

# Financial Statements

(15th Fiscal Period: From February 1, 2019 to July 31, 2019)

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## Independent Auditor's Report

The Board of Directors  
Kenedix Residential Next Investment Corporation

We have audited the accompanying financial statements of Kenedix Residential Next Investment Corporation, which comprise the balance sheet as at July 31, 2019, 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, 2019, 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 29, 2019  
Tokyo, Japan

## KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

### Balance Sheet

As of July 31, 2019

	15th Fiscal Period as of July 31, 2019	14th Fiscal Period as of January 31, 2019
(in thousands of yen)		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits (Notes 7 and 9)	¥10,296,548	¥12,356,302
Cash and deposits in trust (Notes 7 and 9)	9,903,118	9,721,629
Operating accounts receivable	36,005	26,612
Prepaid expenses	12,815	7,450
Consumption taxes receivable	-	338,402
Other	856	6,081
<b>Total current assets</b>	<b>20,249,344</b>	<b>22,456,477</b>
<b>Noncurrent assets</b>		
Property, plant and equipment (Notes 14 and 19)		
Land	1,798,041	1,798,041
Buildings in trust	99,911,220	95,077,289
Accumulated depreciation	(10,381,143)	(9,123,715)
Buildings in trust, net	89,530,077	85,953,573
Structures in trust	1,073,137	947,729
Accumulated depreciation	(191,362)	(161,739)
Structures in trust, net	881,774	785,989
Machinery and equipment in trust	1,436,362	1,429,327
Accumulated depreciation	(321,177)	(288,590)
Machinery and equipment in trust, net	1,115,184	1,140,736
Tools, furniture and fixtures in trust	523,059	473,614
Accumulated depreciation	(65,444)	(51,478)
Tools, furniture and fixtures in trust, net	457,614	422,136
Land in trust	138,484,736	130,189,152
<b>Total property, plant and equipment, net</b>	<b>232,267,430</b>	<b>220,289,630</b>
<b>Intangible assets</b>		
Leasehold right in trust (Notes 14 and 19)	1,228,912	1,067,058
Other	5,563	6,339
<b>Total intangible assets</b>	<b>1,234,475</b>	<b>1,073,398</b>
<b>Investments and other assets</b>		
Investment securities (Notes 9 and 18)	2,398	111,796
Lease and guarantee deposits	89,097	29,097
Long-term prepaid expenses	1,014,728	1,059,774
<b>Total investments and other assets</b>	<b>1,106,223</b>	<b>1,200,668</b>
<b>Total noncurrent assets</b>	<b>234,608,129</b>	<b>222,563,697</b>
<b>Deferred assets</b>		
Investment corporation bond issuance costs	35,327	38,570
Investment unit issuance costs	72,944	45,012
<b>Total deferred assets</b>	<b>108,272</b>	<b>83,583</b>
<b>Total assets</b>	<b>¥254,965,747</b>	<b>¥245,103,757</b>

	15th Fiscal Period as of July 31, 2019	14th Fiscal Period as of January 31, 2019
	(in thousands of yen)	
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Operating accounts payable	¥772,751	¥912,385
Short-term loans payable (Notes 9 and 21)	2,500,000	2,050,000
Current portion of long-term loans payable (Notes 9, 10 and 21)	13,200,000	9,700,000
Accounts payable-other	305,806	298,718
Accrued expenses	27,560	27,236
Income taxes payable	605	605
Accrued consumption taxes	21,474	11,413
Advances received	1,148,654	1,096,282
Deposits received	58,742	75,292
Other	10,098	-
<b>Total current liabilities</b>	<b>18,045,693</b>	<b>14,171,933</b>
<b>Noncurrent liabilities</b>		
Investment corporation bonds (Notes 9 and 20)	5,000,000	5,000,000
Long-term loans payable (Notes 9, 10 and 21)	105,200,000	106,500,000
Tenant leasehold and security deposits in trust	3,099,642	2,682,738
Tenant lump sum deposits in trust	4,493,753	4,405,195
Asset retirement obligations (Note 13)	67,338	-
Other	517,915	392,732
<b>Total noncurrent liabilities</b>	<b>118,378,649</b>	<b>118,980,667</b>
<b>Total liabilities</b>	<b>136,424,343</b>	<b>133,152,600</b>
<b>NET ASSETS</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	99,731,514	93,226,228
<b>Surplus</b>		
Capital surplus	13,187,100	13,187,100
<b>Voluntary retained earnings</b>		
Reserve for temporary difference adjustments (Note 4)	1,980,000	2,000,000
<b>Total voluntary retained earnings</b>	<b>1,980,000</b>	<b>2,000,000</b>
<b>Unappropriated retained earnings</b>	<b>4,125,881</b>	<b>3,875,050</b>
<b>Total surplus</b>	<b>19,292,981</b>	<b>19,062,150</b>
<b>Total unitholders' equity</b>	<b>119,024,495</b>	<b>112,288,379</b>
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges (Notes 9 and 10)	(483,092)	(337,222)
<b>Total valuation and translation adjustments</b>	<b>(483,092)</b>	<b>(337,222)</b>
<b>Total net assets (Note 3)</b>	<b>118,541,403</b>	<b>111,951,157</b>
<b>Total liabilities and net assets</b>	<b>¥254,965,747</b>	<b>¥245,103,757</b>

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

### Statement of Income and Retained Earnings

For the period from February 1, 2019 to July 31, 2019

	15th Fiscal Period from February 1, 2019 to July 31, 2019	14th Fiscal Period from August 1, 2018 to January 31, 2019
	(in thousands of yen)	
Operating revenues		
Rent revenue-real estate (Note 5)	¥7,342,246	¥7,085,174
Other lease business revenue (Note 5)	590,778	520,733
Gain on sales of real estate property (Note 5)	203,392	203,178
Dividends income	-	14,461
Total operating revenues	8,136,417	7,823,548
Operating expenses		
Expenses related to rent business (Note 5)	2,915,721	2,794,762
Asset management fees	562,274	513,065
Asset custody fees	13,404	11,985
Administrative service fees	45,950	41,723
Directors' compensation	8,100	8,100
Other operating expenses	231,968	240,701
Total operating expenses	3,777,419	3,610,337
Operating income	4,358,998	4,213,210
Non-operating income		
Interest income	38	45
Dividends and redemption-prescription	765	313
Interest on refund	463	3
Total non-operating income	1,268	362
Non-operating expenses		
Interest expenses	485,799	491,744
Interest expenses on investment corporation bonds	13,825	9,974
Borrowing expenses	100,264	101,223
Amortization of investment corporation bond issuance costs	3,243	2,560
Amortization of investment unit issuance costs	15,269	9,022
Total non-operating expenses	618,402	614,525
Ordinary income	3,741,863	3,599,047
Income before income taxes	3,741,863	3,599,047
Income taxes (Note 12)		
Current	605	605
Total income taxes	605	605
Net income	3,741,258	3,598,442
Retained earnings brought forward	384,622	276,608
Unappropriated retained earnings	¥4,125,881	¥3,875,050

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

### Statement of Changes in Net Assets

For the period from February 1, 2019 to July 31, 2019

	Unitholders' equity						
	Unitholders' capital	Capital surplus	Voluntary retained earnings		Unappropriated retained earnings	Total surplus	Total unitholders' equity
			Reserve for temporary difference adjustments	Total voluntary retained earnings			
(in thousands of yen)							
Balance as of July 31, 2018	¥80,132,379	¥13,187,100	¥-	¥-	¥5,428,676	¥18,615,776	¥98,748,155
Changes of items during the period							
Issuance of new investment units	13,093,849						13,093,849
Provision of reserve for temporary difference adjustments			2,000,000	2,000,000	(2,000,000)	-	-
Dividends from surplus					(3,152,068)	(3,152,068)	(3,152,068)
Net income					3,598,442	3,598,442	3,598,442
Net changes of items other than unitholders' equity							
Total changes of items during the period	13,093,849	-	2,000,000	2,000,000	(1,553,626)	446,373	13,540,223
Balance as of January 31, 2019 (Note 6)	¥93,226,228	¥13,187,100	¥2,000,000	¥2,000,000	¥3,875,050	¥19,062,150	¥112,288,379
Changes of items during the period							
Issuance of new investment units	6,505,285						6,505,285
Reversal of reserve for temporary difference adjustments			(20,000)	(20,000)	20,000	-	-
Dividends from surplus					(3,510,428)	(3,510,428)	(3,510,428)
Net income					3,741,258	3,741,258	3,741,258
Net changes of items other than unitholders' equity							
Total changes of items during the period	6,505,285	-	(20,000)	(20,000)	250,830	230,830	6,736,116
Balance as of July 31, 2019 (Note 6)	¥99,731,514	¥13,187,100	¥1,980,000	¥1,980,000	¥4,125,881	¥19,292,981	¥119,024,495

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
(in thousands of yen)			
Balance as of July 31, 2018	¥(2,512)	¥(2,512)	¥98,745,643
Changes of items during the period			
Issuance of new investment units			13,093,849
Provision of reserve for temporary difference adjustments			-
Dividends from surplus			(3,152,068)
Net income			3,598,442
Net changes of items other than unitholders' equity	(334,709)	(334,709)	(334,709)
Total changes of items during the period	(334,709)	(334,709)	13,205,513
Balance as of January 31, 2019 (Note 6)	¥(337,222)	¥(337,222)	¥111,951,157
Changes of items during the period			
Issuance of new investment units			6,505,285
Reversal of reserve for temporary difference adjustment			-
Dividends from surplus			(3,510,428)
Net income			3,741,258
Net changes of items other than unitholders' equity	(145,870)	(145,870)	(145,870)
Total changes of items during the period	(145,870)	(145,870)	6,590,246
Balance as of July 31, 2019 (Note 6)	¥(483,092)	¥(483,092)	¥118,541,403

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

### Statement of Cash Flows

For the period from February 1, 2019 to July 31, 2019

	15th Fiscal Period from February 1, 2019 to July 31, 2019	14th Fiscal Period from August 1, 2018 to January 31, 2019
(in thousands of yen)		
Net cash provided by (used in) operating activities		
Income before income taxes	¥3,741,863	¥3,599,047
Depreciation and amortization	1,392,068	1,343,939
Amortization of investment corporation bond issuance costs	3,243	2,560
Amortization of investment unit issuance costs	15,269	9,022
Interest income	(38)	(45)
Interest expenses	499,624	501,719
Decrease (increase) in operating accounts receivable	(9,393)	2,576
Decrease (increase) in consumption taxes refund receivable	338,402	(338,402)
Decrease (increase) in prepaid expenses	(5,365)	3,405
Increase (decrease) in operating accounts payable	(109,149)	117,776
Increase (decrease) in accounts payable-other	7,522	15,829
Increase (decrease) in accrued consumption taxes	10,061	(52,443)
Increase (decrease) in advances received	52,372	137,469
Decrease (increase) in long-term prepaid expenses	45,046	(142,793)
Decrease in net property, plant and equipment held in trust due to sale	482,312	500,913
Other, net	(8,827)	19,148
<b>Subtotal</b>	<b>6,455,011</b>	<b>5,719,725</b>
Interest income received	38	45
Interest expenses paid	(509,888)	(511,560)
Income taxes (paid) refund	2,074	3,769
<b>Net cash provided by (used in) operating activities</b>	<b>5,947,236</b>	<b>5,211,979</b>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(13,813,975)	(29,866,970)
Purchase of intangible assets in trust	(162,428)	-
Purchase of investment securities	-	(1,832)
Proceeds from investment securities	103,455	402,700
Payments for lease and guarantee deposits	(60,000)	-
Proceeds from lease and guarantee deposits	-	10,000
Repayments of tenant leasehold and security deposits in trust	(141,168)	(133,676)
Proceeds from tenant leasehold and security deposits in trust	558,072	486,208
Repayments of tenant lump sum deposits in trust	(79,827)	(103,996)
Proceeds from tenant lump sum deposits in trust	168,384	304,115
<b>Net cash provided by (used in) investing activities</b>	<b>(13,427,488)</b>	<b>(28,903,451)</b>
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	2,500,000	-
Decrease in short-term loans payable	(2,050,000)	(580,000)
Proceeds from long-term loans payable	4,700,000	26,700,000
Repayments of long-term loans payable	(2,500,000)	(11,000,000)
Proceeds from issuance of investment corporation bonds	-	1,981,451
Proceeds from issuance of investment units	6,462,083	13,039,815
Dividends paid	(3,510,096)	(3,151,284)
<b>Net cash provided by (used in) financing activities</b>	<b>5,601,986</b>	<b>26,989,982</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,878,264)</b>	<b>3,298,510</b>
Cash and cash equivalents at the beginning of period	22,077,932	18,779,421
Cash and cash equivalents at the end of period (Note 7)	¥20,199,667	¥22,077,932

See accompanying notes to the financial statements.

# KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION

## Notes to Financial Statements

For the period from February 1, 2019 to July 31, 2019

### 1. ORGANIZATION AND BASIS OF PRESENTATION

#### Organization

Kenedix Residential Next Investment Corporation (“the Investment Corporation”) was established on November 15, 2011 under the Act on Investment Trusts and Investment Corporations of Japan (“the Investment Trust Act”). On April 26, 2012, the Investment Corporation was listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange (Securities Code: 3278). The Investment Corporation 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.

In the 15th fiscal period, the Investment Corporation raised funds through the latest public offering and third-party allotment for the second consecutive period, and acquired 6 properties (total acquisition price of ¥12,844 million) with the funds of new investment units and new borrowings. As of July 31, 2019, the end of the 15th fiscal period, the number of investment units issued and outstanding totaled 907,458 units.

The Investment Corporation is externally managed by Kenedix Real Estate Fund Management, Inc. (“the Asset Management Company”), a company that was formed with personnel from Kenedix, Inc. and adheres to the core philosophies of Kenedix, Inc., that is, to provide management services from the perspective of real estate investors as an independent real estate management company. As the asset manager, the Asset Management Company shall provide 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 15th fiscal period, the Investment Corporation acquired 3 residential properties (total acquisition price of ¥3,158 million) and 3 healthcare properties (total acquisition price of ¥9,685 million), and sold 1 residential property (acquisition price of ¥510 million, disposition price of ¥690 million). As the result, the Investment Corporation has a portfolio comprised of 143 properties (total acquisition price of ¥233,251 million) as of July 31, 2019, the end of the 15th fiscal period. The portfolio consists of 118 residential properties (total acquisition price of ¥177,373 million), 24 healthcare properties (total acquisition price of ¥54,128 million) and 1 other property (acquisition price of ¥1,750 million).

The occupancy rates of the overall portfolio including land with leasehold interest were 97.7% and 97.5% as of the end of the 14th and 15th fiscal period, respectively. Furthermore, the average occupancy rates of the properties for residential and healthcare were 96.4% and 100.0% as of the end of 15th fiscal period.

During the 14th and 15th fiscal period, the Investment Corporation made borrowings of ¥11,000 million and ¥4,300 million for the repayment of debt matured. During the 14th fiscal period, the Investment Corporation made new borrowings of ¥15,700 million upon acquiring properties and also issued investment corporation bonds of ¥2,000 million upon acquiring properties. During the 15th fiscal period, the Investment Corporation made new borrowings of ¥2,900 million upon acquiring properties. As a result, the balance of borrowings as of the end of the 14th and 15th fiscal period stood at ¥118,250 million and ¥120,900 million, respectively. The balance of interest-bearing debt including investment corporation bonds as of the end of the 14th and 15th periods, was ¥ 123,250 million and ¥ 125,900 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, 2019 to July 31, 2019	From August 1, 2018 to January 31, 2019
Buildings	2-69 years	2-69 years
Structures	3-65 years	3-57 years
Machinery and equipment	8-40 years	8-35 years
Tools, furniture and fixtures	2-30 years	5-30 years

### (C) Intangible Assets(including trust assets)

Intangible assets are amortized by the straight-line method. Fixed-term leaseholds are amortized by the straight-line method based on the contract period.

### (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 ¥50,824 thousand and ¥33,037 thousand as of January 31, 2019 and July 31, 2019, 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 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 ¥50,000 thousand as required by the Investment Trust Act.

### 4. RESERVE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

As of July 31, 2019

The following summarizes reserve for temporary difference adjustments.

	Initial amount	Balance at the beginning of the period	Reserve during the period	Reversal during the period	Balance at the end of the period	Reason for reserve and reversal
(in thousands of yen)						
Gain on negative goodwill*	¥2,000,000	¥2,000,000	¥ -	¥20,000	¥1,980,000	Appropriation for cash distribution

\* The Investment Corporation reserved part of gain on negative goodwill incurred in the 13th fiscal period as reserve for temporary difference adjustments. At least 1% of the initial amount in equal installments over 50 years (100 fiscal periods) will be reversed every fiscal period starting from the next fiscal period after the fiscal period, in which the initial amount was reserved.

As of January 31, 2019

The following summarizes reserve for temporary difference adjustments.

	Initial amount	Balance at the beginning of the period	Reserve during the period	Reversal during the period	Balance at the end of the period	Reason for reserve and reversal
(in thousands of yen)						
Gain on negative goodwill*	¥2,000,000	¥ -	¥2,000,000	¥ -	¥2,000,000	Reserve of a part of gain on negative goodwill by merger

\* The Investment Corporation reserved part of gain on negative goodwill incurred in the 13th fiscal period as reserve for temporary difference adjustments. At least 1% of the initial amount in equal installments over 50 years (100 fiscal periods) will be reversed every fiscal period starting from the next fiscal period after the fiscal period, in which the initial amount was reserved.

## 5. 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, 2019 to July 31, 2019 and from August 1, 2018 to January 31, 2019 consist of the following:

	From February 1, 2019 to July 31, 2019	From August 1, 2018 to January 31, 2019
(in thousands of yen)		
A. Rental and other operating revenues:		
Rental revenues	¥6,964,736	¥6,711,825
Rental revenues from limited proprietary rights of land	43,750	43,749
Common area charges	333,759	329,599
Subtotal	7,342,246	7,085,174
Others:		
Parking space rental revenues	206,653	210,398
Miscellaneous	384,125	310,334
Subtotal	590,778	520,733
Total rental and other operating revenues	¥7,933,025	¥7,605,908
B. Property-related expenses:		
Property management fees and facility management fees	¥425,193	¥408,364
Utilities	95,304	97,432
Taxes	476,820	410,483
Repairs and maintenance	300,657	318,838
Insurance	11,671	11,487
Trust fees	53,335	53,141
Depreciation	1,391,292	1,343,163
Others	161,445	151,851
Total property-related expenses	¥2,915,721	¥2,794,762
C. Net operating income from real estate rental business (A-B)	¥5,017,303	¥4,811,146

Gain on sales of real estate property:

From February 1, 2019 to July 31, 2019

(in thousands of yen)

KDX Residence Shin-Osaka	
Revenue from sale of real estate property	¥690,000
Cost of real estate property	482,312
Other sales expenses	4,295
Gain on sales of real estate property	¥203,392

From August 1, 2018 to January 31, 2019

(in thousands of yen)

KDX Residence Kotodai	
Revenue from sale of real estate property	¥730,574
Cost of real estate property	500,913
Other sales expenses	26,481
Gain on sales of real estate property	¥203,178

## 6. UNITHOLDERS' EQUITY

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

	From February 1, 2019 to July 31, 2019	From August 1, 2018 to January 31, 2019
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	907,458 units	869,133 units

## 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of July 31, 2019 and January 31, 2019:

	As of July 31, 2019	As of January 31, 2019
	(in thousands of yen)	
Cash and deposits	¥10,296,548	¥12,356,302
Cash and deposits in trust	9,903,118	9,721,629
Cash and cash equivalents	¥20,199,667	¥22,077,932

## 8. LEASES

The Investment Corporation, as lessee, has entered into Fixed-term lease contract whereby fixed monthly rents are due in advance. The future minimum rental expenses under existing non-cancelable operating leases as of July 31, 2019 and January 31, 2019 are as follows:

	As of July 31, 2019	As of January 31, 2019
	(in thousands of yen)	
Due in 1 year	¥12,000	¥-
Due after 1 year	551,000	-
Total	¥563,000	¥-

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, 2019 and January 31, 2019 are as follows:

	As of July 31, 2019	As of January 31, 2019
	(in thousands of yen)	
Due in 1 year	¥3,265,232	¥2,769,825
Due after 1 year	20,920,160	18,849,702
Total	¥24,185,392	¥21,619,527

## **9. 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 9 years and 2 months for borrowings and also have a redemption date of a maximum of 9 years and 4 months for investment corporation bonds as of July 31, 2019, the end of the 15th 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, 2019

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Cash and deposits	¥10,296,548	¥10,296,548	¥ -
(2) Cash and deposits in trust	9,903,118	9,903,118	-
Subtotal	20,199,667	20,199,667	-
(1) Short-term loans payable	2,500,000	2,500,000	-
(2) Current portion of long-term loans payable	13,200,000	13,198,325	(1,674)
(3) Investment corporation bonds	5,000,000	5,036,600	36,600
(4) Long-term loans payable	105,200,000	106,075,204	875,204
Subtotal	125,900,000	126,810,130	910,130
Derivative transactions*	¥(483,092)	¥(483,092)	¥ -

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

As of January 31, 2019

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Cash and deposits	¥12,356,302	¥12,356,302	¥ -
(2) Cash and deposits in trust	9,721,629	9,721,629	-
Subtotal	22,077,932	22,077,932	-
(1) Short-term loans payable	2,050,000	2,050,000	-
(2) Current portion of long-term loans payable	9,700,000	9,702,693	2,693
(3) Investment corporation bonds	5,000,000	4,994,100	(5,900)
(4) Long-term loans payable	106,500,000	106,881,219	381,219
Subtotal	123,250,000	123,628,012	378,012
Derivative transactions*	¥(337,222)	¥(337,222)	¥ -

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

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 10 "DERIVATIVE TRANSACTIONS".

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

(in thousands of yen)

Classification	As of July 31, 2019	As of January 31, 2019
Investment securities *	¥2,398	¥111,796

\*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 ¥5,942 thousand was recognized in the fiscal period ended July 31, 2019.

Note 3: Redemption schedule for financial assets with maturities

As of July 31, 2019

	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	¥10,296,548	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	9,903,118	-	-	-	-	-
Total	¥20,199,667	¥ -	¥ -	¥ -	¥ -	¥ -

As of January 31, 2019

	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	¥12,356,302	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	9,721,629	-	-	-	-	-
Total	¥22,077,932	¥ -	¥ -	¥ -	¥ -	¥ -

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

As of July 31, 2019

	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	¥2,500,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	1,000,000	-	1,000,000	3,000,000
Long-term loans payable	13,200,000	9,450,000	19,650,000	11,550,000	12,800,000	51,750,000
Total	¥15,700,000	¥9,450,000	¥20,650,000	¥11,550,000	¥13,800,000	¥54,750,000

As of January 31, 2019

	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	¥ 2,050,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	1,000,000	-	1,000,000	3,000,000
Long-term loans payable	9,700,000	9,600,000	13,000,000	17,750,000	11,800,000	54,350,000
Total	¥ 11,750,000	¥ 9,600,000	¥ 14,000,000	¥ 17,750,000	¥ 12,800,000	¥ 57,350,000



## 10. DERIVATIVE TRANSACTIONS

The contract amount and the fair value of interest-rate swap transactions as of July 31, 2019 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	¥56,200,000	¥48,700,000	¥(483,092)	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	38,300,000	36,800,000	*	-
	Total		¥94,500,000	¥85,500,000	¥(483,092)	-

\*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, 2019 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	¥52,500,000	¥52,500,000	¥(337,222)	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	38,300,000	36,800,000	*	-
	Total		¥90,800,000	¥89,300,000	¥(337,222)	-

\*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.

## 11. RELATED-PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

15th Fiscal Period (February 1, 2019 to July 31, 2019) and 14th Fiscal Period (August 1, 2018 to January 31, 2019): Not applicable

2. Affiliated companies and other

15th Fiscal Period (February 1, 2019 to July 31, 2019) and 14th Fiscal Period (August 1, 2018 to January 31, 2019): Not applicable

3. Fellow subsidiary companies and other

15th Fiscal Period (February 1, 2019 to July 31, 2019) and 14th Fiscal Period (August 1, 2018 to January 31, 2019): Not applicable

4. Directors, major individual unitholders and other

15th Fiscal Period (February 1, 2019 to July 31, 2019) and 14th Fiscal Period (August 1, 2018 to January 31, 2019): Not applicable

## 12. 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 ¥3,687 million and ¥3,510 million for the periods ended July 31, 2019 and January 31, 2019, 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 0.02% for the periods ended July 31, 2019 and January 31, 2019. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate.

	From February 1, 2019 to July 31, 2019	From August 1, 2018 to January 31, 2019
Statutory tax rate	31.51%	31.51%
Deductible cash distributions	(31.04)	(30.73)
Others	(0.45)	(0.76)
Effective tax rate	0.02%	0.02%

The significant components of deferred tax assets and liabilities as of July 31, 2019 and January 31, 2019 are as follows:

	As of July 31, 2019	As of January 31, 2019
	(in thousands of yen)	
Deferred tax assets:		
Valuation difference on assets acquired by merger	¥720,920	¥741,176
Deferred gains or losses on hedges	152,608	106,528
Asset retirement obligations	21,272	-
Loss on valuation of investment securities	1,872	-
Amortization of leasehold right in trust	181	-
Subtotal deferred tax assets	896,855	847,704
Valuation allowance	(896,855)	(847,704)
Total deferred tax assets	¥ -	¥ -
Net deferred tax assets	¥ -	¥ -

## 13. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations reported on balance sheets

### 1. Summary of the asset retirement obligations

The Investment corporation has recognized the original state restoration obligations assumed under the general fixed-term land leasehold agreement as the asset retirement obligations in connection with Arute Ishiyagawa acquired on June 3, 2019.

### 2. Method of calculating asset retirement obligations

Asset retirement obligations are calculated based on a discount rate of 0.54711% and the useful life has been estimated to be 47 years and one month based on the time period from the date of acquisition to the expiration of the agreement.

### 3. Changes in the amount of applicable asset retirement obligations consisted of the following

	From February 1, 2019 to July 31, 2019	From August 1, 2018 to January 31, 2019
	(in thousands of yen)	
Balance at the beginning of period	¥ -	¥ -
Increase due to acquisition of tangible fixed assets	67,277	-
Accretion adjustment	61	-
Balance at the end of period	¥67,338	¥ -

## 14. 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.

	15th Fiscal Period from February 1, 2019 to July 31, 2019	14th Fiscal Period from August 1, 2018 to January 31, 2019
	(in thousands of yen)	
Book value		
Balance at the beginning of period	¥221,356,688	¥193,148,357
Changes during the period	12,139,653	28,208,331
Balance at the end of period	233,496,342	221,356,688
Fair value at the end of period	¥273,676,000	¥256,174,000

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 15th fiscal period, the principal increase was the acquisition of real estate trust beneficiary interests in 6 properties totaling ¥13,400,965 thousand, and the principal decrease was the sales of real estate trust beneficiary interests in 1 property totaling ¥482,312 thousand and depreciation of ¥1,391,231 thousand, and during the 14th fiscal period, the principal increase was the acquisition of real estate trust beneficiary interests in 10 properties totaling ¥29,437,871 thousand, and the principal decrease was the sales of real estate trust beneficiary interests in 1 property totaling ¥500,913 thousand and depreciation of ¥1,343,163 thousand.

Note 3: The fair value is the appraisal value or the survey value determined by outside appraisers. In addition, the fair value at the end of 14th fiscal period of KDX Residence Shin-Osaka, which was sold on February 1, 2019, is based on the sales prices (¥690,000 thousand) under the trust beneficiary interest sales contracts entered into on January 18, 2019.

Income and loss in the fiscal periods ended July 31, 2019 and January 31, 2019 for real estate for rental purposes is listed in Note 5 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY".

## 15. SEGMENT AND RELATED INFORMATION

Segment and related information for the period ended from February 1, 2019 to July 31, 2019 and from August 1, 2018 to January 31, 2019 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.

## 16. PER UNIT INFORMATION

	From February 1, 2019 to July 31, 2019	From August 1, 2018 to January 31, 2019
Net asset value per unit	¥130,630	¥128,807
Net income per unit	¥4,142	¥4,143
Weighted average number of units (units)	903,243	868,508

The weighted average number of units outstanding of 903,243 and 868,508 were used for the computation of the amount of net income per unit as of July 31, 2019 and January 31, 2019, respectively.

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, 2019 to July 31, 2019	From August 1, 2018 to January 31, 2019
Net income (in thousands of yen)	¥3,741,258	¥3,598,442
Net income not available to ordinary unitholders (in thousands of yen)	-	-
Net income available to ordinary unitholders (in thousands of yen)	¥3,741,258	¥3,598,442
Weighted average number of units during the period (units)	903,243	868,508

## 17. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

## 18. SECURITIES PORTFOLIO

Securities portfolio consists of the following as of July 31, 2019:

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

(in thousands of yen)

Type	Name	Face value total	Book value	Accrued interest	Prepaid accrued interest	Assessed value (Note 2)	Gain (Loss) on valuation	Remarks
Subordinated Silent Partnership Equity Interests	Equity interests in TK property fund with G.K. Tropic III as operator (Note 1)	-	2,398	-	-	2,398	-	
Total		-	2,398	-	-	2,398	-	

Note 1: TK property fund owns trust beneficiary interests in real estate for "Serabi Ebisu" and "Arute Ishiyagawa." Furthermore, the Investment Corporation acquired real estate beneficiary interests in trust for the above two mentioned properties on June 3, 2019

Note 2: The assessed value is stated at the book value. Furthermore, loss on valuation of investment securities of ¥5,942 thousand was recognized in the fiscal period ended July 31, 2019.

Securities portfolio consists of the following as of January 31, 2019:

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

(in thousands of yen)

Type	Name	Face value total	Book value	Accrued interest	Prepaid accrued interest	Assessed value (Note 2)	Gain (Loss) on valuation	Remarks
Subordinated Silent Partnership Equity Interests	Equity interests in TK property fund with G.K. Tropic III as operator (Note 1)	-	111,796	-	-	111,796	-	
Total		-	111,796	-	-	111,796	-	

Note 1: TK property fund owns trust beneficiary interests in real estate for "Serabi Ebisu" and "Arute Ishiyagawa." Furthermore, the Investment Corporation will acquire real estate beneficiary interests in trust for the above two mentioned properties on June 3, 2019 based on the trust beneficiary interest sales contracts executed on February 4, 2019.

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

## 19. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASETS

Property, plant and equipment consist of the following as of July 31, 2019

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	95,077,289	5,144,241	310,310	99,911,220	10,381,143	1,313,277	89,530,077	Notes 1 and 2
Structures in trust	947,729	127,706	2,298	1,073,137	191,362	30,813	881,774	
Machinery and equipment in trust	1,429,327	7,035	-	1,436,362	321,177	32,586	1,115,184	
Tools, furniture and fixtures in trust	473,614	49,958	513	523,059	65,444	13,978	457,614	
Land in trust	130,189,152	8,521,826	226,242	138,484,736	-	-	138,484,736	Notes 1 and 2
Sub total	228,117,113	13,850,768	539,365	241,428,516	10,959,127	1,390,656	230,469,388	
Total	229,915,155	13,850,768	539,365	243,226,558	10,959,127	1,390,656	232,267,430	
Intangible assets								
Leasehold right in trust	1,067,058	162,428	-	1,229,487	574	574	1,228,912	
Other	7,762	-	-	7,762	2,199	776	5,563	
Total	¥1,074,821	¥162,428	¥ -	¥1,237,249	¥2,774	¥1,351	¥1,234,475	

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

Note2: 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, 2019:

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	84,656,776	10,780,795	360,282	95,077,289	9,123,715	1,269,324	85,953,573	Notes 1 and 2
Structures in trust	722,432	227,133	1,836	947,729	161,739	28,801	785,989	
Machinery and equipment in trust	1,360,078	72,927	3,678	1,429,327	288,590	32,624	1,140,736	
Tools, furniture and fixtures in trust	400,899	75,137	2,421	473,614	51,478	12,412	422,136	
Land in trust	111,474,267	18,896,415	181,530	130,189,152	-	-	130,189,152	Notes 1 and 2
Sub total	198,614,454	30,052,408	549,749	228,117,113	9,625,524	1,343,163	218,491,588	
Total	200,412,495	30,052,408	549,749	229,915,155	9,625,524	1,343,163	220,289,630	
Intangible assets								
Leasehold right in trust	1,067,058	-	-	1,067,058	-	-	1,067,058	
Other	7,762	-	-	7,762	1,423	776	6,339	
Total	¥1,074,821	¥ -	¥ -	¥1,074,821	¥1,423	¥776	¥1,073,398	

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

Note2: The amount of decrease during the period is primarily attributable to the sales of the real estate property.

## 20. INVESTMENT CORPORATION BONDS

Outstanding Investment corporation bonds as of July 31, 2019 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		
Third series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.800%	August 30, 2028	(Note2)	Unsecured
Fourth series of unsecured investment corporation bonds (Note 1)	November 30, 2018	1,000,000	-	1,000,000	0.410%	November 30, 2023		
Fifth series of unsecured investment corporation bonds (Note 1)	November 30, 2018	1,000,000	-	1,000,000	0.850%	November 30, 2028		
Total		¥5,000,000	¥ -	¥5,000,000				

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	¥ -	¥1,000,000

Outstanding Investment corporation bonds as of January 31, 2019 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		
Third series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.800%	August 30, 2028	(Note2)	Unsecured
Fourth series of unsecured investment corporation bonds (Note 1)	November 30, 2018	-	-	1,000,000	0.410%	November 30, 2023		
Fifth series of unsecured investment corporation bonds (Note 1)	November 30, 2018	-	-	1,000,000	0.850%	November 30, 2028		
Total		¥3,000,000	¥ -	¥5,000,000				

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	¥ -	¥1,000,000



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

Short-term debt and long-term debt consist of the following as of July 31, 2019

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	¥1,250,000	¥ -	¥ 1,250,000	¥ -	0.412%	July 31, 2019	(Note 6)	Unsecured/ Unguaranteed		
	Mizuho Bank, Ltd.	800,000	-	800,000	-	0.412%	July 31, 2019				
	Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.413%	February 28, 2020				
	Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.374%	July 31, 2020				
	Sumitomo Mitsui Banking Corporation	-	500,000	-	500,000	0.324%	July 31, 2020				
	Sub total	2,050,000	2,500,000	2,050,000	2,500,000						
Current portion of long-term loans payable	MUFG Bank, Ltd.	1,500,000	-	-	1,500,000	0.689%	November 30, 2019	(Note 6)	Unsecured/ Unguaranteed		
	Sumitomo Mitsui Banking Corporation	1,000,000	-	1,000,000	-	0.486%	February 28, 2019				
	MUFG Bank, Ltd.	500,000	-	500,000	-	0.486%	February 28, 2019				
	Sumitomo Mitsui Banking Corporation	500,000	-	500,000	-	0.362%	July 31, 2019				
	Shinsei Bank, Limited	500,000	-	500,000	-	0.362%	July 31, 2019				
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.437%	January 31, 2020				
	MUFG Bank, Ltd.	1,400,000	-	-	1,400,000						
	Mizuho Bank, Ltd.	900,000	-	-	900,000						
	Shinsei Bank, Limited	500,000	-	-	500,000						
	Resona Bank, Limited	400,000	-	-	400,000						
	Sumitomo Mitsui Trust Bank, Limited	300,000	-	-	300,000						
	Mizuho Trust & Banking Co., Ltd.	300,000	-	-	300,000						
	Aozora Bank, Ltd.	200,000	-	-	200,000						
	The Bank of Fukuoka, Ltd.	200,000	-	-	200,000						
	Shinsei Bank, Limited (Note 2)	1,750,000	-	-	1,750,000						
	Sumitomo Mitsui Banking Corporation (Note 2)	1,750,000	-	-	1,750,000						
	MUFG Bank, Ltd. (Note 2)	1,000,000	-	-	1,000,000						
	Mizuho Bank, Ltd. (Note 2)	500,000	-	-	500,000						
	Resona Bank, Limited (Note 2)	500,000	-	-	500,000						
	Mizuho Trust & Banking Co., Ltd. (Note 2)	500,000	-	-	500,000						
Sub total	15,700,000	-	2,500,000	13,200,000							
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						
Sumitomo Mitsui Banking Corporation	400,000	-	-	400,000							
MUFG Bank, Ltd.	400,000	-	-	400,000							
Mizuho Bank, Ltd.	300,000	-	-	300,000							
Sumitomo Mitsui Banking Corporation	400,000	-	-	400,000	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	1.254%			August 7, 2023			
Mizuho Bank, Ltd.	300,000	-	-	300,000							



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)							
	Resona Bank, Limited.	200,000	-	-	200,000				
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000				
	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		
	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	1,100,000	-	-	1,100,000				
	Sumitomo Mitsui Banking Corporation	1,100,000	-	-	1,100,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.115%	July 29, 2022		
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Sompo Japan Nipponkoa Insurance Inc.	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		
	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	(Note 6)	Unsecured/ Unguaranteed

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 3) (Note 4)	Payment due date (Note 7)	Use	Remarks
		(in thousands of yen)							
	The 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.	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		
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000				
	MUFG Bank, Ltd.	1,400,000	-	-	1,400,000				
	Mizuho Bank, Ltd.	900,000	-	-	900,000				
	Development Bank of Japan Inc.	500,000	-	-	500,000				
	Nippon Life Insurance Company	500,000	-	-	500,000				
	Resona Bank, Limited.	400,000	-	-	400,000	0.799%	February 2, 2026		
	Shinsei Bank, Limited	400,000	-	-	400,000				
Long-term loans payable	Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000				
	Mizuho Trust & Banking Co., Ltd.	400,000	-	-	400,000				
	Aozora Bank, Ltd.	300,000	-	-	300,000				
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000				
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.509%	August 31, 2022		
	MUFG Bank, Ltd.	400,000	-	-	400,000	0.509%	August 31, 2022		
	Development Bank of Japan Inc.	1,600,000	-	-	1,600,000	0.498% (Note 5)	August 31, 2022		
	Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000	0.592%	August 31, 2023		
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000	0.592%	August 31, 2023		
	MUFG Bank, Ltd.	800,000	-	-	800,000	0.592%	August 31, 2023		
	Sumitomo Mitsui Banking Corporation	1,050,000	-	-	1,050,000	0.914%	February 28, 2027		
	Resona Bank, Limited.	500,000	-	-	500,000	0.914%	February 28, 2027		
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	0.914%	February 28, 2027		
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	0.914%	February 28, 2027		
	Mizuho Bank, Ltd.	250,000	-	-	250,000	0.914%	February 28, 2027		
	Development Bank of Japan Inc.	1,400,000	-	-	1,400,000	0.884% (Note 5)	February 28, 2027		
	MUFG Bank, Ltd.	800,000	-	-	800,000	0.825% (Note 5)	February 28, 2027		
	Nippon Life Insurance Company	700,000	-	-	700,000	0.920% (Note 5)	September 30, 2026		
	Shinsei Bank, Limited	1,000,000	-	-	1,000,000	1.031%	September 30, 2028		
	Sumitomo Mitsui Trust Bank, Limited	800,000	-	-	800,000	1.031%	September 30, 2028		
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000	1.031%	September 30, 2028		
	MUFG Bank, Ltd	-	500,000	-	500,000	0.438%	August 31, 2020		

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	Mizuho Trust & Banking Co., Ltd.	-	400,000	-	400,000	0.363%	November 30, 2024	(Note 6)	Unsecured/ Unguaranteed
	Mizuho Bank, Ltd.	-	2,000,000	-	2,000,000	0.330% (Note 5)	May 31, 2025		
	Shinsei Bank, Limited	-	500,000	-	500,000	0.484%	November 30, 2025		
	Shinsei Bank, Limited	-	500,000	-	500,000	0.272%	January 31, 2023		
	Mizuho Bank, Ltd.	-	800,000	-	800,000	0.299%	July 31, 2023		
	Sub total	100,500,000	4,700,000	-	105,200,000				
Total		¥118,250,000	¥7,200,000	¥4,550,000	¥120,900,000				

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	¥9,450,000	¥19,650,000	¥11,550,000	¥12,800,000	¥51,750,000

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 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 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.

Short-term debt and long-term debt consist of the following as of January 31, 2019

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)									
Short-term loans payable	Sumitomo Mitsui Banking Corporation (Note 8)	¥1,830,000	¥ -	¥580,000	¥1,250,000	0.412%	July 31, 2019	(Note 6)	Unsecured/ Unguaranteed		
	Mizuho Bank, Ltd.	800,000	-	-	800,000	0.412%	July 31, 2019				
	Sub total	2,630,000	-	580,000	2,050,000						
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
	MUFG Bank, Ltd. (Note 2)	1,500,000	-	-	1,500,000					0.689%	November 30, 2019
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000					0.487%	February 28, 2019
	MUFG Bank, Ltd.	500,000	-	-	500,000	0.487%	February 28, 2019				
	Sumitomo Mitsui Banking Corporation	500,000	-	-	500,000	0.362%	July 31, 2019				
	Shinsei Bank, Limited	500,000	-	-	500,000	0.362%	July 31, 2019				
	Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000	0.437%	January 31, 2020				
	MUFG Bank, Ltd.	-	1,400,000	-	1,400,000						
	Mizuho Bank, Ltd.	-	900,000	-	900,000						
	Shinsei Bank, Limited	-	500,000	-	500,000						
	Resona Bank, Limited.	-	400,000	-	400,000						
	Sumitomo Mitsui Trust Bank, Limited	-	300,000	-	300,000						
	Mizuho Trust & Banking Co., Ltd.	-	300,000	-	300,000						
	Aozora Bank, Ltd.	-	200,000	-	200,000						
	The Bank of Fukuoka, Ltd.	-	200,000	-	200,000						
	Sub total	15,000,000	5,700,000	11,000,000	9,700,000						
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						
	MUFG Bank, Ltd.	400,000	-	-	400,000						
	Mizuho Bank, Ltd.	300,000	-	-	300,000						
	Resona Bank, Limited.	200,000	-	-	200,000	1.254%	August 7, 2023				
	Mizuho Trust & Banking Co., Ltd.	200,000	-	-	200,000						
	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				

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)							
	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		
	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	1,750,000	-	-	1,750,000				
	Sumitomo Mitsui Banking Corporation	1,750,000	-	-	1,750,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	0.729%	July 29, 2020		
	Mizuho Bank, Ltd.	500,000	-	-	500,000				
	Resona Bank, Limited.	500,000	-	-	500,000				
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000				
	Shinsei Bank, Limited	1,100,000	-	-	1,100,000				
	Sumitomo Mitsui Banking Corporation	1,100,000	-	-	1,100,000				
	MUFG Bank, Ltd.	1,000,000	-	-	1,000,000	1.115%	July 29, 2022		
	Mizuho Bank, Ltd.	300,000	-	-	300,000				
	Sompo Japan Nipponkoa Insurance Inc.	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		
Long-term loans payable	Mizuho Bank, Ltd.	950,000	-	-	950,000	1.169%	August 31, 2024	(Note 6)	Unsecured/ Unguaranteed
	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		
	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		

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)							
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.501%	February 28, 2023		
	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		
	Sumitomo Mitsui Banking Corporation	-	1,500,000	-	1,500,000				
	MUFG Bank, Ltd.	-	1,400,000	-	1,400,000				
	Mizuho Bank, Ltd.	-	900,000	-	900,000				
	Development Bank of Japan Inc.	-	500,000	-	500,000				
	Nippon Life Insurance Company	-	500,000	-	500,000				
	Resona Bank, Limited.	-	400,000	-	400,000	0.799%	February 2, 2026		
	Shinsei Bank, Limited	-	400,000	-	400,000				
Long-term loans payable	Sumitomo Mitsui Trust Bank, Limited	-	400,000	-	400,000			(Note 6)	Unsecured/Unguaranteed
	Mizuho Trust & Banking Co., Ltd.	-	400,000	-	400,000				
	Aozora Bank, Ltd.	-	300,000	-	300,000				
	The Bank of Fukuoka, Ltd.	-	300,000	-	300,000				
	Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.509%	August 31, 2022		
	MUFG Bank, Ltd.	-	400,000	-	400,000	0.509%	August 31, 2022		
	Development Bank of Japan Inc.	-	1,600,000	-	1,600,000	0.498% (Note 5)	August 31, 2022		
	Sumitomo Mitsui Banking Corporation	-	1,200,000	-	1,200,000	0.592%	August 31, 2023		
	Aozora Bank, Ltd.	-	1,000,000	-	1,000,000	0.592%	August 31, 2023		
	MUFG Bank, Ltd.	-	800,000	-	800,000	0.592%	August 31, 2023		
	Sumitomo Mitsui Banking Corporation	-	1,050,000	-	1,050,000	0.914%	February 28, 2027		
	Resona Bank, Limited.	-	500,000	-	500,000	0.914%	February 28, 2027		
	Sumitomo Mitsui Trust Bank, Limited	-	500,000	-	500,000	0.914%	February 28, 2027		
	Mizuho Trust & Banking Co., Ltd.	-	500,000	-	500,000	0.914%	February 28, 2027		
	Mizuho Bank, Ltd.	-	250,000	-	250,000	0.914%	February 28, 2027		
	Development Bank of Japan Inc.	-	1,400,000	-	1,400,000	0.884% (Note 5)	February 28, 2027		
	MUFG Bank, Ltd.	-	800,000	-	800,000	0.825% (Note 5)	February 28, 2027		
	Nippon Life Insurance Company	-	700,000	-	700,000	0.920% (Note 5)	September 30, 2026		
	Shinsei Bank, Limited	-	1,000,000	-	1,000,000	1.031%	September 30, 2028		
	Sumitomo Mitsui Trust Bank, Limited	-	800,000	-	800,000	1.031%	September 30, 2028		
	Mizuho Trust & Banking Co., Ltd.	-	500,000	-	500,000	1.031%	September 30, 2028		
	Sub total	85,500,000	21,000,000	-	106,500,000				
Total		¥103,130,000	¥26,700,000	¥11,580,000	¥118,250,000				

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	¥ 9,600,000	¥13,000,000	¥17,750,000	¥11,800,000	¥54,350,000

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 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 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: Partial prepayment of ¥580,000 thousand was made on November 30, 2018.

## 22. DISTRIBUTIONS

	15th Fiscal Period (From February 1, 2019 to July 31, 2019)	14th Fiscal Period (From August 1, 2018 to January 31, 2019)
I. Retained earnings at the end of period	¥4,125,881,528	¥3,875,050,769
II. Reversal of voluntary retained earnings		
Reversal of reserve for temporary difference adjustments (Note 1)	¥20,000,000	¥20,000,000
III. Total distributions	¥3,687,001,854	¥3,510,428,187
Distributions per unit	¥4,063	¥4,039
IV. Retained earnings brought forward to the next period	¥458,879,674	¥384,622,582
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 ¥3,687,001,854, which is the amount deducting a part of gain on sale of real estate property and other adjustments from net income and added reversal of reserve for temporary difference adjustments, 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 15th 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 ¥3,510,428,187, which is the amount deducting a part of gain on sale of real estate property and other adjustments from net income and added reversal of reserve for temporary difference adjustments, 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 14th fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.</p>

### Note 1: Reserve for temporary difference adjustments

#### 15th Fiscal Period (February 1, 2019 to July 31, 2019)

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 distribution. It has been decided that ¥20,000,000 shall be reversed and applied to distribution in the 15th fiscal period distribution.

#### 14th Fiscal Period (August 1, 2018 to January 31, 2019)

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 distribution. It has been decided that ¥20,000,000 shall be reversed and applied to distribution in the 14th fiscal period distribution.