otsu-shi, Shiga 6-11-8 Ogoto, Otsu-shi, Shiga 6-17-17 Ogoto, Otsu-shi, Shiga	TBI	6,516	6,560
		H-11	Sompo Care LAVIERE Kobe Tarumi (Note 3)	285 Sarukura, Myodanicho, Tarumi-ku, Kobe-shi, Hyogo	TBI	2,100	2,110
		H-12	Granda Mondo Yakujin(Note 3)	10-10 Hayashidacho, Nishinomiya-shi, Hyogo	TBI	1,181	1,190
		H-13	Excellent Nishinomiya(Note 3)	2-4-3 Sumiredai, Nishinomiya-shi, Hyogo	TBI	963	972
		H-15	Excellent Kitano	10 Kitanohigashi, kobaicho, kita-ku, Kyoto-shi, Kyoto	TBI	769	783
	Others	H-14	Gran Hills Ogawarako(Note 3)	57-2 Tachino Oura-aza, Tohokumachi-Oaza, Kamikita-gun, Aomori	TBI	1,364	1,380
Subtotal						29,572	29,809
Other	Tokyo Metropolitan Area	T-9	Cosmo Heim Motosumiyoshi	5-1, Kizukikigioncho, Nakahara-ku, Kawasaki-shi, Kanagawa	RP	1,798	1,800
Total						193,148	223,857

(Note1) "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., JLL Morii Valuation & Advisory K.K. or Tanizawa Sogo Appraisal Co., Ltd.

(Note 2) R-24 consists of two buildings and H-4, H-10 consists of three buildings, book value and appraisal value are total amount of each value of the properties.

(Note 3) The properties succeeded from JSL on the merger.

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

Use	Area	No.	Name of property	12th (From August 1, 2017 to January 31, 2018)				13th (From February 1, 2018 to July 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 (%)
Residential	Tokyo Metropolitan Area	T-1	KDX Daikanyama Residence	1	98.2	159	2.8	1	100.0	160	2.4
		T-3	KDX Odemma Residence	1	100.0	57	1.0	1	96.1	58	0.9
		T-4	KDX Iwamoto-cho Residence	1	98.0	27	0.5	1	100.0	28	0.4
		T-5	KDX Bunkyo Sengoku Residence	1	100.0	50	0.9	1	97.6	51	0.8
		T-6	KDX Azumabashi Residence	1	100.0	25	0.4	1	90.7	25	0.4
		T-7	KDX Shimura Sakaue Residence	1	100.0	103	1.8	1	95.1	105	1.6
		T-10	KDX Musashi Nakahara Residence	1	94.3	24	0.4	1	94.3	26	0.4
		T-11	KDX Chiba Chuo Residence	1	95.5	60	1.1	1	93.4	61	0.9
		T-12	KDX Kawaguchi Saiwai-cho Residence	1	98.3	48	0.8	1	96.6	47	0.7
		T-13	KDX Residence Shirokane I	1	98.8	108	1.9	1	97.6	113	1.7
		T-15	KDX Residence Shirokane II	1	98.8	90	1.6	1	98.9	92	1.4
		T-16	KDX Residence Minami-aoyama	1	70.8	51	0.9	1	95.8	55	0.8
		T-17	KDX Residence Minami-azabu	1	98.0	73	1.3	1	96.7	70	1.1
		T-18	KDX Residence Shiba Koen	1	97.5	63	1.1	1	98.3	65	1.0
		T-19	KDX Residence Azabu East	1	98.9	55	1.0	1	97.7	56	0.9
		T-20	KDX Residence Takanawa	1	97.4	26	0.5	1	95.6	27	0.4
		T-21	KDX Residence Nishihara	1	100.0	48	0.9	1	97.6	51	0.8
		T-22	KDX Residence Daikanyama II	1	100.0	27	0.5	1	100.0	28	0.4
		T-23	KDX Residence Sendagaya	1	100.0	21	0.4	1	100.0	22	0.3
		T-24	KDX Residence Nihombashi Suitengu	1	100.0	97	1.7	1	100.0	97	1.5
		T-25	KDX Residence Nihombashi Hakozaeki	1	98.7	40	0.7	1	100.0	41	0.6
		T-26	KDX Residence Higashi-shinjuku	1	96.8	110	1.9	1	95.0	111	1.7
		T-27	KDX Residence Yotsuya	1	100.0	78	1.4	1	100.0	82	1.2
		T-28	KDX Residence Nishi-shinjuku	1	98.0	34	0.6	1	91.5	35	0.5
		T-29	KDX Residence Kagurazaka	1	97.2	24	0.4	1	100.0	25	0.4
		T-30	KDX Residence Futako Tamagawa	1	100.0	43	0.8	1	100.0	43	0.7
		T-31	KDX Residence Komazawa Koen	1	95.5	28	0.5	1	97.8	29	0.4
		T-32	KDX Residence Mishuku	1	97.7	26	0.5	1	100.0	26	0.4
		T-33	KDX Residence Yoga	1	90.0	23	0.4	1	100.0	25	0.4
		T-34	KDX Residence Shimouma	1	100.0	20	0.4	1	100.0	20	0.3
		T-35	Raffine Minami-magome	1	100.0	46	0.8	1	100.0	42	0.6
		T-36	KDX Residence Yukigaya Otsuka	1	98.7	39	0.7	1	97.3	39	0.6
		T-37	KDX Residence Denenchofu	1	100.0	38	0.7	1	91.7	37	0.6
		T-38	KDX Residence Tamagawa	1	98.1	28	0.5	1	94.5	28	0.4
		T-39	KDX Residence Monzennakacho	1	95.9	27	0.5	1	97.5	28	0.4
		T-40	KDX Residence Okachimachi	1	100.0	29	0.5	1	100.0	30	0.5
		T-41	KDX Residence Moto-asakusa	1	95.9	29	0.5	1	98.4	29	0.4
		T-42	KDX Residence Itabashi Honcho	1	96.1	23	0.4	1	100.0	24	0.4
		T-43	KDX Residence Azusawa	1	100.0	20	0.4	1	96.8	19	0.3
		T-44	KDX Residence Tobu Nerima	1	100.0	17	0.3	1	100.0	17	0.3
		T-45	KDX Residence Yokohama Kannai	1	97.0	34	0.6	1	94.2	35	0.5
		T-46	KDX Residence Miyamaedaira	1	97.5	36	0.6	1	94.7	36	0.5
		T-47	KDX Residence Machida	1	100.0	58	1.0	1	100.0	63	1.0

Use	Area	No.	Name of property	12th (From August 1, 2017 to January 31, 2018)				13th (From February 1, 2018 to July 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 (%)
Residential	Tokyo Metropolitan Area	T-48	KDX Residence Kinshicho	1	100.0	43	0.8	1	96.9	45	0.7
		T-49	KDX Residence Nihombashi Hamacho	1	100.0	30	0.5	1	100.0	30	0.5
		T-50	KDX Residence Nihombashi Ningyocho	1	100.0	18	0.3	1	100.0	19	0.3
		T-51	KDX Residence Jiyugaoka	1	97.7	39	0.7	1	92.8	39	0.6
		T-52	KDX Residence Togoshi	1	96.7	119	2.1	1	100.0	123	1.9
		T-53	KDX Residence Shinagawa Seaside	1	97.1	86	1.5	1	99.1	86	1.3
		T-54	KDX Residence Ojima	1	100.0	63	1.1	1	95.7	62	0.9
		T-55	KDX Residence Oyama	1	95.3	90	1.6	1	98.1	93	1.4
		T-56	KDX Residence Hanzomon	1	100.0	130	2.3	1	97.3	130	2.0
		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	95.8	52	0.8
		T-59	KDX Residence Sendagi	1	100.0	64	1.1	1	100.0	65	1.0
		T-60	KDX Residence Seijo	1	97.5	40	0.7	1	93.2	41	0.6
		T-61	KDX Residence Akihabara	1	97.0	39	0.7	1	90.9	39	0.6
		T-62	KDX Residence Iriya	1	98.6	38	0.7	1	100.0	38	0.6
		T-63	KDX Residence Tachikawa	1	92.6	98	1.7	1	95.4	99	1.5
		T-64	KDX Residence Tsurumi	1	100.0	52	0.9	1	98.4	53	0.8
		T-65	KDX Residence Morishita Chitose	1	97.4	38	0.7	1	98.7	40	0.6
		T-66	KDX Residence Akasaka	1	96.6	37	0.7	1	100.0	37	0.6
		T-67	KDX Residence Kanda	1	100.0	27	0.5	1	100.0	28	0.4
		T-68	KDX Residence Ebisu	1	100.0	96	1.7	1	100.0	98	1.5
		T-69	KDX Residence Nishi-magome	1	96.1	30	0.5	1	100.0	31	0.5
		T-70	KDX Residence Nishi-azabu	1	97.3	38	0.7	1	96.9	38	0.6
		T-71	KDX Residence Azabu Sendaizaka	1	100.0	25	0.5	1	96.2	26	0.4
		T-72	KDX Residence Waseda Tsurumaki	1	100.0	21	0.4	1	97.6	22	0.3
		T-73	KDX Residence Bunkyo Yushima	1	100.0	25	0.4	1	97.8	24	0.4
		T-74	KDX Residence Kamishakujii	1	93.8	23	0.4	1	97.9	23	0.4
		T-75	KDX Residence Shin-otsuka	1	100.0	22	0.4	1	100.0	22	0.3
T-76	KDX Residence Sakurajosui	1	85.5	27	0.5	1	100.0	28	0.4		
T-77	KDX Residence Ryogoku	1	93.4	27	0.5	1	100.0	29	0.4		
T-78	KDX Residence Toyosu	1	100.0	79	1.4	1	100.0	159	2.4		
Other Regional Area	R-2	KDX Jozenji Dori Residence	1	93.0	48	0.9	1	97.0	51	0.8	
	R-3	KDX Izumi Residence	1	94.8	42	0.7	1	92.1	43	0.7	
	R-4	KDX Chihaya Residence	1	96.2	48	0.8	1	95.1	47	0.7	
	R-5	KDX Sakaisuji Hommachi Residence	1	97.0	107	1.9	1	98.5	110	1.7	
	R-6	KDX Shimmachi Residence (Note4)	1	96.8	37	0.7	—	—	32	0.5	
	R-7	KDX Takarazuka Residence	1	100.0	58	1.0	1	96.4	58	0.9	
	R-8	KDX Shimizu Residence	1	95.9	70	1.2	1	96.7	74	1.1	
	R-9	KDX Residence Odori Koen	1	97.4	33	0.6	1	100.0	33	0.5	
	R-10	KDX Residence Kikusui Yojo	1	94.4	37	0.7	1	90.3	38	0.6	
	R-11	KDX Residence Toyohira Koen	1	89.1	21	0.4	1	95.2	22	0.3	
	R-13	KDX Residence Ichiban-cho	1	97.3	26	0.5	1	92.4	26	0.4	
	R-14	KDX Residence Kotodai	1	100.0	20	0.4	1	88.9	19	0.3	
	R-15	KDX Residence Izumi Chuo	1	94.0	22	0.4	1	95.8	23	0.3	
	R-16	KDX Residence Higashi-sakura I	1	93.0	97	1.7	1	90.4	97	1.5	

Use	Area	No.	Name of property	12th (From August 1, 2017 to January 31, 2018)				13th (From February 1, 2018 to July 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 (%)
Residential	Other Regional Area	R-17	KDX Residence Higashi-sakura II	1	95.5	38	0.7	1	89.5	38	0.6
		R-18	KDX Residence Jingumae	1	91.4	38	0.7	1	96.9	39	0.6
		R-19	KDX Residence Nishi-oji	1	97.0	32	0.6	1	100.0	33	0.5
		R-20	KDX Residence Saiin	1	98.0	18	0.3	1	96.1	18	0.3
		R-21	KDX Residence Namba	1	97.0	56	1.0	1	95.5	58	0.9
		R-22	KDX Residence Namba-minami	1	96.9	56	1.0	1	97.3	54	0.8
		R-23	KDX Residence Shin-osaka	1	97.7	20	0.4	1	100.0	21	0.3
		R-24	KDX Residence Ibaraki I・II	1	96.7	53	0.9	1	100.0	55	0.8
		R-25	KDX Residence Toyonaka-minami	1	95.6	28	0.5	1	95.8	29	0.4
		R-26	KDX Residence Moriguchi	1	100.0	24	0.4	1	96.5	24	0.4
		R-27	KDX Residence Sannomiya	1	100.0	40	0.7	1	98.3	39	0.6
		R-28	Ashiya Royal Homes	1	100.0	66	1.2	1	100.0	65	1.0
		R-29	KDX Residence Funairi Saiwai-cho	1	98.4	27	0.5	1	98.4	28	0.4
		R-30	KDX Residence Tenjin-higashi II	1	95.2	30	0.5	1	95.2	30	0.5
		R-32	KDX Residence Nishi Koen	1	91.2	30	0.5	1	94.9	30	0.5
		R-33	KDX Residence Hirao Josui-machi	1	95.7	28	0.5	1	100.0	30	0.5
		R-34	Melody Heim Gotenyama	1	100.0	21	0.4	1	94.5	21	0.3
		R-35	Leopalace Flat Shin-sakae	1	100.0	121	2.1	1	100.0	121	1.8
		R-36	KDX Residence Koman Yamate	1	95.9	33	0.6	1	97.4	31	0.5
		R-37	KDX Residence Hommachibashi	1	97.7	109	1.9	1	98.9	107	1.6
		R-38	KDX Residence Minami-kusatsu	1	95.1	98	1.7	1	100.0	101	1.5
		R-39	KDX Residence Ohori Harbor View Tower	1	91.6	180	3.2	1	90.5	177	2.7
		R-40	KDX Residence Minami-sanjo	1	95.4	53	0.9	1	92.3	53	0.8
		R-41	Serenite Kita-kyuhoji	1	96.4	41	0.7	1	98.7	42	0.6
R-42	Serenite Nishinomiya Hommachi	1	98.1	23	0.4	1	88.7	22	0.3		
R-43	KDX Residence Nishijin	1	88.6	55	1.0	1	89.5	54	0.8		
Subtotal				114	97.0	5,627	100.0	113	96.8	5,790	87.0
Healthcare	Tokyo Metropolitan Area	H-1	Irise Kamata/Yuseien	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
		H-2	Nichii Home Nakano-Minamidai	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
		H-3	Joy Stage Hachioji	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
		H-4	Yuimaru Hijirigaoka	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
		H-5	Nichii Home Tama Plaza	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
	Other Regional Area	H-6	Ten	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
		H-7	Irise Nishioka	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
		H-8	Izarie Eniwa Building	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
		H-9	Sawayaka Sakura Nibankan	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
		H-10	Activa Biwa	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
		H-11	Sompo Care LAVIERE Kobe Tarumi	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
		H-12	Granda Mondo Yakujin	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
		H-13	Excellent Nishinomiya	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)

Use	Area	No.	Name of property	12th (From August 1, 2017 to January 31, 2018)				13th (From February 1, 2018 to July 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 (%)
Healthcare	Other Regional Area	H-15	Excellent Kitano	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
	Others	H-14	Gran Hills Ogawarako	—	—	—	—	1	100.0	Undisclosed (Note 5)	Undisclosed (Note 5)
Subtotal				—	—	—	—	15	100.0	820	12.3
Other	Tokyo Metropolitan Area	T-9	Cosmo Heim Motosumiyoshi (land with leasehold interest)	—	100.0	43	0.8	—	100.0	43	0.7
Total				114	97.0	5,671	100.0	128	97.6	6,655	100.0

(Note1) Regarding residential, 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.
“Total number of tenants” of the healthcare facility lists the total number of tenants of the master lease contract pertaining to each asset effective as of the end of July 2018.

(Note2) 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). The occupancy rate for the portfolio as a whole, excluding leased land (area total 3,040.11m²), was 97.0% in the 12th fiscal period and 97.6% in the fiscal period.

(Note3) “Rental and other operating revenues” is the sum of a property’s rental business income for each fiscal period.

(Note4) It sold on 6th July 2018.

(Note5) Not disclosed because tenant's consent has not been obtained.

(Details of investment securities)

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

Name of assets	Type	Unit	Book value (Million yen)		Assessed value (Million yen) (Note 5)		Gain (Loss) on valuation (Million yen)	Remarks
			Unit	Value	Unit	Value		
Equity interests in TK property fund with G.K. Tropic I as operator (Note 1)	Subordinated silent partnership equity interest	—	—	78	—	78	—	—
Equity interests in TK property fund with G.K. Tropic II as operator (Note 2)	Subordinated silent partnership equity interest	—	—	122	—	122	—	—
Equity interests in TK property fund with G.K. Tropic II as operator (Note 3)	Subordinated silent partnership equity interest	—	—	113	—	113	—	—
Equity interests in TK property fund with G.K. KSLF8 as operator (Note 4)	Silent partnership equity interest	—	—	198	—	198	—	—
Total		—	—	512	—	512	—	—

(Note 1) TK property fund owns trust beneficiary interests in real estate for “KDX Residence Shukugawa Hills”. The Investment Corporation acquired the asset during the 13th fiscal period as of August 2, 2018.

(Note 2) TK property fund owns trust beneficiary interests in real estate for “KDX Residence Asagaya”, “KDX Residence Hiyoshi” and “Serenite Kobe Motomachi”. The Investment Corporation acquired the asset during the 13th fiscal period as of August 2, 2018.

(Note 3) TK property fund owns trust beneficiary interests in real estate for “Arute ishiyagawa”, “Serabi Ebisu”.

(Note 4) This indicates silent partnership equities succeeded from JSL through the Merger. TK property fund owns trust beneficiary interest in real estate for “Canadian Hill,” “Anesis Hyogo,” “Orange Suma,” “Rococo-riha” and “Anesis Teradacho.” The Investment Corporation acquired these assets on August 2, 2018.

(Note 5) Assessed value indicates book value. As to equity interests in TK property fund with G.K. Tropic One as the operator, loss on valuation of investment securities of 10 million yen was recorded in the 13th fiscal period. Furthermore, loss on valuation of investment securities of 11 million yen was recorded in the 13th fiscal period with regard to equity interests in TK property fund with G.K. Tropic Two as the operator.

(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) interest)	89,300	81,300	△2
Total	—	89,300	81,300	△2

(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 ending January 31, 2019 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
R-45	KDX Residence Shukugawa Hills	Nishinomiya-shi, Hyogo	Major renewal construction (1 st phase)	From August 2018 To January 2019	165	—	—
T-1	KDX Daikanyama Residence	Shibuya-ku, Tokyo	Major renewal construction	From August 2018 To January 2019	117	—	—
T-27	KDX Residence Yotsuya	Shinjuku-ku, Tokyo	Major renewal construction	From August 2018 To January 2019	75	—	—
R-27	KDX Residence Sannomiya	Kobe-shi, Hyogo	Major renewal construction	From August 2018 To January 2019	44	—	—
H-3	Joy Stage Hachioji	Hachioji-shi Tokyo	Major renewal construction	From August 2018 To January 2019	40	—	—

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

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

The construction cost for the period amounted to ¥727 million, consisting of ¥436 million of capital expenditures and ¥290 million of repair and maintenance expenses charged to income.

No.	Name of property	Address	Purpose	Term	Capital expenditures (Million yen)
T-13	KDX Residence Shirokane I	Minato-ku, Tokyo	Major renewal construction	From February 2018 To July 2018	69
T-15	KDX Residence Shirokane II	Minato-ku, Tokyo	Major renewal construction	From February 2018 To July 2018	56
R-11	KDX Residence Toyohira Koen	Sapporo-shi, Hokkaido	Major renewal construction	From May 2018 To July 2018	42
R-43	KDX Residence Nishijin	Fukuoka-shi Fukuoka	Major renewal construction (2 nd phase)	From January 2018 To March 2018	32
R-43	KDX Residence Nishijin	Fukuoka-shi, Fukuoka	Intercom facilities exchange construction	From July 2018 To July 2018	9
Others					227
Total					436

(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	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	13th From Feb. 1, 2018 to Jul. 31, 2018
Reserve balance at the start of the fiscal period	938	1,074	1,161	1,295	1,384
Reserves set aside during the fiscal period	149	149	151	263	302
Reserves drawn down during the fiscal period	13	62	17	174	954
Amount carried forward to the next fiscal period	1,074	1,161	1,295	1,384	732

5. Expenditures and liabilities

(1) Details of asset management expenses

(Thousand yen)

Item	12th From August 1, 2017 to January 31, 2018	13th From February 1, 2018 to July 31, 2018
① Asset management fees (Note 1)	377,361	413,158
② Asset custody fees	11,365	11,583
③ Administrative service fees	39,023	41,201
④ Directors' compensation	4,500	7,500
⑤ Other operating expenses (Note 2)	252,166	629,922
Total	684,417	1,103,366

(Note1) There are other asset management fees in addition to the amount set forth above: asset management fees pertaining to the subordinated silent partnership (the 12th fiscal period: 1,300 thousand yen and the 13th fiscal period: 1,100 thousand yen) and asset management fees pertaining to property acquisitions (the 12th fiscal period: 91,000 thousand yen and the 13th fiscal period: 7,370 thousand yen) and sold fee pertaining to property sold (the 13th fiscal period: 7,100 thousand yen) that were calculated into the book value of each property.

The fee for the merger (the 13th fiscal period: 292,085 thousand yen) is included in other operating expenses (merger-related expenses).

(Note2) Other operating expenses include merger-related expenses incurred in connection with the Merger (the 12th fiscal period: 67,446 thousand yen and the 13 th period 395 984 thousand yen).

(2) Status of Interest-bearing debt

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

Classification	Lender	Drawdown Date	Balance at the beginning of period (mln yen)	Balance at the end of period (mln yen)	Average interest rate (Note 1) (Note 2)	Payment due date	Debt Financing Method	Use	Remarks
Short-term loans payable	Sumitomo Mitsui Banking Corporation	July 31, 2017	1,000	—	0.455	July 31, 2018	Repayment of principal in full on maturity date	(Note4)	Unsecured/Unguaranteed
	Shinsei Bank, Limited (Note6)	July 31, 2017	—	—	0.354	July 30, 2018			
	Sumitomo Mitsui Banking Corporation (Note6)	July 31, 2017	—	—	0.354	July 30, 2018			
	Sumitomo Mitsui Banking Corporation	August 1, 2017	830	—	0.455	July 31, 2018			
	Mizuho Bank, Ltd	August 1, 2017	800	—	0.455	July 31, 2018			
	Sumitomo Mitsui Banking Corporation	July 31, 2018	—	1,830	0.404	July 31, 2019			
	Mizuho Bank, Ltd	July 31, 2018	—	800	0.404	July 31, 2019			
	Subtotal		2,630	2,630					
Current portion of long-term borrowings	Sumitomo Mitsui Banking Corporation	August 7, 2013	3,250	3,250	1.052	August 31, 2018	Repayment of principal in full on maturity date	(Note 4)	Unsecured/Unguaranteed
	MUFG Bank, Ltd (Note8)		2,000	2,000					
	Aozora Bank, Ltd.		1,000	1,000					
	Resona Bank, Limited		500	500					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	Mizuho Trust & Banking Co., Ltd.		500	500					
	Mizuho Bank, Ltd.		250	250					
	Development Bank of Japan Inc.(Note 3)	August 7, 2013	3,000	3,000	1.088	August 31, 2018			
	Shinsei Bank, Limited (Note 6)	July 29, 2015	—	—	0.435	July 30, 2018			
	Sumitomo Mitsui Banking Corporation (Note 6)		—	—					
	MUFG Bank, Ltd (Note 6) (Note 7)		—	—					
	Mizuho Bank, Ltd (Note 6)		—	—					
	Nippon Life Insurance Company (Note 6)		—	—					
	Sumitomo Mitsui Banking Corporation (Note 8)	August 22, 2017	1,000	1,000	0.480	February 28, 2019			
MUFG Bank, Ltd (Note 5) (Note 7)	August 22, 2017	500	500	0.480	February 28, 2019				
Sumitomo Mitsui Banking Corporation	July 30, 2018	—	500	0.354	July 31, 2019				
Shinsei Bank, Limited	July 30, 2018	—	500	0.354	July 31, 2019				
	Sutotal		12,500	13,500					

Classification	Lender	Drawdown Date	Balance at the beginning of period (mln yen)	Balance at the end of period (mln yen)	Average interest rate (Note 1) (Note 2)	Payment due date	Debt Financing Method	Use	Remarks
Long-term loans payable	MUFG Bank, Ltd (Note 8)	January 31, 2014	1,000	1,000	1.109	January 31, 2021	Repayment of principal in full on maturity date	(Note 4)	Unsecured/Unguaranteed
	Sumitomo Mitsui Banking Corporation	January 31, 2014	1,000	1,000	1.221	July 31, 2021			
	Aozora Bank, Ltd.	March 28, 2014	1,350	1,350	1.183	March 31, 2021			
	Sumitomo Mitsui Banking Corporation	April 30, 2014	2,000	2,000	1.267	April 30, 2022			
	Aozora Bank, Ltd.	April 30, 2014	1,500	1,500	1.267	April 30, 2022			
	MUFG Bank, Ltd (Note 8)	April 30, 2014	1,000	1,000	1.267	April 30, 2022			
	Resona Bank, Limited	April 30, 2014	1,000	1,000	1.267	April 30, 2022			
	Sumitomo Mitsui Banking Corporation	August 7, 2014	1,100	1,100	0.916	August 7, 2021			
	MUFG Bank, Ltd (Note 8)		1,100	1,100					
	Mizuho Bank, Ltd.		600	600					
	Aozora Bank, Ltd.		350	350					
	Resona Bank, Ltd.		300	300					
	Mizuho Trust & Banking Co., Ltd.		300	300					
	Development Bank of Japan Inc (Note 3)	August 7, 2014	1,000	1,000	0.996	August 7, 2021			
Long-term loans payable	Sumitomo Mitsui Banking Corporation	August 7, 2014	400	400	1.254	August 7, 2023			
	MUFG Bank, Ltd (Note 8)		400	400					
	Mizuho Bank, Ltd.		300	300					
	Resona Bank, Ltd.		200	200					
	Mizuho Trust & Banking Co., Ltd.		200	200					
	Aozora Bank, Ltd.		150	150					
	Development Bank of Japan Inc (Note 3)	August 7, 2014	500	500	1.320	August 7, 2023			
	Sumitomo Mitsui Banking Corporation	August 29, 2014	600	600	0.945	August 31, 2021			
	MUFG Bank, Ltd (Note 8)	August 29, 2014	600	600	0.945	August 31, 2021			
	Aozora Bank, Ltd.	August 29, 2014	500	500	0.945	August 31, 2021			
	Mizuho Bank, Ltd.	November 14, 2014	950	950	1.083	November 30, 2022			
	Sumitomo Mitsui Banking Corporation	November 28, 2014	2,000	2,000	0.804	November 30, 2020			
	MUFG Bank, Ltd (Note 7)	November 28, 2014	1,500	1,500	0.689	November 30, 2019			
	Sumitomo Mitsui Banking Corporation	February 5, 2015	1,200	1,200	0.875	January 31, 2022			
	MUFG Bank, Ltd (Note 8)	February 5, 2015	1,200	1,200	1.105	January 31, 2024			
	Aozora Bank, Ltd.	April 30, 2015	2,000	2,000	0.875	April 30, 2022			
	Resona Bank, Ltd.	April 30, 2015	1,500	1,500	0.987	April 30, 2023			
	MUFG Bank, Ltd (Note 8)	April 30, 2015	2,000	2,000	1.100	April 30, 2024			
	Sumitomo Mitsui Banking Corporation	April 30, 2015	1,000	1,000	1.265	April 30, 2025			
	Shinsei Bank, Limited (Note 6)	July 29, 2015	—	1,750	0.729	July 29, 2022			

Sumitomo Mitsui Banking Corporation (Note 6)		—	1,750					
MUFG Bank, Ltd (Note 6) (Note 7)		—	1,000					
Mizuho Bank, Ltd. (Note 6)		—	500					
Resona Bank, Ltd. (Note 6)		—	500					
Mizuho Trust & Banking Co., Ltd. (Note 6)		—	500					
Shinsei Bank, Limited (Note 6)	July 29, 2015	—	1,100	1.115	July 29, 2022			
Sumitomo Mitsui Banking Corporation (Note 6)		—	1,100					
MUFG Bank, Ltd (Note 6) (Note 7)		—	1,000					
Mizuho Bank, Ltd. (Note 6)		—	300					
Sompo Japan Nipponkoa Insurance Inc (Note 6)		—	1,000					
Aozora Bank, Ltd.	August 31, 2015	300	300	0.678	August 31, 2020			
Resona Bank, Ltd.	August 31, 2015	1,100	1,100	0.923	August 31, 2022			
Mizuho Trust & Banking Co., Ltd.	August 31, 2015	700	700	0.923	August 31, 2022			
Sumitomo Mitsui Trust Bank, Limited.	August 31, 2015	950	950	1.047	August 31, 2023			
MUFG Bank, Ltd (Note 8)	August 31, 2015	1,700	1,700	1.169	August 31, 2024			
Mizuho Bank, Ltd.	August 31, 2015	950	950	1.169	August 31, 2024			
Sumitomo Mitsui Banking Corporation	August 31, 2015	2,000	2,000	1.345	August 31, 2025			

Classification	Lender	Drawdown Date	Balance at the beginning of period (mln yen)	Balance at the end of period (mln yen)	Average interest rate (Note 1) (Note 2)	Payment due date	Debt Financing Method	Use	Remarks
Long-term loans payable	Development Bank of Japan Inc. (Note 3)	August 31, 2015	1,000	1,000	1.193	August 31, 2024	Repayment of principal in full on maturity date	(Note 4)	Unsecured/Unguaranteed
	MUFG Bank, Ltd (Note 8)	October 27, 2015	300	300	0.624	October 27, 2020			
	MUFG Bank, Ltd (Note 8)	October 27, 2015	1,000	1,000	1.156	April 27, 2025			
	MUFG Bank, Ltd (Note 8)	April 28, 2016	1,000	1,000	0.819	April 28, 2025			
	Sumitomo Mitsui Banking Corporation	April 28, 2016	2,500	2,500	0.903	April 30, 2026			
	MUFG Bank, Ltd (Note 3) (Note 8)	August 1, 2016	1,000	1,000	0.660	July 31, 2025			
	Mizuho Bank, Ltd. (Note 3)	August 30, 2016	1,500	1,500	0.816	August 31, 2026			
	Aozora Bank, Ltd.	August 31, 2016	1,000	1,000	0.713	August 31, 2024			
	Sumitomo Mitsui Trust Bank, Limited.	August 31, 2016	1,000	1,000	0.797	August 31, 2025			
	Resona Bank, Ltd.	August 31, 2016	500	500	0.797	August 31, 2025			
	MUFG Bank, Ltd (Note 3) (Note 8)	August 31, 2016	2,000	2,000	0.670	August 31, 2025			
	Mizuho Trust & Banking Co., Ltd. (Note 3)	August 31, 2016	500	500	0.751	August 31, 2025			
	Sumitomo Mitsui Banking Corporation	August 31, 2016	3,000	3,000	0.906	August 31, 2026			
	Development Bank of Japan Inc. (Note 3)	November 1, 2016	1,000	1,000	0.773	October 31, 2025			
	Resona Bank, Ltd.	August 22, 2017	1,000	1,000	0.900	August 22, 2027			
	Sumitomo Mitsui Trust Bank, Limited.	August 22, 2017	1,000	1,000	0.900	August 22, 2027			
	Shinsei Bank, Limited	August 22, 2017	1,000	1,000	0.900	August 22, 2027			
	Mizuho Trust & Banking Co., Ltd. (Note 3)	August 22, 2017	1,200	1,200	0.928	August 22, 2027			
	Development Bank of Japan Inc. (Note 3)	August 22, 2017	1,000	1,000	0.928	August 22, 2027			
	Mizuho Bank, Ltd. (Note 3)	August 22, 2017	500	500	0.928	August 22, 2027			
	The Bank of Fukuoka, Ltd. (Note 3)	August 22, 2017	500	500	0.928	August 22, 2027			
	Sumitomo Mitsui Banking Corporation	August 31, 2017	1,500	1,500	0.501	February 28, 2023			
	MUFG Bank, Ltd (Note 8)	August 31, 2017	1,500	1,500	0.501	February 28, 2023			
	Aozora Bank, Ltd.	August 31, 2017	1,500	1,500	0.582	February 29, 2024			
	Sumitomo Mitsui Banking Corporation	August 31, 2017	1,000	1,000	0.582	February 29, 2024			
	MUFG Bank, Ltd (Note 8)	August 31, 2017	1,000	1,000	0.582	February 29, 2024			
	Mizuho Bank, Ltd.	August 31, 2017	500	500	0.624	August 31, 2024			
	Mizuho Trust & Banking Co., Ltd. (Note 3)	August 31, 2017	500	500	0.661	August 31, 2024			
	Sumitomo Mitsui Banking Corporation	August 31, 2017	1,500	1,500	0.665	February 28, 2025			
	Resona Bank, Ltd.	August 31, 2017	1,000	1,000	0.749	February 28, 2026			
	Sumitomo Mitsui Trust Bank, Limited.	August 31, 2017	1,000	1,000	0.749	February 28, 2026			
	Sumitomo Mitsui Banking Corporation	July 30, 2018	—	1,000	0.409	July 31, 2021			

	Shinsei Bank, Limited	July 30, 2018	—	1,000	0.409	July 31, 2021			
	MUFG Bank, Ltd (Note 8)	July 30, 2018	—	500	0.409	July 31, 2021			
	Mizuho Bank, Ltd.	July 30, 2018	—	500	0.409	July 31, 2021			
	Nippon Life Insurance Company (Note 3)	July 30, 2018	—	500	0.900	January 30, 2027			
	Subtotal;		73,000	87,000					
	Total		88,130	103,130					

(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 13th fiscal period and in of long-term loans payable in the 12th fiscal period.

(Note 6) Debts were succeeded by merger with JSL on March 1, 2018

(Note 7) In line with the absorption-type corporate split of Mitsubishi UFJ Trust and Banking Corporation (splitting company) and MUFG Bank, Ltd. (succeeding company) on April 16, 2018, loan debt to Mitsubishi UFJ Trust and Banking Corporation has been succeeded to MUFG Bank, Ltd.

(Note 8) MUFG Bank, Ltd changed its company name from The Bank of Tokyo-Mitsubishi UFJ, Ltd. on April 1, 2018.

(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 (mln yen)	Balance at the end of period (mln yen)	Interest rate (%)	Repayment date	Repayment method	Use	Remarks
First series of unsecured investment corporation bonds	August 30, 2016	1,000	1,000	0.200	August 30, 2021	Repayment of principal in full on maturity date	(Note 1)	(Note 2)
Second series of unsecured investment corporation bonds	August 30, 2016	1,000	1,000	0.540	August 28, 2026			
Third series of unsecured investment corporation bonds	August 30, 2016	1,000	1,000	0.800	August 30, 2028			
Total		3,000	3,000					

(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 sales of real estate properties and asset-backed securities, etc., infrastructure assets and infrastructure-related assets

Type	No.	Name	Acquisition		Sales			
			Acquisition date	Acquisition price (Million yen) (Note)	Sales date	Sales price (Million yen)	Book value (Million yen)	Gain and loss (Million yen)
Trust Beneficiary Interest	H-15	Excellent Kitano	July 6, 2018	737	—	—	—	—
Trust Beneficiary Interest	R-6	KDX Shimmachi Residence	—	—	July 6, 2018	1,420	953	436
Subordinated Silent Partnership Equity Interests	—	Equity interests in TK property fund with G.K. TropicIIIas operator	July 4, 2018	110	—	—	—	—

(Note 1) The acquisition price and Sale price are the amount identified in the purchase and sale 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.

(Note 2) Book value and Gain and loss are 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	Date of acquisition or sale	Acquisition price or Sale price (Million yen) (Note 1)	Appraisal value (Million yen) (Note 2)	Appraiser	Appraisal date
Acquisition	Trust Benefici	H-15	Excellent Kitano	July 6, 2018	737	783	The Tanizawa Sogo Appraisal Co., Ltd.	May 1, 2018
Sale	Trust Benefici	R-6	KDX Shimmachi Residence	July 6, 2018	1,420	1,200	Japan Real Estate Institute	January 31, 2018

(Note1) “Acquisition price” and “Sale price” represent the purchase and Sales 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 III as operator	July 4, 2018	110	141

(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 (February 1, 2018 to July 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 5 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

Category	Transaction price (million yen)	
	Acquisition price (Note 2)	Sale price (Note 2)
Total amount	847	1,420
Transaction with related-party		
GK KSLF6	737 (87.0%)	— (—%)
Total	737 (87.0%)	— (—%)

② Amounts of Fees Paid

Category	Total paid fees (A) (million yen)	Transaction with stakeholders		Ratio to total (B)/(A)
		Paid to	Paid amount (B) (million yen)	
Property management compensation	228	Space Design, Inc.	0	0.3%
		CRE, Inc.	0	0.2%
Building management fees	173	Space Design, Inc.	1	0.6%
Repair and maintenance costs	290	CRE, Inc.	0	0.1%

(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) "Acquisition price" and "Sale price" excluded expenses related to acquisition or sale and taxes and dues.

(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

Not applicable

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
July 24, 2018	New Investment Units underwriting agreement	Pertaining to issuance of new investment units, the Investment Corporation entrusted administrative duties concerning offering of investment units to the underwriters (SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd. and Nomura Securities Co., Ltd.)

(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

(13th Fiscal Period: From February 1, 2018 to July 31, 2018)

Independent Auditor's Report

Balance Sheet

Statement of Income and Retained Earnings

Statement of Changes in Net Assets

Statement 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, which comprise the balance sheet as at July 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 as at July 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.

Ernst & Young ShinNihon LLC

October 30, 2018
Tokyo, Japan

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Balance Sheet

As of July 31, 2018

	13th Fiscal Period as of July 31, 2018	12th Fiscal Period as of January 31, 2018
(in thousands of yen)		
ASSETS		
Current assets		
Cash and deposits (Notes 6 and 8)	¥10,029,598	¥6,551,666
Cash and deposits in trust (Notes 6 and 8)	8,749,823	3,928,017
Operating accounts receivable	29,188	24,913
Prepaid expenses	10,855	3,557
Consumption taxes receivable	-	9,464
Other	11,033	1,893
Total current assets	18,830,499	10,519,513
Noncurrent assets		
Property, plant and equipment (Notes 13 and 18)		
Land	1,798,041	1,798,041
Buildings in trust	84,656,776	68,843,600
Accumulated depreciation	(7,901,681)	(6,927,784)
Buildings in trust, net	76,755,095	61,915,815
Structures in trust	722,432	502,925
Accumulated depreciation	(133,503)	(114,924)
Structures in trust, net	588,929	388,001
Machinery and equipment in trust	1,360,078	1,317,786
Accumulated depreciation	(256,856)	(226,840)
Machinery and equipment in trust, net	1,103,222	1,090,946
Tools, furniture and fixtures in trust	400,899	338,646
Accumulated depreciation	(39,156)	(29,220)
Tools, furniture and fixtures in trust, net	361,742	309,425
Land in trust	111,474,267	99,538,715
Total property, plant and equipment, net	192,081,298	165,040,946
Intangible assets		
Leasehold right in trust (Notes 13 and 18)	1,067,058	-
Other	7,115	-
Total intangible assets	1,074,174	-
Investments and other assets		
Investment securities (Notes 8 and 17)	512,263	221,707
Lease and guarantee deposits	39,097	10,397
Long-term prepaid expenses	916,981	915,782
Other (Notes 8 and 9)	81,989	80,743
Total investments and other assets	1,550,331	1,228,631
Total noncurrent assets	194,705,805	166,269,577
Deferred assets		
Investment corporation bond issuance costs	22,583	24,461
Investment unit issuance costs	-	421
Total deferred assets	22,583	24,883
Total assets	¥213,558,887	¥176,813,974

	13th Fiscal Period as of July 31, 2018	12th Fiscal Period as of January 31, 2018
	(in thousands of yen)	
LIABILITIES		
Current liabilities		
Operating accounts payable	¥609,170	¥473,021
Short-term loans payable (Notes 8 and 20)	2,630,000	2,630,000
Current portion of long-term loans payable (Notes 8, 9 and 20)	13,500,000	11,000,000
Accounts payable-other	284,251	239,241
Accrued expenses	26,489	26,142
Income taxes payable	605	604
Accrued consumption taxes	63,856	-
Advances received	958,812	779,137
Deposits received	54,159	53,143
Other	13	-
Total current liabilities	18,127,358	15,201,290
Noncurrent liabilities		
Investment corporation bonds (Notes 8 and 19)	3,000,000	3,000,000
Long-term loans payable (Notes 8, 9 and 20)	87,000,000	74,500,000
Tenant leasehold and security deposits in trust	2,330,206	1,462,549
Tenant lump sum deposits in trust	4,205,076	-
Other	150,601	-
Total noncurrent liabilities	96,685,885	78,962,549
Total liabilities	114,813,244	94,163,839
NET ASSETS		
Unitholders' equity		
Unitholders' capital	80,132,379	80,132,379
Surplus		
Capital surplus	13,187,100	-
Unappropriated retained earnings	5,428,676	2,437,011
Total surplus	18,615,776	2,437,011
Total unitholders' equity	98,748,155	82,569,390
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 8 and 9)	(2,512)	80,743
Total valuation and translation adjustments	(2,512)	80,743
Total net assets (Note 3)	98,745,643	82,650,134
Total liabilities and net assets	¥213,558,887	¥176,813,974

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Statement of Income and Retained Earnings

For the period from February 1, 2018 to July 31, 2018

	13th Fiscal Period from February 1, 2018 to July 31, 2018	12th Fiscal Period from August 1, 2017 to January 31, 2018
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 4)	¥6,152,086	¥5,235,620
Other lease business revenue (Note 4)	503,250	435,685
Gain on sales of real estate property (Note 4)	436,817	-
Dividends income	5,164	10,132
Total operating revenues	7,097,319	5,681,438
Operating expenses		
Expenses related to rent business (Note 4)	2,554,551	2,107,064
Asset management fees	413,158	377,361
Asset custody fees	11,583	11,365
Administrative service fees	41,201	39,023
Directors' compensation	7,500	4,500
Merger expenses	395,984	67,446
Other operating expenses	233,938	184,719
Total operating expenses	3,657,918	2,791,481
Operating income	3,439,400	2,889,956
Non-operating income		
Interest income	15	12
Dividends and redemption-prescription	293	350
Interest on refund	56	-
Total non-operating income	364	363
Non-operating expenses		
Interest expenses	441,829	410,074
Interest expenses on investment corporation bonds	7,593	7,806
Borrowing expenses	145,787	97,811
Amortization of investment corporation bond issuance costs	1,878	1,878
Amortization of investment unit issuance costs	421	19,618
Other	108	-
Total non-operating expenses	597,619	537,188
Ordinary income	2,842,146	2,353,130
Extraordinary income		
Gain on negative goodwill	2,574,896	-
Total extraordinary income	2,574,896	-
Income before income taxes	5,417,042	2,353,130
Income taxes (Note 10)		
Current	605	604
Deferred	-	9
Total income taxes	605	614
Net income	5,416,437	2,352,516
Retained earnings brought forward	12,239	84,495
Unappropriated retained earnings	¥5,428,676	¥2,437,011

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Statement of Changes in Net Assets

For the period from February 1, 2018 to July 31, 2018

	Unitholders' equity					Valuation and translation adjustments	Total net assets
	Surplus				Total unitholders' equity	Deferred gains or losses on hedges	
	Unitholders' capital	Capital surplus	Unappropriated retained earnings	Total surplus			
(in thousands of yen)							
Balance as of July 31, 2017	¥ 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
Changes of items during the period							
Increase by merger	-	13,187,100	-	13,187,100	13,187,100	-	13,187,100
Dividends from surplus	-	-	(2,424,772)	(2,424,772)	(2,424,772)	-	(2,424,772)
Net income	-	-	5,416,437	5,416,437	5,416,437	-	5,416,437
Net changes of items other than unitholders' equity	-	-	-	-	-	(83,255)	(83,255)
Total changes of items during the period	-	13,187,100	2,991,665	16,178,765	16,178,765	(83,255)	16,095,509
Balance as of July 31, 2018 (Note 5)	¥ 80,132,379	¥ 13,187,100	¥ 5,428,676	¥ 18,615,776	¥ 98,748,155	¥ (2,152)	¥ 98,745,643

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Statement of Cash Flows

For the period from February 1, 2018 to July 31, 2018

	13th Fiscal Period from February 1, 2018 to July 31, 2018	12th Fiscal Period from August 1, 2017 to January 31, 2018
(in thousands of yen)		
Net cash provided by (used in) operating activities		
Income before income taxes	¥5,417,042	¥2,353,130
Depreciation and amortization	1,144,883	921,858
Gain on negative goodwill	(2,574,896)	-
Amortization of investment corporation bond issuance costs	1,878	1,878
Amortization of investment unit issuance costs	421	19,618
Interest income	(15)	(12)
Interest expenses	449,423	417,880
Decrease (increase) in operating accounts receivable	(3,782)	(92)
Decrease (increase) in consumption taxes refund receivable	9,464	(9,464)
Decrease (increase) in prepaid expenses	(713)	1,274
Increase (decrease) in operating accounts payable	(28,792)	68,569
Increase (decrease) in accounts payable-other	(102,769)	37,833
Increase (decrease) in accrued consumption taxes	62,160	(6,135)
Increase (decrease) in advances received	15,122	12,172
Decrease (increase) in long-term prepaid expenses	(1,198)	(151,528)
Decrease in net property, plant and equipment held in trust due to sale	953,749	-
Other, net	18,303	3,018
Subtotal	5,360,283	3,670,003
Interest income received	15	12
Interest expenses paid	(459,405)	(415,950)
Income taxes (paid) refund	(6,005)	(2,693)
Net cash provided by (used in) operating activities	4,894,888	3,251,371
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(1,053,115)	(9,828,503)
Purchase of intangible assets	(7,762)	-
Purchase of investment securities	(111,529)	(133,725)
Proceeds from investment securities	12,232	3,240
Repayments of tenant leasehold and security deposits in trust	(134,277)	(142,165)
Proceeds from tenant leasehold and security deposits in trust	161,089	131,628
Repayments of tenant lump sum deposits in trust	(44,212)	-
Proceeds from tenant lump sum deposits in trust	625,414	-
Net cash provided by (used in) investing activities	(552,161)	(9,969,526)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	2,630,000	1,630,000
Decrease in short-term loans payable	(3,630,000)	-
Proceeds from long-term loans payable	4,500,000	18,700,000
Repayments of long-term loans payable	(3,500,000)	(11,000,000)
Dividends paid	(2,709,508)	(2,317,102)
Net cash provided by (used in) financing activities	(2,709,508)	7,012,897
Net increase (decrease) in cash and cash equivalents	1,633,218	294,741
Cash and cash equivalents at the beginning of period	10,479,684	10,184,942
Increase in cash and cash equivalents resulting from merger	6,666,519	-
Cash and cash equivalents at the end of period (Note 6)	¥18,779,421	¥10,479,684

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

Notes to Financial Statements

For the period from February 1, 2018 to July 31, 2018

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). Subsequently, the Investment Corporation raised funds through three public offerings and other means including global offerings and third-party allotments. The Investment Corporation 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 with March 1, 2018 as the effective date. And also on March 1, 2018, 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. As the result, as of July 31, 2018, the end of the 13th fiscal period, the number of investment units issued and outstanding totaled 782,928 units.

(Note) 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 flexible and speedy real estate investment and management services based on the strategies of the Investment Corporation: "Flexible pursuit for appropriate investment and profit opportunities with comprehension of the real estate market trends" and "Speedy execution based on expeditious information collection and judgement."

During the 12th fiscal period, the Investment Corporation acquired 2 properties (total acquisition price of ¥9,100 million). During the 13th fiscal period, the Investment Corporation succeeded 14 properties through the Merger with total acquisition price of ¥28,998 million based on the appraisal value as of March 1, 2018. The Investment Corporation acquired 1 property (acquisition price of ¥737 million) and sold 1 property (disposition price of ¥1,420 million) other than the Merger. As the result, the Investment Corporation has a portfolio comprised of 129 properties (total acquisition price of ¥192,889 million) as of July 31, 2018, the end of the 13th fiscal period.

The occupancy rates of the overall portfolio including land with leasehold interest were 97.0% and 97.6% as of the end of the 12th and 13th fiscal period, respectively. Furthermore, the average occupancy rates of the properties for residential facilities and for healthcare facilities were 97.0% and 100.0% as of the end of 13th fiscal period.

During the 12th and 13th fiscal period, the Investment Corporation made borrowings of ¥11,000 million and ¥7,130 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. During the 13th fiscal period, the Investment Corporation succeeded ¥15,000 million borrowings from JSL on March 1, 2018 by the Merger. As a result, balance of borrowings as of the end of the 12th and 13th fiscal period stood at ¥88,130 million and ¥103,130 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 February 1, 2018 to July 31, 2018	From August 1, 2017 to January 31, 2018
Buildings	2-67 years	2-67 years
Structures	3-52 years	3-52 years
Machinery and equipment	8-34 years	8-34 years
Tools, furniture and fixtures	6-30 years	6-30 years

(C) Intangible Assets

Intangible assets are amortized by the straight-line method.

(D) Long-term Prepaid Expenses

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

(E) Unit Issuance Costs

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

(F) Investment Corporation Bond Issuance Costs

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

(G) 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.

(H) 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.

(I) 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 and ¥1,215 thousand as of January 31, 2018 and July 31, 2018, respectively.

(J) 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.

(K) 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.

(L) 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 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.

(M) 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.

(N) 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 February 1, 2018 to July 31, 2018 and from August 1, 2017 to January 31, 2018 consist of the following:

	From February 1, 2018 to July 31, 2018	From August 1, 2017 to January 31, 2018
	(in thousands of yen)	
Rental and other operating revenues:		
Rental revenues	¥5,800,000	¥4,895,387
Rental revenues from limited proprietary rights of land	43,750	43,749
Common area charges	308,336	296,482
Subtotal	6,152,086	5,235,620
Others:		
Parking space rental revenues	182,436	181,133
Miscellaneous	320,814	254,551
Subtotal	503,250	435,685
Total rental and other operating revenues	¥6,655,337	¥5,671,305
Property-related expenses:		
Property management fees and facility management fees	¥402,111	¥362,432
Utilities	89,714	88,669
Taxes	413,717	323,667
Repairs and maintenance	290,404	228,410
Insurance	10,386	8,399
Trust fees	48,958	42,467
Depreciation	1,144,236	921,858
Others	155,022	131,157
Total property-related expenses	¥2,554,551	¥2,107,064

Gain on sales of real estate property:

From February 1, 2018 to July 31, 2018

	(in thousands of yen)
KDX Shimmachi Residence	
Revenue from sale of real estate property	¥1,420,000
Cost of real estate property	953,749
Other sales expenses	29,433
Gain on sales of real estate property	¥436,817

From August 1, 2017 to January 31, 2018

Not applicable

5. UNITHOLDERS' EQUITY

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

	From February 1, 2018 to July 31, 2018	From August 1, 2017 to January 31, 2018
Total number of authorized investment units	10,000,000	5,000,000
Total number of investment units issued and outstanding	782,928	349,089

6. CASH AND CASH EQUIVALENTS

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

	As of July 31, 2018	As of January 31, 2018
	(in thousands of yen)	
Cash and deposits	¥10,029,598	¥6,551,666
Cash and deposits in trust	8,749,823	3,928,017
Cash and cash equivalents	¥18,779,421	¥10,479,684

Important contents of the non-cash transaction

From February 1, 2018 to July 31, 2018

The summary of assets and liabilities succeeded from Japan Senior Living Investment Corporation by merger in the 13th fiscal period is as follows. The increase amount of capital surplus is ¥13,187,100 thousand as a result of merger.

	(in thousands of yen)	
Current assets	¥6,674,104	
Non-current assets	29,237,279	
Total assets	35,911,384	
Current liabilities	5,108,546	
Non-current liabilities	15,040,841	
Total liabilities	¥20,149,388	

From August 1, 2017 to January 31, 2018

Not applicable

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 July 31, 2018 and January 31, 2018 are as follows:

	As of July 31, 2018	As of January 31, 2018
	(in thousands of yen)	
Due in 1 year	¥1,942,856	¥251,883
Due after 1 year	12,086,289	4,092,472
Total	¥14,029,145	¥4,344,355

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 1 month as of July 31, 2018, the end of the 13th 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 July 31, 2018

	Carrying amount	Estimated fair value	Difference
		(in thousands of yen)	
(1) Cash and deposits	¥10,029,598	¥10,029,598	¥ -
(2) Cash and deposits in trust	8,749,823	8,749,823	-
Subtotal	18,779,421	18,779,421	-
(1) Short-term loans payable	2,630,000	2,630,000	-
(2) Current portion of long-term loans payable	13,500,000	13,463,182	(36,817)
(3) Investment corporation bonds	3,000,000	2,978,000	(22,000)
(4) Long-term loans payable	87,000,000	87,203,230	203,230
Subtotal	106,130,000	106,274,413	144,413
Derivative transactions*	(¥2,512)	(¥2,512)	¥ -

* Figures indicate net amount of derivative assets/liabilities derived from derivative transactions, with minus representing net liabilities.

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	¥ -

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 July 31, 2018	As of January 31, 2018
Investment securities *	512,263	221,707

*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.

Loss on valuation of investment securities of ¥21,981 thousand was recognized in the fiscal period ended July 31, 2018.

Note 3: Redemption schedule for financial assets with maturities

As of July 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	¥10,029,598	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	8,749,823	-	-	-	-	-
Total	¥18,779,421	¥ -	¥ -	¥ -	¥ -	¥ -

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	¥ -	¥ -	¥ -	¥ -	¥ -

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

As of July 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	13,500,000	7,500,000	8,950,000	19,650,000	7,250,000	43,650,000
Total	¥ 16,130,000	¥ 7,500,000	¥ 8,950,000	¥ 20,650,000	¥ 7,250,000	¥ 45,650,000

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

9. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of July 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	¥43,000,000	¥43,000,000	(¥2,512)	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		¥89,300,000	¥81,300,000	(¥2,512)	-

*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 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.

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 ¥3,152 million and ¥2,424 million for the periods ended July 31, 2018 and January 31, 2018, 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 0.01% and 0.03% for the periods ended July 31, 2018 and January 31, 2018, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	From February 1, 2018 to July 31, 2018	From August 1, 2017 to January 31, 2018
Statutory tax rate	31.74%	31.74%
Deductible cash distributions	(16.44)	(31.74)
Gain on negative goodwill	(15.09)	-
Others	(0.20)	0.03
Effective tax rate	0.01%	0.03%

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

	As of July 31, 2018	As of January 31, 2018
	(in thousands of yen)	
Deferred tax assets:		
Valuation difference on assets acquired by merger	¥ 762,851	¥ -
Deferred gains or losses on hedges	26,694	-
Loss on valuation of investment securities	6,926	-
Subtotal deferred tax assets	796,472	-
Valuation allowance	(796,472)	-
Total deferred tax assets	¥ -	¥ -
Net deferred tax assets	¥ -	¥ -

11. RELATED-PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

13th Fiscal Period (February 1, 2018 to July 31, 2018) and 12th Fiscal Period (August 1, 2017 to January 31, 2018): Not applicable

2. Affiliated companies and other

13th Fiscal Period (February 1, 2018 to July 31, 2018) and 12th Fiscal Period (August 1, 2017 to January 31, 2018): Not applicable

3. Fellow subsidiary companies and other

13th Fiscal Period (February 1, 2018 to July 31, 2018) and 12th Fiscal Period (August 1, 2017 to January 31, 2018): Not applicable

4. Directors, major individual unitholders and other

13th Fiscal Period (February 1, 2018 to July 31, 2018) and 12th Fiscal Period (August 1, 2017 to January 31, 2018): Not applicable

12. BUSINESS COMBINATION

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

Not applicable

13th Fiscal Period (February 1, 2018 to July 31, 2018)

Business Combination through Acquisition

1. Overview of Business Combination

(1) Name and Business Description of Acquiree

Name of acquiree : Japan Senior Living Investment Corporation ("JSL")

Business description : Real estate investment trust

(2) Main Reasons for Business Combination

The Investment Corporation 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. The Investment Corporation has therefore entered into the merger agreement on November 10, 2017.

(3) Date of Business Combination

March 1, 2018

(4) Legal Framework of Business Combination

An absorption-type merger with the Investment Corporation as the surviving corporation and JSL as the dissolving corporation

(5) Name of the Investment Corporation after Business Combination

Kenedix Residential Next Investment Corporation

(The Investment Corporation changed its name from Kenedix Residential Investment Corporation to Kenedix Residential Next Investment Corporation on March 1, 2018)

(6) Main Reasons for Determining Acquiring Company

It was determined that the Investment Corporation is the acquiring company based on the accounting standards for business combinations and other regulations with comprehensively taking various factors into consideration, such as the size of total assets, net income and other indexes, the ratio of unitholders' voting rights, the members of board of directors and other managerial factors.

2. Operating Period of Acquiree Included in the Statement of Income and Retained Earnings

From March 1, 2018 to July 31, 2018

3. Acquisition Cost of Acquiree and the Breakdown

Acquisition cost

Market value of the Investment Corporation's investment units allotted on the date of business combination

¥13,187,100 thousand

Principal Direct Cost for Acquisition

Merger fees ¥292,085 thousand

4. Exchange Ratio, Method of Calculation and Number of Investment Units Allotted as for the Acquisition

(1) Exchange Ratio of Investment Units

1 unit of the Investment Corporation was allotted 1 unit of JSL through the Merger. The Investment Corporation implemented a 2-for-1 investment unit split with February 28, 2018 as the record date before the Merger.

(2) Method of Calculation

The Investment Corporation appointed SMBC Nikko Securities Inc. as a financial advisor ("FA"), while JSL appointed Nomura Securities Co., Ltd. They requested the FAs to perform a financial analysis of the merger ratio. Each FA calculated the merger ratio based on the valuation method of investment unit market value, discount dividends model, and other valuation, respectively. After careful discussions and negotiations as well as comprehensive considerations of various factors, including the merger ratio performed by the FAs, the Investment Corporation and JSL determined that the above mentioned merger ratio was appropriate.

(3) Number of Investment Units Allotted

84,750 units

5. Treatment of Acquisition Cost

(1) Breakdown of Assets Acquired and Liabilities Assumed on the Date of Business Combination

(In thousand yen)	
Current assets	¥6,674,104
Noncurrent assets	29,237,279
Total assets	35,911,384
Current liabilities	5,108,546
Noncurrent liabilities	15,040,841
Total liabilities	¥20,149,388

(2) Amount and Reason for Negative Goodwill

Amount of Negative Goodwill : ¥2,574,896 thousand

Reason : The Investment Corporation recognized the difference as Negative Goodwill, by the amount that JSL fair value of net assets on the date of business combination exceeded the acquisition cost.

Accounting Treatment : All of the amount was recognized as extraordinary gain in 13th fiscal period.

6. Estimated Impact on the Statement of Income and Retained Earnings for the 13th fiscal period

Calculation Method of Estimated Impact and Assumption:

Japanese GAAP requires the acquiring company to estimate the impact on the statement of income and retained earnings as if the business combination were completed at the beginning of the 13th fiscal period.

Impact on the Statement of Income and Retained Earnings in the 13th Fiscal Period:

Operating revenues ¥162,634 thousand

Ordinary income ¥37,588 thousand

Net income ¥37,419 thousand

13. 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.

	13th Fiscal Period from February 1, 2018 to July 31, 2018	12th Fiscal Period from August 1, 2017 to January 31, 2018
(in thousands of yen)		
Book value		
Balance at the beginning of period	¥165,040,946	¥156,161,704
Changes during the period	28,107,411	8,879,241
Balance at the end of period	193,148,357	165,040,946
Fair value at the end of period	¥223,857,000	¥192,137,000

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 13th fiscal period, the principal increases were the acquisition of trust beneficiary interests in real estate in 14 properties totaling ¥28,998,000 thousand by merger with Japan Senior Living Investment Corporation and the acquisition of real estate trust beneficiary interests in 1 property totaling ¥770,418 thousand, and the principal decrease was the sales of real estate trust beneficiary interests in 1 property totaling ¥953,749 thousand and depreciation of ¥1,144,236 thousand, and 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.

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

Income and loss in the fiscal periods ended July 31, 2018 and January 31, 2018 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".

14. SEGMENT AND RELATED INFORMATION

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

15. PER UNIT INFORMATION

	From February 1, 2018 to July 31, 2018	From August 1, 2017 to January 31, 2018
Net asset value per unit	¥126,123	¥118,379
Net income per unit	¥7,036	¥3,369
Weighted average number of units (units)	769,818	698,178

The weighted average numbers of units outstanding of 769,818 and 698,178 were used for the computation of the amount of net income per unit as of July 31, 2018 and January 31, 2018, respectively.

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 January 2018.

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 February 1, 2018 to July 31, 2018	From August 1, 2017 to January 31, 2018
Net income (in thousands of yen)	¥5,416,437	¥2,352,516
Net income not available to ordinary unitholders (in thousands of yen)	-	-
Net income available to ordinary unitholders (in thousands of yen)	¥5,416,437	¥2,352,516
Weighted average number of units during the period (units)	769,818	698,178

16. SIGNIFICANT SUBSEQUENT EVENTS

Issuance of New Investment Units

On July 13, 2018 and July 24, 2018, the Board of Directors of the Investment Corporation resolved to issue new investment units as the funds for acquiring specified assets and other use. Payments for the issuance of new investment units through public offering and through third-party allotment have been completed on August 1, 2018 and August 29, 2018, respectively.

As a result of the issuance of new investment units, the Investment Corporation has total unitholders' capital of ¥93,226,228,903 with 869,133 investment units outstanding as of August 29, 2018.

(Issuance of New Investment Units through Public Offering)

Issuance of new investment units	: 82,100 units
Issue price (Offer price)	: ¥157,047 per unit
Aggregate issue price (Total offer price)	: ¥12,893,558,700
Issue amount (Paid-in value)	: ¥151,892 per unit
Total issue amount (Aggregate paid-in value)	: ¥12,470,333,200
Payment date	: August 1, 2018

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

Issuance of new investment units	: 4,105 units
Issue amount (Paid-in value)	: ¥151,892 per unit
Total issue amount (Aggregate paid-in value)	: ¥623,516,660
Payment date	: August 29, 2018
Allottee	: SMBC Nikko Securities Inc.

17. SECURITIES PORTFOLIO

Securities portfolio consists of the following as of July 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 1)	Gain (Loss) on valuation	Remarks
Subordinated Silent Partnership Equity Interests	Equity interests in TK property fund with G.K. Tropic I as operator (Note 2)	-	78,767	-	-	78,767	-	
Subordinated Silent Partnership Equity Interests	Equity interests in TK property fund with G.K. Tropic II as operator (Note 3)	-	122,142	-	-	122,142	-	
Silent Partnership Equity Interests	Equity interests in TK property fund with G.K. KSLF8 as operator (Note 4)	-	198,346	-	-	198,346	-	
Subordinated Silent Partnership Equity Interests	Equity interests in TK property fund with G.K. Tropic III as operator (Note 5)	-	113,006	-	-	113,006	-	
Total		-	512,263	-	-	512,263	-	

Note 1: The assessed value is stated at the book value. Loss on valuation of investment securities of ¥10,831 thousand and ¥11,150 thousand was recognized in the fiscal period ended July 31, 2018 regarding equity interests in TK property fund with G.K. Tropic I as operator and equity interests in TK property fund with G.K. Tropic II as operator, respectively.

Note 2: TK property fund owned trust beneficiary interests in real estate for "KDX Residence Shukugawa Hills" as of July 31, 2018, the end of the 13th fiscal period. Furthermore, the Investment Corporation acquired real estate beneficiary interests in trust for the abovementioned properties on August 2, 2018.

Note 3: TK property fund owned trust beneficiary interests in real estate for "KDX Residence Asagaya," "KDX Residence Hiyoshi" and "Serenite Kobe Motomachi" as of July 31, 2018, the end of the 13th fiscal period. Furthermore, the Investment Corporation acquired real estate beneficiary interests in trust for the three abovementioned properties on August 2, 2018.

Note 4: Equity interests in TK property fund with G.K. KSLF8 as operator were succeeded from JSL by the Merger.

TK property fund owned trust beneficiary interests in real estate for "Canadian Hill," "Anesis Hyogo," "Orage Suma," "Rococo-riha" and "Anesis Teradacho" as of July 31, 2018, the end of the 13th fiscal period. Furthermore, the Investment Corporation acquired real estate beneficiary interests in trust for the five abovementioned properties on August 2, 2018.

Note 5: TK property fund owns trust beneficiary interests in real estate for "Arute Ishiyagawa" and "Serabi Ebisu."

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.

18. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASEETS

Property, plant and equipment consist of the following as of July 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	68,843,600	16,408,296	595,119	84,656,776	7,901,681	1,084,310	76,755,095	Note 1
Structures in trust	502,925	222,790	3,283	722,432	133,503	19,963	588,929	
Machinery and equipment in trust	1,317,786	42,291	-	1,360,078	256,856	30,015	1,103,222	
Tools, furniture and fixtures in trust	338,646	62,359	106	400,899	39,156	9,946	361,742	
Land in trust	99,538,715	12,402,600	467,048	111,474,267	-	-	111,474,267	Note 1
Sub total	170,541,674	29,138,338	1,065,558	198,614,454	8,331,197	1,144,236	190,283,257	
Total	172,339,715	29,138,338	1,065,558	200,412,495	8,331,197	1,144,236	192,081,298	
Intangible assets								
Leasehold right in trust	-	1,067,058	-	1,067,058	-	-	1,067,058	
Other	-	7,762	-	7,762	646	646	7,115	
Total	¥ -	¥1,074,821	¥ -	¥1,074,821	¥ 646	¥ 646	¥1,074,174	

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

Note 2: The amount of decrease during the period is primarily attributable to the sales of the real estate property.

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.

19. INVESTMENT CORPORATION BONDS

Outstanding Investment corporation bonds as of July 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 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	-

20. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt and long-term debt consist of the following as of July 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	-	0.455%	July 31, 2018	(Note 6)	Unsecured/Unguaranteed		
	Shinsei Bank, Limited (Note 8)	-	500,000	500,000	-	0.354%	July 30, 2018				
	Sumitomo Mitsui Banking Corporation (Note 8)	-	500,000	500,000	-	0.354%	July 30, 2018				
	Sumitomo Mitsui Banking Corporation	830,000	-	830,000	-	0.455%	July 31, 2018				
	Mizuho Bank, Ltd.	800,000	-	800,000	-	0.455%	July 31, 2018				
	Sumitomo Mitsui Banking Corporation	-	1,830,000	-	1,830,000	0.404%	July 31, 2019				
	Mizuho Bank, Ltd.	-	800,000	-	800,000	0.404%	July 31, 2019				
	Sub total	2,630,000	3,630,000	3,630,000	2,630,000						
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	3,250,000	-	-	3,250,000	1.052%	August 31, 2018	(Note 6)	Unsecured/Unguaranteed		
	MUFG Bank, Ltd	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 5)	August 31, 2018
	Shinsei Bank, Limited (Note 8)	-	1,000,000	1,000,000	-						
	Sumitomo Mitsui Banking Corporation (Note 8)	-	1,000,000	1,000,000	-					0.435%	July 30, 2018
	MUFG Bank, Ltd (Note 8)	-	500,000	500,000	-						
	Mizuho Bank, Ltd. (Note 8)	-	500,000	500,000	-						
	Nippon Life Insurance Company (Note 8)	-	500,000	500,000	-						
	Sumitomo Mitsui Banking Corporation (Note 2)	1,000,000	-	-	1,000,000					0.480%	February 28, 2019
	MUFG Bank, Ltd (Note 2)	500,000	-	-	500,000					0.480%	February 28, 2019
Sumitomo Mitsui Banking Corporation	-	500,000	-	500,000	0.354%	July 31, 2019					
Shinsei Bank, Limited	-	500,000	-	500,000	0.354%	July 31, 2019					
Sub total	12,500,000	4,500,000	3,500,000	13,500,000							
Long-term loans payable	MUFG Bank, Ltd	1,000,000	-	-	1,000,000	1.109%	January 31, 2021	(Note 6)	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				
	MUFG Bank, Ltd	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				
	MUFG Bank, 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						
	Mizuho Trust & Banking Co., Ltd.	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					1.254%	August 7, 2023
MUFG Bank, Ltd	400,000	-	-	400,000							
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)									
	Mizuho Trust & Banking Co., Ltd.	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		
	MUFG Bank, 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		
	MUFG Bank, Ltd.	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		
	MUFG Bank, Ltd.	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		
	MUFG Bank, 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		
	Shinsei Bank, Limited (Note 8)	-	1,750,000	-	1,750,000				
	Sumitomo Mitsui Banking Corporation (Note 8)	-	1,750,000	-	1,750,000				
	MUFG Bank, Ltd (Note 8)	-	1,000,000	-	1,000,000				
	Mizuho Bank, Ltd. (Note 8)	-	500,000	-	500,000	0.729%	July 29, 2020		
	Resona Bank, Limited (Note 8)	-	500,000	-	500,000				
Long-term loans payable	Mizuho Trust & Banking Co., Ltd. (Note 8)	-	500,000	-	500,000			(Note 6)	Unsecured/ Unguaranteed
	Shinsei Bank, Limited (Note 8)	-	1,100,000	-	1,100,000				
	Sumitomo Mitsui Banking Corporation (Note 8)	-	1,100,000	-	1,100,000				
	MUFG Bank, Ltd (Note 8)	-	1,000,000	-	1,000,000	1.115%	July 29, 2022		
	Mizuho Bank, Ltd. (Note 8)	-	300,000	-	300,000				
	Sompo Japan Nipponkoa Insurance Inc. (Note 8)	-	1,000,000	-	1,000,000				
	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		
	Mizuho Trust & Banking Co., Ltd.	700,000	-	-	700,000	0.923%	August 31, 2022		
	Sumitomo Mitsui Trust Bank, Limited	950,000	-	-	950,000	1.047%	August 31, 2023		
	MUFG Bank, 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.	1,000,000	-	-	1,000,000	1.193% (Note 5)	August 31, 2024		
	MUFG Bank, Ltd.	300,000	-	-	300,000	0.624%	October 27, 2020		
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.156%	April 27, 2025		
	MUFG Bank, 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		
	MUFG Bank, Ltd.	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		

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)							
Resona Bank, Limited	500,000	-	-	500,000	0.797%	August 31, 2025		
MUFG Bank, Ltd	2,000,000	-	-	2,000,000	0.670% (Note 5)	August 31, 2025		
Mizuho Trust & Banking Co., Ltd.	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		
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		
Mizuho Trust & Banking Co., Ltd.	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		
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	(Note 6)	Unsecured/ Unguaranteed
MUFG Bank, 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		
MUFG Bank, Ltd	1,000,000	-	-	1,000,000	0.582%	February 29, 2024		
Mizuho Bank, Ltd.	500,000	-	-	500,000	0.624%	August 31, 2024		
Mizuho Trust & Banking Co., Ltd.	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		
Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.409%	July 31, 2021		
Shinsei Bank, Limited	-	1,000,000	-	1,000,000	0.409%	July 31, 2021		
MUFG Bank, Ltd	-	500,000	-	500,000	0.409%	July 31, 2021		
Mizuho Bank, Ltd.	-	500,000	-	500,000	0.409%	July 31, 2021		
Nippon Life Insurance Company	-	500,000	-	500,000	0.900% (Note 5)	January 30, 2027		
Sub total	73,000,000	14,000,000	-	87,000,000				
Total	¥88,130,000	¥22,130,000	¥7,130,000	¥103,130,000				

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	¥7,500,000	¥8,950,000	¥19,650,000	¥7,250,000	¥43,650,000

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: Borrowings succeeded from JSL due to the Merger on March 1, 2018.

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	(Note 6)	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 6)	Unsecured/ Unguaranteed		
	MUFG Bank, Ltd (Note 8)	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	3,250,000	-	-	3,250,000					1.052%	August 31, 2018 (Note 2)
	MUFG Bank, Ltd (Note 8)	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						
	Sub total	22,000,000	-	11,000,000	11,000,000						
Long-term loans payable	MUFG Bank, Ltd (Note 8)	1,000,000	-	-	1,000,000	1.109%	January 31, 2021	(Note 6)	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				
	MUFG Bank, 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	0.916%	August 7, 2021				
	MUFG Bank, Ltd (Note 8)	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	0.996% (Note 5)	August 7, 2021				
	Mizuho Trust and Banking Co., Limited	300,000	-	-	300,000						
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000						
	Sumitomo Mitsui Banking Corporation	400,000	-	-	400,000						
	MUFG Bank, 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						
	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					
MUFG Bank, 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					

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)							
Long-term loans payable	Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.804%	November 30, 2020		
	MUFG Bank, Ltd (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		
	MUFG Bank, 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		
	MUFG Bank, 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		
	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		
	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		
	MUFG Bank, 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		
	MUFG Bank, Ltd (Note 8)	300,000	-	-	300,000	0.624%	October 27, 2020		
	MUFG Bank, Ltd (Note 8)	1,000,000	-	-	1,000,000	1.156%	April 27, 2025		
	MUFG Bank, 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		
	MUFG Bank, Ltd (Note 8)	1,000,000	-	-	1,000,000	0.660% (Note 5)	July 31, 2025	(Note 6)	Unsecured/ Unguaranteed
	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		
	MUFG Bank, Ltd (Note 8)	2,000,000	-	-	2,000,000	0.670% (Note 5)	August 31, 2025		
	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		
	MUFG Bank, 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			
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			
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			
MUFG Bank, 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			

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)									
Long-term loans payable	Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.582%	February 29, 2024		
	MUFG Bank, 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		
	Mizuho Trust and Banking Co., Limited	-	500,000	-	500,000	0.661% (Note 5)	August 31, 2024	(Note 6)	Unsecured/ Unguaranteed
	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 to the status of lender from Mitsubishi UFJ Trust and Banking Corporation due to the absorption-type demerger of Mitsubishi UFJ Trust and Banking Corporation (the splitting company) and MUFG Bank, Ltd. (the successor company) on April 16, 2018.

21. DISTRIBUTIONS

	13th Fiscal Period (From February 1, 2018 to July 31, 2018)	12th Fiscal Period (From August 1, 2017 to January 31, 2018)
I. Retained earnings at the end of period	¥5,428,676,864	¥2,437,011,775
II. Total distributions	¥3,152,068,128	¥2,424,772,194
Distributions per unit	¥4,026	¥6,946
III. Voluntary reserve		
Provision of reserve for temporary difference adjustments (Note 1)	¥2,000,000,000	¥-
IV. Retained earnings brought forward to the next period	¥276,608,736	¥12,239,581
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 ¥3,152,068,128, which is the amount deducting a part of gain on negative goodwill, a part of gain on sale of real estate property and other adjustments from net income, 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 13th 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 ¥2,424,772,194, 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>

Note 1: Reserve for temporary difference adjustments

13th Fiscal Period (February 1, 2018 to July 31, 2018)

The Investment Corporation has reserved ¥2,000,000,000 as reserve for temporary difference adjustments from gain on negative goodwill in the 13th fiscal period. At least 1% of the initial amount in equal installments over 50 years (100 fiscal periods) will be reversed every fiscal period applied to distribution starting from the 14th fiscal period.

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

Not applicable