



**KENEDIX**  
Residential NEXT Investment Corporation

**SEMI-ANNUAL REPORT**  
**for the 15th Period**  
From February 1, 2019 to July 31, 2019

## To our unitholders

We are pleased to inform you that Kenedix Residential Next Investment Corporation (KDR) successfully closed all accounts for the 15th fiscal period (from February 1, 2019 to July 31, 2019). We would like to thank all of our unitholders and stakeholders for their continued support and cooperation. We hereby report on the asset management overview and results for the 15th Fiscal Period.

During the 15th fiscal period, operating revenue was ¥8,136 million, operating income was ¥4,358 million, ordinary income was ¥3,741 million and net income was ¥3,741 million. The distribution to unitholders was ¥4,063 per unit, +0.59% higher than in the previous period.

In the 15th fiscal period, KDR procured funds in February 2019 through public offering for two consecutive periods and acquired 3 residential properties and 3 healthcare facilities in Tokyo, as well as sold 1 residential property in Osaka City using the funds combined with borrowings and cash on hand.

For our properties, the occupancy rate of the portfolio at the end of the fiscal period remained high at 97.5%. For residential facilities, with the continuing favorable market environment, rents have risen mainly in the Tokyo metropolitan area, and profitability was greatly improved. Meanwhile, for healthcare facilities, long-term lease contracts contributed to maintaining the stability of the portfolio.

As to our activities in the 15th fiscal period onward, we acquired 1 rental residential property on September 17, 2019, and plan to acquire 2 rental residential properties by March 2020.

As a result, as of September 31, 2019, we own assets totaling 144 properties valued at ¥ 234.2 billion (total acquisition price).

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 the unitholder's value.

Your continued support and cooperation are highly appreciated.

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

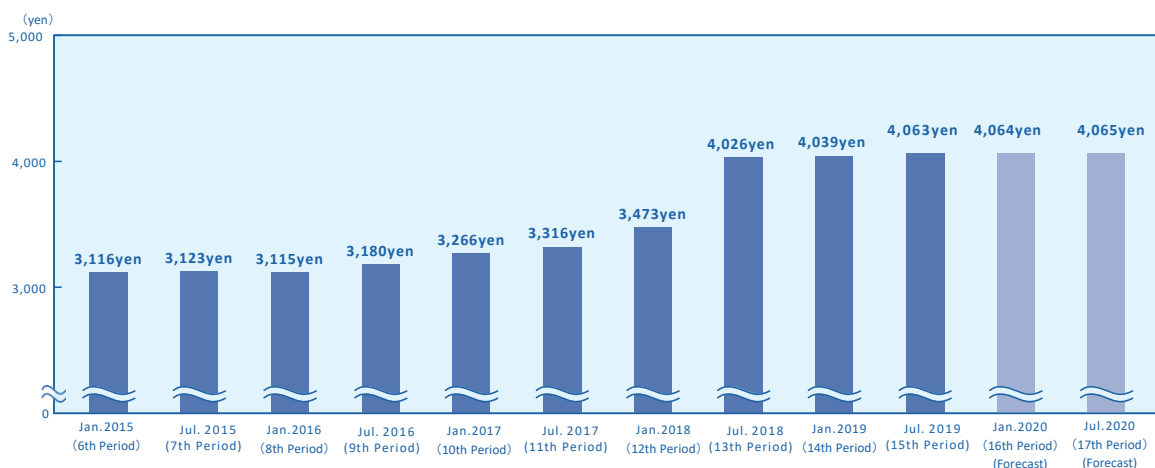


## Distribution per Unit

(Note) Distribution per unit for 16th fiscal period and 17th fiscal period is estimated based on certain assumptions as of September 12, 2019

15th (Ended July 2019) Actual	<b>4,063yen</b>
16th (Ending January 2020) Forecast	<b>4,064yen</b>
17th (Ending July 2020) Forecast	<b>4,065yen</b>

## Trend in DPU



(Note) KDR implemented a two-for-one split of the investment units as of the record date of February 28, 2018 (Effective date on March 1, 2018). Before the period ended January 2018 (12<sup>th</sup> fiscal period), the figures for the distribution per unit are those taking into account the split of the investment units.

	Operating Revenues (million yen)	Operating Income (million yen)	ordinary income (million yen)	Net Income (million yen)
15th Fiscal Period	<b>8,136</b>	<b>4,358</b>	<b>3,741</b>	<b>3,741</b>
14th Fiscal Period	<b>7,823</b>	<b>4,213</b>	<b>3,599</b>	<b>3,598</b>

## Operating Highlight

Total Number of properties	143 properties	Total Acquisition price	2,332 mln yen	Occupancy rate (At the end of 15th Fiscal Period end)	97.5 %
Residential Facilities	118 properties	Residential Facilities	1,773 mln yen	Residential Facilities	96.4 %
Healthcare Facilities	24 properties	Healthcare Facilities	541 mln yen	Healthcare Facilities	100.0 %
Other	1 property	Other	17 mln yen		

# Aiming to Achieve Stability and Growth through Residential Facilities and Healthcare Facilities

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

**Keisuke Sato**

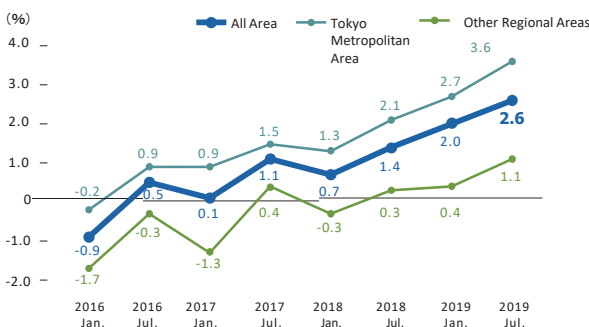


Kenedix Residential Next Investment Corporation (KDR)'s main investment targets are residential facilities such as rental housing, or "spaces where people live and stay," healthcare facilities such as nursing homes, and accommodations such as hotels. By investing in these three asset classes, KDR aims to achieve stable earnings and sustainable growth.

► **Focusing on the growth potential of earnings from rental housing with further increase in rents**

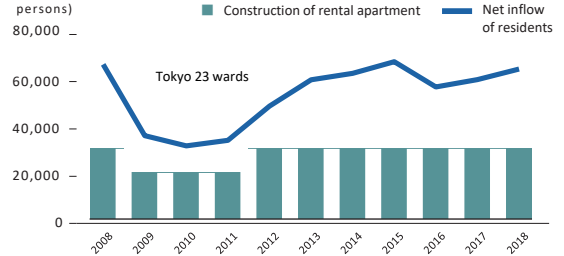
Rental housing, which is the core of KDR's portfolio, is an asset with stable earnings because the rents of residential properties are less volatile than those of offices and commercial facilities, etc. and because tenants are diversified. Especially during economic downturn, the range of decline in rents is relatively narrow, and this defensive characteristic has been favored in the field of real estate investment and management. More recently, however, attention is being paid to the growth potential of revenue stemming from the rise in residential rents, in addition to these defensive characteristics. The figure shows the rate of increase or decrease in new rents at the time of rental housing tenant replacement at KDR, indicating a positive for the seventh consecutive fiscal year (new rents have increased), and the rate of increase has been rising recently in particular (Chart.1).

**Chart 1** Percentage of Increase/Decline of rent of Renewal tenants



This is attributable to several factors. On the side of demand, Japan's population has been declining since peaking in 2008. In major cities, however, the population is increasing due to continuous population inflow particularly in city centers. People gather in major cities for employment and schooling purposes, and they gather more in central areas for greater convenience. In recent years, in particular, more and more women are actively participating in society, and more and more well-off households can capitalize on opportunities to live near their workplaces with dual income. Furthermore, there is a tendency among young people not to own homes, and these changes in lifestyles are expected to further boost demand for rental housing. On the other hand, the supply of residential property has been restricted compared with the level seen before the global financial crisis. Especially in the center of Tokyo, there is a large gap between the rent of rental housing and the rent of offices or hotels. Therefore, even if there is land for development, the priority for housing development is not high, and the supply of housing does not increase. Compared with the supply of rental apartment buildings in the 23 wards of Tokyo over the past few years and net inflow of residents (Chart.2), it can be seen that the net inflow of residents greatly exceeds the supply of rental apartment buildings.

**Chart2** Construction of rental apartments and net inflow of residents



Source : Ministry of land, Infrastructure, Transport and Tourism. Statistics for the Construction of New Housing. Ministry of Internal Affairs and Communications. Report on Population Movement based on the Basic Resident Register

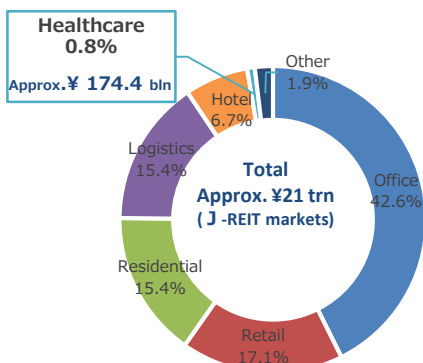
In Tokyo, where the share of rental housing in the housing market is greater than that of owner-occupied housing, the supply-demand balance of rental housing is considered to be favorable even when considering the supply of condominiums and detached houses. We believe that the favorable business climate environment for rental housing in major cities will continue for some time in the future in terms of both supply and demand. Rental housing has traditionally been regarded as defensive, but for the time being, in addition to its defensive nature, it can be said to be an asset class that can enjoy an improvement in profitability due to the rise in rents.

### ► Expansion of Healthcare Facilities Markets and Long-Term Stable Earnings

As you know, Japan's population is rapidly aging. The aging rate (percentage aged 65 and over among the total population) is 26.6% (as of 2015), the highest in the world, and is estimated to be close to 40% by 2065 as further population aging is forecast.

It is an urgent task for Japan to respond to the increase in demand for medical care, nursing care and welfare caused by the aging of society. In response to this challenge, KDR aims to contribute to resolving issues which the aging society faces by linking capital markets with healthcare facilities markets and consequently providing society with more quality healthcare facilities. The "Basic Plan for Housing and Living" of the Ministry of Land, Infrastructure, Transport and Tourism sets a target elderly-housing-to-elderly-population ratio of 4% by 2025 in order to realize a living in which the elderly can live on their own. Since elderly population in 2025 is estimated to be approximately 36,770,000 <sup>(Note 1)</sup>, in order to achieve the target, approximately 1,470,000 elderly housing units will be required. As of 2017, however, the number of elderly housing units is approximately 900,000 <sup>(Note 2)</sup>, so it can be said that facilities still need to be supplied. In addition, the fact is that there are still few cases of such housing for the elderly being securitized. Many individuals and corporations that have built residences for the elderly to make effective use of their own land and operators of facilities own the properties, and it is not an exaggeration to say that there are very few cases in which real estate operators specializing in real estate management, such as J-REITs, own properties (Chart.3).

**Chart3 Real Estate Owned by J-REITs and Private REITs (May 2019)**



Source: "ARES J REIT Databook, etc." The Association for Real Estate Securitization

We believe that there is considerable room to expand the size of the market for healthcare facilities for J-REIT investment given that supplies for healthcare facilities will increase and liquidation will progress. In addition, we believe that we can contribute to the creation of a higher-quality healthcare facilities market by promoting the division of roles, in which real estate investment professionals like ourselves own facilities and manage them optimally over the long term, while operators focus on the operation of the facilities.

As for the profitability of individual properties, healthcare facilities typically enter into long-term fixed-rent lease agreements with operators operating private senior homes with nursing care and other properties. The average remaining term of the lease agreement at the end of July 2019 was 16.8 years for the facilities owned by KDR. By concluding long-term lease agreements, KDR can expect stable rent revenue without being affected by short-term changes in the economy or business conditions, and healthcare facilities serve as a foundation for stable revenue. On the other hand, for operators, we believe that focusing exclusively on facility management based on stable long-term lease contracts will lead to improvement in the quality of facility services, which in turn will lead to improvement in facility evaluation and value of the real estate.

### ► Achieving Stability and Growth

As described above, residential facilities have growth potential of earnings due to rent increase in addition to their inherent stable feature of earnings and healthcare facilities have the expansion potential of the market in addition to stable earnings from long-term fixed rents. KDR's portfolio consists of such highly attractive assets that ensure both stability and growth. In addition, although KDR has yet to invest in hotels and other accommodations which are the other major investment target, we have a policy of investing in properties for which lease contracts with fixed rents are mainly concluded with operators who operate hotels and other properties in the future. We therefore expect that these properties will become a stable earnings base for our portfolio in the same way as healthcare facilities.

Furthermore, as announced on September 12, 2019, the Asset Management Company of KDR has recently revised its investment guidelines to add childcare facilities to its follow-on investment targets. Childcare facilities are highly important social assets from the perspective of measures to combat the declining birthrate and are expected to generate stable earnings backed by solid demand. Therefore, we believe that investments in childcare facilities will further raise the stable earnings base of KDR's portfolio.

In this way, we aim to become a REIT that achieves sustainable growth by building a portfolio that accurately captures changes in social and economic structures, in addition to the inherent stability in earnings of each asset type.

(Note 1) The National Institute of Population and Social Security Research "Population Projections for Japan (2017)"

(Note 2) Based on the "Current Status of Serviced senior housing (March 8, 2019)" by the Housing Assurance Promotion Division, Housing Bureau, Ministry of Land, Infrastructure, Transport and Tourism, the "Private senior homes with nursing care, Housing for the Elderly with Services, Nursing Homes for the Elderly, and Expense Homes for the Elderly"



## Initiatives for Environment

### Certification for residential assets

#### ▶ DBJ Green Building Certification<sup>(1)</sup>

★ : New (Jan. 2019)

◆ : Renewed (Jul. 2019)

7 residential properties are certificated.

KDX Residence Ebisu ◆

KDX Residence Hanzomon ◆



Serenite Kobe Motomachi★

KDX Residence Shukugawa Hills★

KDX Residence Yotsuya

Ashiya Royal Homes

KDX Residence Toyosu



DBJ Green Building 2018 ∞

DBJ Green Building 2018 ∞

DBJ Green Building 2017 ∞∞

DBJ Green Building 2017 ∞∞∞

DBJ Green Building 2017 ∞∞

### ▶ GRESB Real Estate Assessment



G R E S B  
★ ★ ★ ★ ★ 2019

The Investment Corporation participates in GRESB Real Estate Assessment from 2016 and acquired "Green Star" rating in 2019. (Rating is "2 Stars")

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.

### Certification for healthcare assets

#### ▶ BELS Certification



Plaisant Grand Ota tamagawa

「BELS (Building-Housing Energy-efficiency Labeling System) is the third-party certification system to rate houses and buildings in accordance with duty to make effort to label energy saving performance in the Act on Improving Energy Consumption Performance for Architectural Structures.

#### ▶ CASBEE Certification



Excellent Nishinomiya

Self-assessment based on CASBEE was carried out in November 2015, and notification was submitted to Nishinomiya City.

Comprehensive Assessment System for Built Environment Efficiency (CASBEE) is a method for evaluating and rating the environmental performance of buildings and the built environment.

Note 1: "DBJ Green Building Certification" is a system established by Development Bank of Japan in April 2011 to support real estate that meets environmental and social conditions.

## Others

### Reduction of the amount of Energy used

	Reduction Targets	FY2018 (YoY change)
Energy Consumption	5 year/5% total in intensity	Rate of change -6.4%

The Asset Management Company has set long-term goals concerning reduction of the amount of energy used and promotes initiatives leading to reduction of environmental burden while continuously monitoring its efforts.

### Secure Lockers for Deliveries



112 props

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. .

### LED Lights in Common Areas<sup>(2)</sup>



	Total (after 2015)
Property (props)	46
Expense (mln yen)	78.7
Annual reduction (mln yen)	22.5

### Outlets for recharging electric cars



EV Point



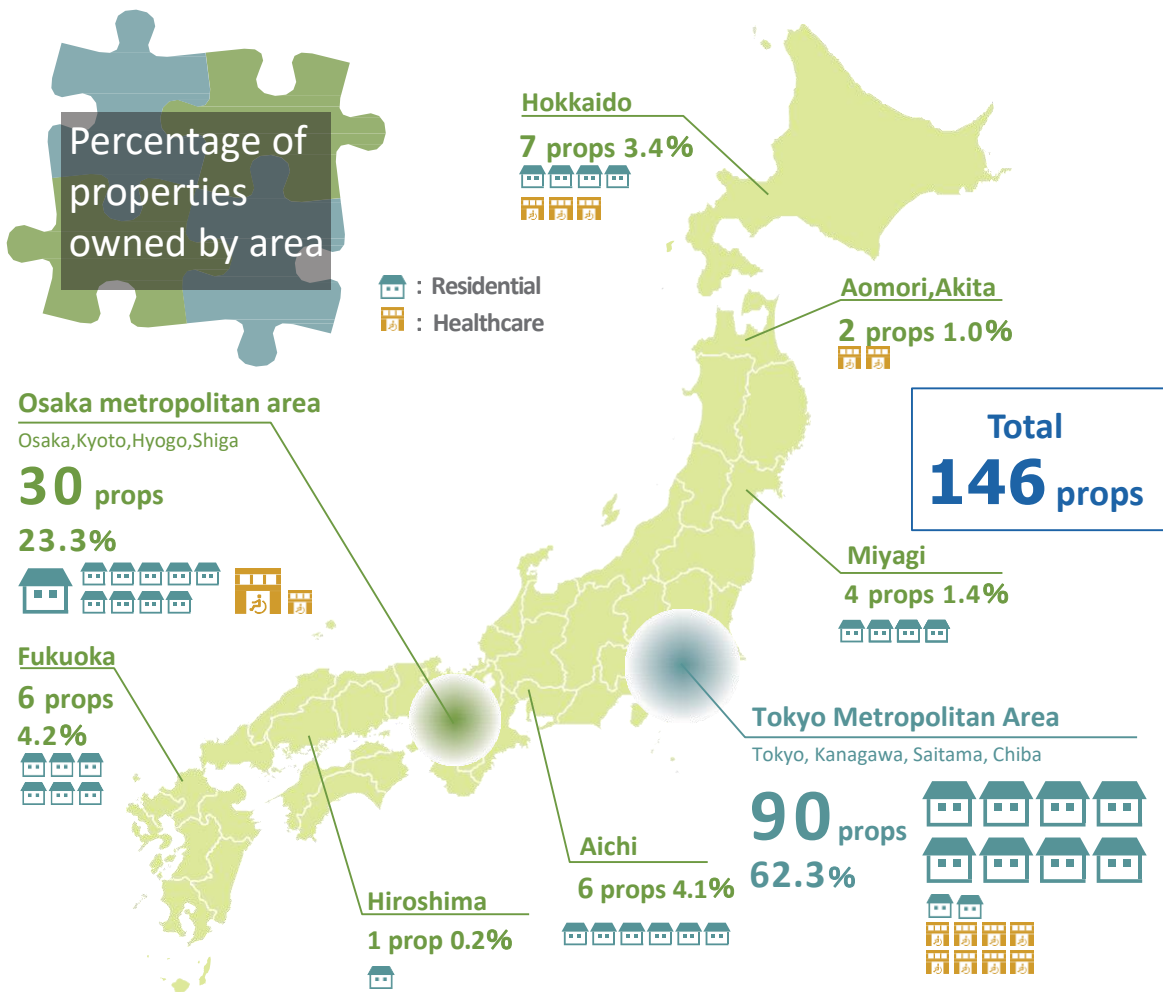
3 props

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

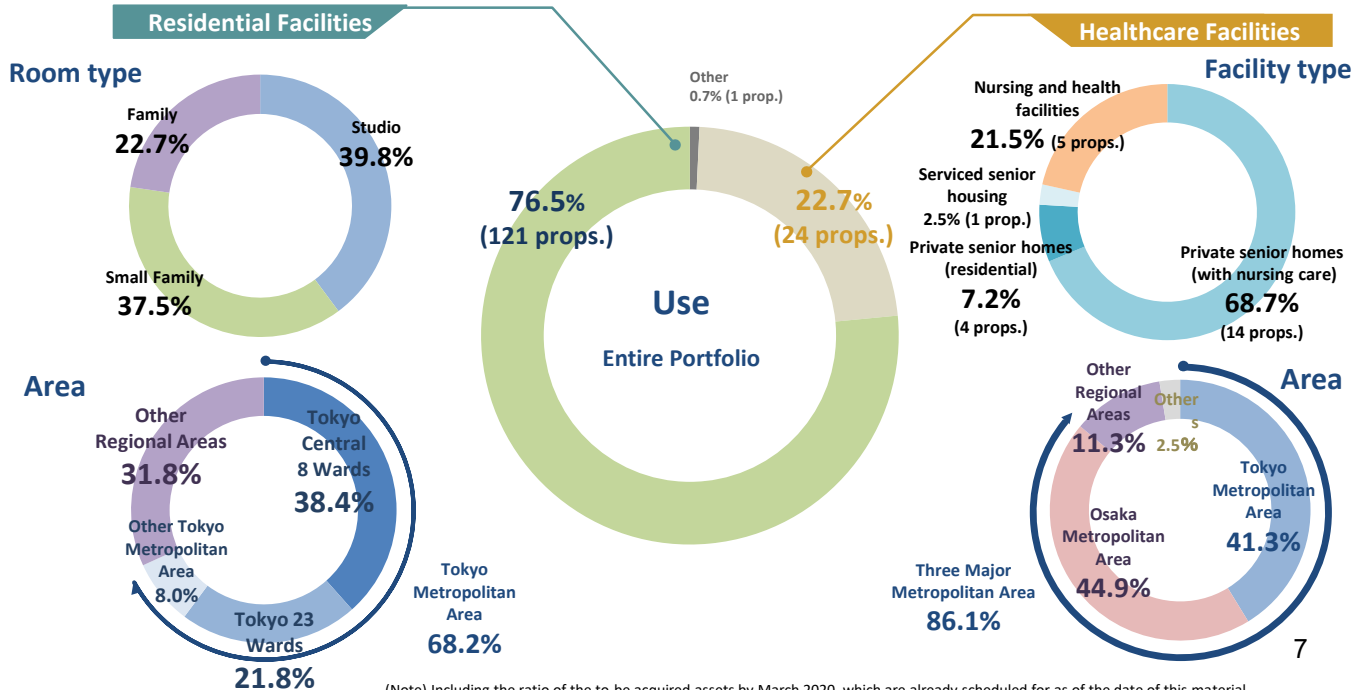
Note 2: "Annual reduction" is calculated based on the presentation materials from construction company as of exchanging construction.



### Percentage of properties owned by area

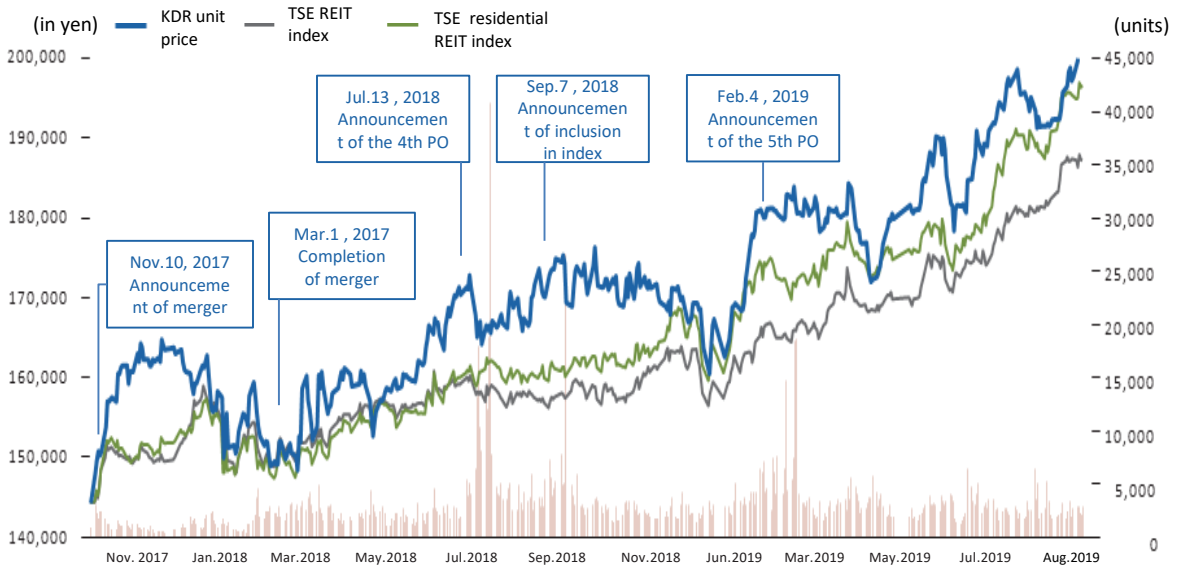


### Portfolio Breakdown



(Note) Including the ratio of the to-be acquired assets by March 2020, which are already scheduled for as of the date of this material.

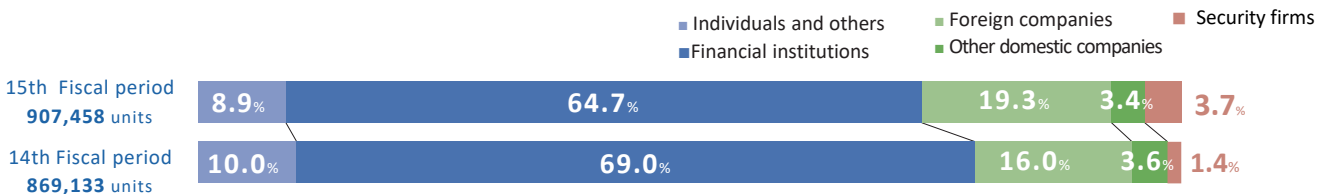
### Investment Unit Price (After Announcement of the Merger) <sup>(1)</sup>



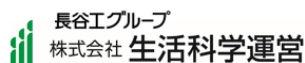
Note 1: KDR investment unit price and TSE Residential REIT index are based on the closing price. For the TSE Residential REIT index, an index based on the November 10, 2017 closing prices of this index and KDR investment units is used.

Note 2: KDR implemented a two-for-one split of the investment units as of the record date of February 28, 2018 (Effective date on March 1, 2018). The above figures for the unit price before the split are those calculated by dividing the actual unit price by two.

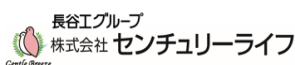
### Composition of Unitholders (based on number of units)







Seikatsu Kagaku Un-Ei Co., Ltd.	
Benefits	<ul style="list-style-type: none"> <li>Same-day facility site-visit (with lunch) free of charge</li> </ul>
Eligible Person	Unitholder and his / her spouses and his / her relatives (within the second degree) ※A resident of the requested healthcare facility and an use in conjunction with other discount system are ineligible.
Facilities Available	All of the private senior homes with nursing care operated by Seikatsu Kagaku Un-Ei Co., Ltd. as of July 31,2019.
The No. of Facilities	27 facilities
Area	Tokyo, Saitama, Chiba, Kanagawa, Shizuoka, Aichi, Kyoto, Hyogo, Osaka
Contact No.	0120-580-731
Property owned by KDR	N/A
Homepage	<a href="http://www.seikatsu-kagaku.co.jp/">http://www.seikatsu-kagaku.co.jp/</a>



CENTURY LIFE CORPORATION	
Benefits	<ul style="list-style-type: none"> <li>Same-day facility site-visit (with lunch) free of charge</li> </ul>
Eligible Person	Unitholder and his / her spouses and his / her relatives (within the second degree)
Facilities Available	All of the private senior homes with nursing care and serviced senior housing operated by CENTURY LIFE CORPORATION as of July 31,2019.
The No. of Facilities	10 facilities
Area	Tokyo, Saitama, Chiba, Kanagawa, Osaka
Contact No.	+81-120-580-731
Property owned by KDR	N/A
Homepage	<a href="http://www.centurylife.co.jp/">http://www.centurylife.co.jp/</a>

## SENIOR LIFE COMPANY

SENIOR LIFE COMPANY	
Benefits	<ul style="list-style-type: none"> <li>«On the condition of lump sum payment» Discount on lump sum payment for resident ( ¥ 300,000 discount)</li> <li>Trial residence free of charge (1-night, 2-day stay, with dinner and breakfast)</li> <li>Same-day facility site-visit (with lunch) free of charge</li> </ul>
Eligible Person	Unitholder and his / her spouses and his / her relatives (within the second degree)
Facilities Available	All of the private senior homes with nursing care and apartment for the elderly operated by SENIOR LIFE COMPANY as of July 31,2019.
The No. of Facilities	5 facilities
Area	Tokyo, Fukuoka
Contact No.	+81-120-678-723
Property owned by KDR	N/A
Homepage	<a href="https://www.felio.life/">https://www.felio.life/</a>



Somo Care Inc.	
Benefits	I . Somo Care LAVIERE ・ «On the condition of lump sum payment» 3% discount from the initial lump sum payment for resident ・ «On the condition of monthly payment» 3% discount of the amount equivalent to the rent out of the monthly payment (Until the contract ends)  II . Somo Care Somo no ie, Somo no ie S, Somo no ie GH, Private senior homes (residential), Serviced senior housing, Group homes ・ 3% discount of the amount equivalent to the rent out of the monthly payment or of the rent (Until the contract ends)
Eligible Person	Unitholder and his / her spouses and his / her relatives (within the second degree) ※A user who has inquired this benefit through agencies, a resident of the requested healthcare facility and an use in conjunction with other discount system are ineligible.
Facilities Available	I . Somo Care LAVIERE operated by Somo Care Inc as of July 31,2019. (Excluding short-term use) II . Somo Care Somo no ie, Somo no ie S, Somo no ie GH, Private senior homes (residential), Serviced senior housing, Group homes operated by Somo Care Inc. as of July 31,2019. (Facilities for short-term use and Facilities operated by its franchisees and operating partners are excluded.)
The No. of Facilities	425 facilities
Area	Hokkaido, Iwate, , Miyagi, Akita, Saitama, Chiba, Tokyo, Kanagawa, Shizuoka, Aichi, Kyoto, Osaka, Hyogo, Nara, Okayama, Hiroshima, Fukuoka, Kumamoto
Contact No.	+81-120-155-703
Property owned by KDR	Somo Care LAVIERE Kobe Tarumi
Homepage	<a href="https://www.somocare.com/">https://www.somocare.com/</a>



HITOWA Care Service Co., Ltd.	
Benefits	<ul style="list-style-type: none"> <li>Same-day facility site-visit (with lunch) free of charge</li> <li>Discount on usage charge for two-month equivalent</li> </ul>
Eligible Person	Unitholder and his / her spouses and his / her relatives (within the second degree) ※A resident of the requested healthcare facility and an application through agencies are ineligible
Facilities Available	All of the private senior homes with nursing care operated by HITOWA Care Service Co., Ltd as of July 31,2019.
The No. of Facilities	111 facilities
Area	Hokkaido, Miyagi, Saitama, Chiba, Tokyo, Kanagawa, Nagano, Aichi, Hyogo, Okinawa
Contact No.	+81-120-12-2943
Property owned by KDR	Irise Kamata/Yuseien , Irise Nishioka, Izarie Eniwa Building
Homepage	<a href="http://www.irs.jp/">http://www.irs.jp/</a>



Nichii Carepalace Company	
Benefits	<ul style="list-style-type: none"> <li>Same-day facility site-visit(with lunch) free of charge</li> <li>Trial residence free of charge (1-night, 2-day stay, with dinner, lunch and breakfast)</li> </ul>
Eligible Person	Unitholder and his / her spouses and his / her relatives (within the second degree)
Facilities Available	All of the private senior homes with nursing care operated by Nichii Carepalace Company as of July 31,2019.
The No. of Facilities	74 facilities
Area	Tokyo, Saitama, Chiba, Kanagawa, Shizuoka
Contact No.	+81-120-555-800
Property owned by KDR	Nichii Home Nakano-Minamidai, Nichii Home Tama Plaza
Homepage	<a href="http://www.nichii-carepalace.co.jp/">http://www.nichii-carepalace.co.jp/</a>



Sawayaka Club Corporation	
Benefits	<ul style="list-style-type: none"> <li>10% discount on usage charge for the first monthly payment</li> <li>Trial residence free of charge (1-night, 2-day stay, with dinner and breakfast)</li> <li>Same-day facility site-visit(with lunch) free of charge</li> </ul>
Eligible Person	Unitholder and his / her spouses and his / her relatives (within the second degree)
Facilities Available	All of the private senior homes with nursing care operated by Sawayaka Club Corporation as of July 31,2019.
The No. of Facilities	70 facilities
Area	Hokkaido, Akita, Tochigi, Saitama, Chiba, Kanagawa, Niigata, Shizuoka, Aichi, Mie, Kyoto, Osaka, Hyogo, Ehime, Wakayama, Fukuoka, Oita
Contact No.	+81-120-958-490
Property owned by KDR	Sawayaka Sakura Nibankan
Homepage	<a href="http://www.sawayakacub.jp/">http://www.sawayakacub.jp/</a>



Excellent Care System Co., Ltd.	
Benefits	<ul style="list-style-type: none"> <li>Same-day facility site-visit (with lunch) free of charge</li> </ul>
Eligible Person	Unitholder and his / her spouses and his / her relatives (within the second degree) ※A resident of the requested healthcare facility and an use in conjunction with other discount system are ineligible.
Facilities Available	All of the private senior homes with nursing care operated by Excellent Care System Co., Ltd. as of July 31,2019.
The No. of Facilities	15 facilities
Area	Tokyo, Kanagawa, Kyoto, Hyogo, Tokushima
Contact No.	+81-44-819-5107
Property owned by KDR	Excellent Nishinomiya, Excellent Kitano
Homepage	<a href="http://www.excare.co.jp/">http://www.excare.co.jp/</a>



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



CARE TWENTYONE CORPORATION	
Benefits	<ul style="list-style-type: none"> <li>Same-day facility site-visit (with lunch) free of charge</li> </ul>
Eligible Person	Unitholder and his / her spouses and his / her relatives (within the second degree)
Facilities Available	All of the private senior homes with nursing care operated by CARE TWENTYONE CORPORATION as of July 31,2019.
The No. of Facilities	38 facilities
Area	Tokyo, Saitama, Chiba, Kanagawa, Aichi, Kyoto, Osaka, Hyogo, Hiroshima
Contact No.	+81-120-944-821
Property owned by KDR	Plaisant Grand Ota tamagawa
Homepage	<a href="https://www.care21.co.jp/">https://www.care21.co.jp/</a>

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

(Note2) The area and the number of facilities are as of July 31, 2019.

(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.



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	
<b>1. Eligible Unitholder</b>	Unitholders stated or recorded on the unitholders' register of the Investment Corporation as of July 31, 2019 are eligible for the unitholder benefit program.
<b>2. Contents</b>	Unitholders owing more than 1 unit will be entitled to the benefits as described previous page.
<b>3. Method for the Use of Benefits</b>	Please present Semi-annual Report for the fiscal period ended July 2019 (15th fiscal period) and the paper setting forth the name, address, etc. of the unitholder or dividend receipts, which are enclosed in the Semi-annual Report, to the healthcare facility.
<b>4. Validity Period</b>	April 30, 2020

Q&A	
<b>About Benefit program</b>	<b>Q</b> At which facilities will I be eligible for benefit programs?
	<b>A</b> 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.
	<b>Q</b> How can I check the details of benefit programs?
	<b>A</b> 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.
<b>How to use</b>	<b>Q</b> What are the procedures required to use the program?
	<b>A</b> 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.
	<b>Q</b> What do I need to bring when using the program?
	<b>A</b> 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.
	<b>Q</b> Can I go directly to a facility when I want to see the facility or do a trial residence?
	<b>A</b> 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	11th	12th	13th	14th	15th
			From Feb. 1, 2017 to Jul. 31, 2017	From Aug. 1, 2017 to Jan. 31, 2018	From Feb. 1, 2018 to Jul. 31, 2018	From Aug. 1, 2018 to Jan. 31, 2019	From Feb. 1, 2019 to Jul. 31, 2019
Operating result	Operating revenues	mil.yen	5,574	5,681	7,097	7,823	8,136
	(Rental revenues)	mil.yen	5,574	5,671	6,655	7,605	7,933
	Operating expenses	mil.yen	2,741	2,791	3,657	3,610	3,777
	(Expenses related to rent business)	mil.yen	2,124	2,107	2,554	2,794	2,915
	Operating income	mil.yen	2,833	2,889	3,439	4,213	4,358
Ordinary income	mil.yen	2,316	2,353	2,842	3,599	3,741	
Net income	mil.yen	2,315	2,352	5,416	3,598	3,741	
Asset	Total asset	mil.yen	167,316	176,813	213,558	245,103	254,965
	(period to period change)	%	(+0.0)	(+5.7)	(+20.8)	(+14.8)	(+4.0)
	Interest-bearing debt	mil.yen	81,800	91,130	106,130	123,250	125,900
	Unitholders' equity	mil.yen	82,559	82,650	98,745	111,951	118,541
	(period to period change)	%	(+0.0)	(+0.1)	(+19.5)	(+13.4)	(+5.9)
Unitholders' capital	mil.yen	80,132	80,132	80,132	93,226	99,731	
Distribution per unit	Total distribution	mil.yen	2,315	2,424	3,152	3,510	3,687
	Dividend payout ratio <sup>(Note 2)</sup>	%	100.0	103.1	58.2	97.6	98.5
	Number of investment units issued and outstanding	unit	349,089	349,089	782,928	869,133	907,458
	Net income per unit <sup>(Note 3,4)</sup>	yen	6,632	3,369		4,143	4,142
	Unitholders' equity per unit <sup>(Note 3)</sup>	yen	236,498	118,379	126,123	128,807	130,630
	Distribution per unit	yen	6,633	6,946	4,026	4,039	4,063
	Profit distribution	yen	6,633	6,946	4,026	4,039	4,063
Distribution in excess of profit	yen	—	—	—	—	—	
Financial indicator	Return on assets <sup>(Note 5)</sup>	%	1.4	1.4	1.5	1.6	1.5
	Annualized <sup>(Note 6)</sup>	%	2.8	2.7	2.9	3.1	3.0
	Return on net assets <sup>(Note 7)</sup>	%	2.8	2.8	6.0	3.4	3.2
	Annualized <sup>(Note 6)</sup>	%	5.7	5.6	12.0	6.8	6.5
	Net asset ratio	%	49.3	46.7	46.2	45.7	46.5
	(period to period change)	%	(Δ0.0)	(Δ2.6)	(Δ0.5)	(Δ0.6)	(+0.8)
	Interest-bearing debt ratio on assets <sup>(Note 8)</sup>	%	48.9	51.5	49.7	50.3	49.4
	FFO <sup>(Note 9)</sup> (Funds from Operation)	mil.yen	3,227	3,295	6,126	4,750	4,948
	FFO per unit <sup>(Note 3,10)</sup>	yen	9,246	4,720	7,824	5,466	5,453
	Leasing NOI <sup>(Note 11)</sup> (Net Operating Income)	mil.yen	4,335	4,486	5,245	6,154	6,408
	Annualized NOI yield <sup>(Note 6,12)</sup>	%	5.6	5.4	5.5	5.5	5.5
Leasing NCF <sup>(Note 13)</sup> (Net Cash Flow)	mil.yen	4,094	4,199	4,808	5,539	5,796	
Annualized NCF yield <sup>(Note 6,14)</sup>	%	5.3	5.1	5.0	5.0	5.0	
Reference	Number of properties	properties	113	115	129	138	143
	Leased units (Residential)	unit	7,285	7,646	7,552	8,017	8,080
	Total leasable floor area <sup>(Note 15)</sup>	m <sup>2</sup>	292,324.33	303,608.43	410,556.41	467,606.17	491,050.34
	Occupancy ratio <sup>(Note 15)</sup>	%	96.8	97.0	97.6	97.7	97.5
	Depreciation expenses	mil.yen	884	921	1,144	1,343	1,391
	Capital expenditures	mil.yen	241	286	436	614	612

- (Note 1) Figures are rounded down to the nearest unit. Ratios are rounded off to one 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) The Investment Corporation 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 the Investment Corporation investment units to be split on August 1, 2017.
- (Note 4) Net income per unit is calculated by dividing the net income 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 11th fiscal period are calculated based on a period of 181 days, 184 days for 12th fiscal period, 181 days for 13th fiscal period, 184 days for 14th fiscal period, 181 days for 15th 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 unit)
- (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 with leasehold interest.



## (2) Outline of asset management operation for the 15th fiscal period

### (i) Outline of the history of the Investment Corporation

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 subsequently issued new investment units through three public offering and by way of third-party allotment to expand its market capitalization and steadily grow its asset size. Moreover, seeking further growth opportunities, the Investment Corporation 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 on March 1, 2018. Following the merger, the Investment Corporation implemented a 2-for-1 investment unit split with an effective date of March 1, 2018.

In the 15th fiscal period, the Investment Corporation issued for the second consecutive period new investment units through public offering and third-party allotment and acquired 6 properties (the total acquisition price (Note 1) is 12,844 million yen) using the funds procured and new borrowings.

As of the end of the 15th fiscal period (July 31, 2019), the number of properties was 143 (total acquisition price: 233,251 million yen (excluding silent partnership equities; the same applies hereinafter)) and the number of investment units issued and outstanding is 907,458 units.

The Investment Corporation entrusts the asset management to 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. The Asset Management Company provides real estate investment management services with flexibility and agility unique to a J-REIT <sup>(Note 2)</sup> 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) “Acquisition price” is the sales price of each trust beneficiary interest or real estate indicated in each trust beneficiary interest sales contract and real estate sales contract concerning the owned assets (excluding acquisition costs, adjustment in property tax and city-planning tax, and consumption tax) and is rounded down to the nearest million yen. The appraisal value as of March 1, 2018 is indicated as the acquisition price for assets succeeded by JSL due to the merger. The same applies hereinafter.

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

### (ii) Investment Environment

During the 15th fiscal period, the Japanese economy was partly weak in exports and production activities, affected by overseas economic trends, such as the slowdown in the Chinese economy. However, domestic demand has been on an increasing trend, as consumption has continued to pick up due to a favorable employment and income environment and a high level of corporate profits, and capital investment has also been on an upward trend. The Japanese economy is expected to continue to recover moderately, given that the fundamentals supporting domestic demand are favorable. On the other hand, it is necessary to pay attention to the impact on the world economy of the continuing moderate slowdown in the Chinese economy, the trade issues between the United States and China, and the UK's decision to leave the EU, as well as trends in consumption following the consumption tax rate hike scheduled for October 2019, and the possibility of future fluctuations in the financial and capital markets for the domestic economy.

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 <sup>(Note)</sup> 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. In response 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.

With The Bank of Japan's aggressive monetary easing measures in the background, active transaction are expected to continue in real estate market; 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 comprehensively taking into account the composition of the entire portfolio, earnings power in the future, etc., the Investment Corporation acquired 3 residential properties (total acquisition price: 3,158 million yen), acquired 3 healthcare facilities (total acquisition price: 9,685 million yen) and sold 1 residential property (acquisition price: 510 million yen / sold price:690 million yen).

< Acquired assets >

Property number	Property name	Acquisition price (million yen) <sup>(Note)</sup>
T-81	KDX Residence Kamikitazawa	1,360
T-82	KDX Residence Kaminoge	1,111
T-83	KDX Residence Higashi-Asakusa	687
Residential	Total	3,158
H-22	Tsukui Sun-shine Machida	6,934
H-23	Serabi Ebisu	1,690
H-24	Arute Ishiyagawa	1,061
Healthcare	Total	9,685

< Sold assets >

Property number	Property name	Sold price (million yen) <sup>(Note)</sup>
R-23	KDX Residence Shin-Osaka	690

(Note) “Acquisition Price” and “Sold Price” are 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 acquired assets and sold assets, and are rounded down to the nearest million yen.

As a result of the above, as of the end of the 15th fiscal period, the Investment Corporation owned a total of 143 properties (total acquisition price: 233,251 million yen), which consist of 118 residential properties (acquisition price: 177,373 million yen), 24 healthcare facilities(acquisition price: 54,128 million yen) and 1 other property (land with leasehold interest; acquisition price: 1,750 million yen).

#### (B) Management and Operation of Assets

With respect to residential, The Investment Corporation managed our real estate holdings with the aim of achieving stable and optimal performance 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 .

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.

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 five properties, updating work in common areas as well as value-increasing work and facility updates in individually-owned areas.

The Investment Corporation continued to introduce LED lighting to common areas as part of our environmental efforts, and obtained 7 properties of DBJ Green Building Certification from external rating agencies in the end of the 15th fiscal period (July 31, 2019).

As a result of the above, the occupancy rate for residential facilities was 96.4% as of the end of the 15th fiscal period (July 31, 2019), the high level as the previous fiscal period.

As a specific measure contributing to the maintenance and improvement of revenue at the rental business for healthcare facilities, the Investment Corporation visited facilities to confirm their operating status, including revenues, expenditures, and occupancy rates, and made inquiries to facility managers while also inquiring about business conditions, future management policies, etc. through interviews with operation managers, etc. as part of operator monitoring activities.

As a result of the above, the occupancy rate for healthcare facilities was 100% as of the end of the 15th fiscal period (July 31, 2019). The occupancy rate for the entire portfolio including land with leasehold interest was 97.5% as of the end of the 15th fiscal period (July 31, 2019).

## (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.

### (Issuance of New Investment Units)

During the 15th fiscal period, the Investment Corporation procured 6,195 million yen of funds by issuing 36,500 new investment units through public offering on February 20, 2019 with the aim of allocation to funds for acquisition of specified assets. In addition, the Investment Corporation procured 309 million yen of funds by issuing 1,825 new investment units through third-party allotment on March 11, 2019 with an aim of procuring funds for acquisition of specified assets and repayment of borrowings in the future.

As a result, unitholders' capital came to 99,731 million yen as of the end of the 15th fiscal period (July 31, 2019).

### (Debt Finance)

The Investment Corporation newly borrowed 2,900 million yen as funds for acquisition of new properties as well as 4,300 million yen as funds for repaying borrowings of which repayment was due during the 15th fiscal period. In addition, on July 29, 2019, the Investment Corporation newly concluded a commitment line agreement (total maximum borrowing amount of 4,500 million yen) for which the contract period commenced on August 1, 2019.

As a result of the foregoing, the average remaining term of interest-bearing debt <sup>(Note 1)</sup> was 4.4 years, and the average interest rate at the end of the 15th fiscal period <sup>(Note 2)</sup> was 0.98%. The long-term debt ratio <sup>(Note 3)</sup> came to 87.5%, the fixed interest-rate ratio <sup>(Note 4)</sup> was 94.3%, and the loan to value ratio (LTV) came to 49.4% in the end of 15th fiscal period (July 31, 2019).

(Note 1) It is calculated by weighting and averaging the remaining term of each interest-bearing debt according to the balance of each interest-bearing debt and rounded off to decimal place.

(Note 2) The average interest rate of each interest-bearing debt was calculated taking into account the upfront fee (per annum) and interest rate swaps, etc., and the weighted average was calculated in accordance with the balance of each interest-bearing debt.

(Note 3) Long-term debt ratio = (balance of long-term borrowings (excluding long-term borrowings to be repaid within one year) + balance of investment corporation bonds) ÷ (balance of borrowings + balance of investment corporation bonds)  
The long-term debt ratio that includes long-term borrowings to be repaid within one year is 98.0%.

(Note 4) The fixed interest-rate ratio = (balance of fixed interest-rate borrowings (including borrowings for which interest rates are substantially fixed through interest rate swap transactions, etc.) + balance of investment corporation bonds) ÷ (balance of borrowings + balance of investment corporation bonds)

### (Credit Ratings)

The status of the credit ratings as of the end of the 15th fiscal period (July 31, 2019).

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.



The Investment Corporation issued 1,000 million yen of the Fourth Series Bonds and 1,000 million yen of the Fifth Series Bonds on November 30, 2018 based on the above shelf registration.

#### 4. Overview of Financial Results and Cash Distribution

As a result of these management efforts, the Investment Corporation reported total operating revenues was 8,136 million yen, operating income was 4,358 million yen, ordinary income was 3,741 million yen and net income was 3,741 million yen for the 15th fiscal period.

In regard to profit distributions for the 15th 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 3,687,001,854 yen as profit distribution from unappropriated retained earnings for the 15th fiscal period, which is the amount of the net income excluding a part of gain on sale of real estate property, etc., plus the reversal of Reserve for temporary difference adjustment.

If gains on the sale of properties occur in the future, the Investment Corporation will consider whether we need similar internal reserves as long as cash distribution does not fall below the initial projection, taking into consideration such need in accordance with the circumstances.

### (3) Changes in unitholders' capital

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

Date	Capital transaction	Number of investment units Issued and outstanding		Unitholders' capital (Million yen)		Remark
		Increase	Balance	Increase	Balance	
August 6, 2014	Public offering	36,375	277,997	8,273	56,865	(Note 1)
September 3, 2014	Third-party allotment	1,125	279,122	255	57,121	(Note 2)
February 4, 2015	Public offering	67,900	347,022	22,330	79,452	(Note 3)
March 4, 2015	Third-party allotment	2,067	349,089	679	80,132	(Note 4)
March 1, 2018	Investment unit split	349,089	698,178	–	80,132	(Note 5)
March 1, 2018	Marger	84,750	782,928	–	80,132	(Note 6)
August 1, 2018	Public offering	82,100	865,028	12,470	92,602	(Note 7)
August 29, 2018	Third-party allotment	4,105	869,133	623	93,226	(Note 8)
February 20, 2019	Public offering	36,500	905,633	6,195	99,421	(Note 9)
March 11, 2019	Third-party allotment	1,825	907,458	309	99,731	(Note 10)

- (Note 1) 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 2) 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 3) 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 4) New investment units were issued at a price of ¥328,879 per unit through the third-party allotment in order to raise funds for future acquisitions of specified assets and repayment of borrowings.
- (Note 5) The Investment Corporation 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 6) In connection with the Merger, the Investment Corporation unit following the Investment Unit Split was allocated to every JSL unit with 84,750 JSL units newly issued on March 1, 2018.
- (Note 7) New investment units were issued at a price of ¥151,892 per unit (subscription price of ¥151,892 per unit) through a public offering in order to raise funds for acquiring new properties.
- (Note 8) New investment units were issued at a price of ¥151,892 per unit through the third-party allotment in order to raise funds for future acquisitions of specified assets and repayment of borrowings.
- (Note 9) New investment units were issued at a price of ¥175,500 per unit (subscription price of ¥169,740 per unit) through a public offering in order to raise funds for acquiring new properties.
- (Note 10) New investment units were issued at a price of ¥169,740 per unit through the third-party allotment in order to raise funds for future acquisitions of specified assets.

### 【Changes in Unit Price at Tokyo Stock Exchange】

The highest and lowest closing prices of the investment units listed on J-REIT section of the Tokyo Stock Exchange for each fiscal period are as follows.

Fiscal period For the fiscal period ended	11th Fiscal period July 31, 2017	12th Fiscal period January 31, 2018	13th Fiscal period <sup>(Note)</sup> July 31, 2018	14th Fiscal period January 31, 2019	15th Fiscal period July 31, 2019
Highest price	320,500	329,500	172,800	181,000	192,600
Lowest price	263,100	274,800	148,400	160,500	179,900

(Note) The Investment Corporation 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 Investment Corporation intends to apply the corporate income taxation special provision (Act on Special Measures Concerning Taxation, Article 67-15) that specifies deduction of an amount equivalent to profit distributions as deductible expenses 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 3,687,001 thousand yen as profit distribution from unappropriated retained earnings for the 15th fiscal period, which is the amount obtained by deducting a portion of gain on sale, etc. from the net income for the 15th fiscal period and adding the reversal of the Reserve for temporary difference adjustment.

As a result, distributions per unit for the 15th fiscal period amounted to 4,063 yen.

Fiscal period		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	14th From Aug.1, 2018 to Jan.31, 2019	15th From Feb.1, 2019 to Jul.31, 2019
Unappropriated retained earnings	(Thousand yen)	2,400,002	2,437,011	5,428,676	3,875,050	4,125,881
Retained earnings	(Thousand yen)	84,495	12,239	2,276,608	384,622	458,879
Total distribution	(Thousand yen)	2,315,507	2,424,772	3,152,068	3,510,428	3,687,001
(Distribution per unit)	(Yen)	(6,633)	(6,946)	(4,026)	(4,039)	(4,063)
Profit distribution	(Thousand yen)	2,315,507	2,424,772	3,152,068	3,510,428	3,687,001
(Profit distribution per unit)	(Yen)	(6,633)	(6,946)	(4,026)	(4,039)	(4,063)
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) Management Policy and Issues to be Addressed

##### Outlook for Asset Management

The Investment Corporation primarily invests in residential facilities mainly such as rental housing, etc., healthcare facilities such as private senior homes with nursing care and accommodation facilities 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.

Based on the above three principal investment targets, the Investment Corporation newly added child-care facilities as an investment target on September 12, 2019. As “spaces where people live and stay” they are considered to have close affinity with the residential facilities of the Investment Corporation.

## (A) New property acquisitions

The Investment Corporation will invest primarily in residential, healthcare and accommodation properties “spaces where people live and stay” as its target investments. In making investments, the Investment Corporation 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 investment mainly in three major metropolitan area.

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 and Kenedix Investment Partners, 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 owned 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

The Investment Corporation 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 of Information

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) Conflicts of interest

The Asset Management Company has established related-party transaction rules of the Residential REIT Department and conducts management based on said rules upon transactions with related parties in the management of assets of the Investment Corporation. The Asset Management Company is also entrusted with management of other REITs of Kenedix group, and which may compete against the Investment Corporation in the acquisition of investment properties. The Asset Management Company has established a department that obtains information for sales of real estate and preferentially considers acquisition thereof. For this reason, the Asset Management Company prepared a rule on "Right of first consideration" based on type and scale of properties and determines the order of consideration within the Asset Management Company in advance, in addition to setting up internal "pipeline meetings" with a compliance officer in attendance, implementing operation in accordance with certain rules. By doing so, the Asset Management Company prevents arbitrary distribution of real estate sales information and thereby prevents conflicts of interest from arising among the investment corporations whose assets it manages, and strives to implement proper measures to address conflicts of interest.

## (6) Important Subsequent Events

Not applicable.

### (Reference)

#### (i) Acquisition of assets

The Investment Corporation acquired the following trust beneficiary interest in real estate on September 12, 2019,

Date of Acquisition	Property number	Property Name	Location	Previous Owner	Acquisition Price (mil.yen) (Note 4)	Appraisal value (mil.yen) (Note 5)
September 17, 2019	T-84	KDX Residence Nishi-Funabashi	Funabashi-shi, Chiba	Non-Disclosure (Note 3)	975	1,060
(Note 1)	T-85	KDX Residence Hatagaya (Note 2)	Shibuya-ku, Tokyo	THE SANKEI BUILDING CO., LTD.	2,500	2,710
(Note 1)	R-46	KDX Residence Sendai Station East (Note 2)	Sendai-shi, Miyagi	Hoosiers Asset Management Co.,Ltd.	1,340	1,410
Total					4,815	5,180

(Note 1) The date for T-85 designated in writing by the Investment Corporation no later than 10 business days prior to the sale provided that the due date is February 28, 2020. The due date for R-46 shall be within 6 months from the date of conclusion of the sales contract, and the date designated in writing by the Investment Corporation by 7 business days prior to the date of the sale.

(Note 2) The trust beneficiary interest sales contract associated with the assets for T-85 and R-46 fall under the forward commitments, etc. by the Investment Corporation as specified in the Financial Services Agency "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc."

(Note 3) Not disclosed according to seller's intention

(Note 4) “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 million yen.

(Note 5) “Appraisal Date” is as September 1, 2019.

## (ii) Financing

The Investment Corporation newly established a commitment line agreement to secure flexibility and stability in financing method, for potential needs of funds on July 29, 2019.

Counterparty	Limit of maximum amount (million yen)	Contract period	Collateral
Sumitomo Mitsui Banking Corporation	1,500	August 1, 2019 to July 31, 2020	Unsecured, unguaranteed
MUFG Bank, Ltd	1,500		
Mizuho Bank, Ltd	1,500		

On September 12, 2019, the Investment Corporation decided to borrow 1,000 million yen (Series 34) on September 17, 2019 in order to allocate part of the funds to the acquisition of T-84 of the above-mentioned assets and associated costs thereof.

## 2. Overview of the Investment Corporation

### (1) Unitholders' Capital

Fiscal period	11th As of July 31, 2017	12th As of January 31, 2018	13th As of July 31, 2018	14th As of 31, January 2019	15th As of July 31, 2019
Total number of authorized investment units (Unit)	5,000,000	5,000,000	10,000,000	10,000,000	10,000,000
Total number of investment units issued and outstanding (Unit)	349,089	349,089	782,928	869,133	907,458
Unitholders' capital (Million yen)	80,132	80,132	80,132	93,226	99,731
Number of unitholders (People)	9,328	8,466	12,847	12,484	11,684

### (2) Matters concerning Investment Units

Major unitholders as of July 31, 2019 are as follows.

Name	Address	Number of investment units held (Units)	Ratio (%) (Note)
Japan Trustee Services Bank, Ltd. (Trust Acct.)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	253,064	27.88
The Master Trust Bank of Japan Ltd. (Trust Acct.)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	175,232	19.31
The Nomura Trust Banking Co., Ltd. (Trust Acct.)	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	37,148	4.09
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	8-12, Harumi 1-chome, Chuo-ku, Tokyo Harumi Island Toriton Square Office Tower Z	25,488	2.80
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	17,223	1.89
Kenedix, Inc.	2-1 Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo	16,570	1.82
BNYM AS AGT/CLTS 10 PERCENT	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo Standing proxy: MUFG Bank, Ltd.	13,258	1.46
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	12,446	1.37
The Gunma Bank, Ltd.	194, Motosojamachi, Maebashi-shi, Gunma	12,171	1.34

STATE STREET BANK WEST CLIENT-TREATY 505234	Shinagawa Intercity Tower A 15-1, 2-chome, Kohnan, Minato-ku, Tokyo Standing proxy: Mizuho Bank, Ltd.	11,597	1.27
Total		574,197	63.27

(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) Matters Concerning Directors and Auditor

(i) The Executive Directors, Supervisory Directors and the Independent Auditor during the 15th fiscal period are as follows.

Position	Name	Other concurrent title	Total amount of fees paid during the period (thousand yen)
Executive Director	Keisuke Sato	Kenedix Real Estate Fund Management, Inc. Director & COO, Head of Residential REIT Department	1,800
	Katsue Okuda	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	1,800
Supervisory Director (Note 1)	Osamu Chiba	Akebono Law Office, Attorney Toin Law School, Associate Professor Maruzen Foods Corporation, Outside Auditor IMAGICA GROUP Inc., Outside Director	1,500
	Satoshi Ogawa	Ogawa CPA Office, CPA GK Mercury Consulting, Representative Partner Oedo-Onsen Monogatari Co., Ltd, Auditor Ooedo Onsen Monogatari Hotels & Resorts Co., Ltd. Auditor	1,500
	Soichiro Iwao	Hungarian Medical Universities, Director Chigasaki Central Clinic, Director Medical Corporate Body Ken-iku kai, Vice President National Federation of Industrial Health Organization, Director	1,500
Independent auditor (Note 2)	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) The fee of Independent auditor includes remuneration for Comfort Letter creation work related to issuance of new investment units.

(ii) Policy on Decisions to Terminate or not Reappoint the Accounting 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 15th 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 MUFG Bank, Ltd.
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### 3. Status on Investment Properties

#### (1) Component of Assets

Classification of assets	Use	Area	14th As of January 31, 2019		15th As of July 31, 2019	
			Total amount held (mil.yen) (Note 5)	Composition ratio (%) (Note 6)	Total amount held (mil.yen) (Note 5)	Composition ratio (%) (Note 6)
Trust beneficiary interest in real estate	Residential	Tokyo Metropolitan Area (Note 2)	118,403	48.3	121,350	47.6
		Other Regional Area (Note 3)	56,705	23.1	55,969	22.0
	Healthcare	Tokyo Metropolitan Area (Note 2)	13,810	5.6	22,751	8.9
		Other Regional Area (Note 3)	29,291	12.0	30,298	11.9
		Other (Note 4)	1,346	0.5	1,328	0.5
Total (Trust beneficiary interest in real estate)			219,558	89.6	231,698	90.9
Real estate	Other	Tokyo Metropolitan Area (Note 2)	1,798	0.7	1,798	0.7
Total (Real estate)			1,798	0.7	1,798	0.7
Silent partnership equity interest (Note 1)			111	0.0	2	0.0
Bank deposits and other assets			23,635	9.6	21,467	8.4
Total assets			245,103	100.0	254,965	100.0

(Note 1) Subordinated silent partnership equity interest in GK Tropic III.

(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 amount held" 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 Assets Owned

The overview of major assets owned by the Investment Corporation (Top 10 properties in net book value as of July 31, 2019) are as follows.

No.	Name of property	Book value (Million yen)	Leasable area (m <sup>2</sup> ) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Occupancy Rate (%) (Note 3)	Ratio of rental revenue to total rental revenue (%) (Note 4)	Major use
T-78	KDX Residence Toyosu	7,734	6,811.38	6,811.38	100.0	2.3	Residential
R-45	KDX Residence Shukugawa Hills	7,263	17,575.39	16,504.36	93.9	2.6	Residential
H-22	Tsukui Sun-shine Machida	7,187	15,553.33	15,553.33	100.0	Non-Disclosure (Note 5)	Healthcare
H-10	Activa Biwa	6,429	39,649.84	39,649.84	100.0	Non-Disclosure (Note 5)	Healthcare
T-56	KDX Residence Hanzomon	4,950	4,854.23	4,770.77	98.3	1.7	Residential
T-1	KDX Daikanyama Residence	4,781	5,338.99	5,271.41	98.7	2.1	Residential
R-39	KDX Residence Ohori Harbor View Tower	4,547	11,855.63	9,106.54	76.8	2.4	Residential
H-3	Joy Stage Hachioji	3,783	13,812.27	13,812.27	100.0	Non-Disclosure (Note 5)	Healthcare
T-52	KDX Residence Togoshi	3,745	4,591.76	4,497.84	98.0	1.5	Residential
H-16	Anesis Teradacho	3,557	7,856.64	7,856.64	100.0	Non-Disclosure (Note 5)	Healthcare
Total		53,981	127,899.46	123,834.38	-	20.5	

(Note 1) "Leasable area" is the floor area of each portfolio asset for which the building is leasable (if a portfolio asset has more than one

building, the total floor area of leasable buildings) that is set forth in a lease agreement as of July 31, 2019.

(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, 2019.

(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) The Investment Corporation has not obtained consent from the tenant to release this information.

### (3) Overview of the Portfolio

#### (Detail of Real Estate Portfolio Assets)

The overview of assets under management of the Investment Corporation as of the end of the 15th fiscal period (July 31, 2019) is as follows.

Use	Area	No.	Name of property	Location	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	4,781	6,200
		T-3	KDX Odemma Residence	3-10, Nihombashi-Odenmacho, Chuo-ku, Tokyo	TBI	1,708	2,170
		T-4	KDX Iwamoto-cho Residence	16-12, Iwamotocho 2-chome, Chiyoda-ku, Tokyo	TBI	787	1,010
		T-5	KDX Bunkyo Sengoku Residence	3-2, Honkomagome 6-chome, Bunkyo-ku, Tokyo	TBI	1,450	1,810
		T-6	KDX Azumabashi Residence	9-8, Azumabashi 1-chome, Sumida-ku, Tokyo	TBI	615	914
		T-7	KDX Shimura Sakaue Residence	16-5, Higashi-Sakashia 1-chome, Itabashi-ku, Tokyo	TBI	2,663	3,510
		T-10	KDX Musashi Nakahara Residence	18-22, Shimokodanaka 4-chome, Nakahara-ku, Kawasaki-shi, Kanagawa	TBI	632	741
		T-11	KDX Chiba Chuo Residence	2-17, Shindencho, Chuo-ku, Chiba-shi, Chiba	TBI	1,316	1,830
		T-12	KDX Kawaguchi Saiwai-cho Residence	14-24, Saiwaicho 2-chome, Kawaguchi-shi, Saitama	TBI	1,109	1,450
		T-13	KDX Residence Shirokane I	7-8, Shirokanedai 4-chome, Minato-ku, Tokyo	TBI	3,084	3,590
		T-15	KDX Residence Shirokane II	7-8, Shirokanedai 4-chome, Minato-ku, Tokyo	TBI	2,854	3,550
		T-16	KDX Residence Minami-aoyama	4-8, Minami-Aoyama 3-chome, Minato-ku, Tokyo	TBI	2,238	2,530
		T-17	KDX Residence Minami-azabu	3-22, Minami-Azabu 2-chome, Minato-ku, Tokyo	TBI	2,072	2,720
		T-18	KDX Residence Shiba Koen	4-16, Shiba 3-chome, Minato-ku, Tokyo	TBI	1,761	2,370
		T-19	KDX Residence Azabu East	25-2, Higashi-Azabu 1-chome, Minato-ku, Tokyo	TBI	1,592	2,000
		T-20	KDX Residence Takanawa	15-7, Takanawa 3-chome, Minato-ku, Tokyo	TBI	761	1,060
		T-21	KDX Residence Nishihara	37-4, Nishihara 1-chome, Shibuya-ku, Tokyo	TBI	1,492	1,900
		T-22	KDX Residence Daikanyama II	11-22, Ebisu Nishi 2-chome, Shibuya-ku, Tokyo	TBI	759	1,000
		T-23	KDX Residence Sendagaya	38-7, Sendagaya 3-chome, Shibuya-ku, Tokyo	TBI	638	844
		T-24	KDX Residence Nihombashi Suitengu	41-6 Nihombashi Hakozaicho, Chuo-ku, Tokyo	TBI	3,154	4,020
		T-25	KDX Residence Nihombashi Hakozaiki	38-1 Nihombashi Hakozaicho, Chuo-ku, Tokyo	TBI	1,156	1,430
		T-26	KDX Residence Higashi-shinjuku	1-9 Okubo 2-chome, Shinjuku-ku, Tokyo	TBI	3,236	4,090
		T-27	KDX Residence Yotsuya	22-50 Arakicho, Shinjuku-ku, Tokyo	TBI	2,297	2,870
		T-28	KDX Residence Nishi-shinjuku	18-15, Nishi-Shinjuku 7-chome, Shinjuku-ku, Tokyo	TBI	996	1,330
		T-29	KDX Residence Kagurazaka	8-10, Tsukijicho, Shinjuku-ku, Tokyo	TBI	710	930
		T-30	KDX Residence Futako Tamagawa	31-29, Seta 2-chome, Setagaya-ku, Tokyo	TBI	1,276	1,480
		T-31	KDX Residence Komazawa Koen	21-6 Komazawa 5-chome, Setagaya-ku, Tokyo	TBI	905	1,120
		T-32	KDX Residence Mishuku	37-13, Mishuku 2-chome, Setagaya-ku, Tokyo	TBI	752	958
		T-33	KDX Residence Yoga	34-21, Seta 5-chome, Setagaya-ku, Tokyo	TBI	695	864
		T-34	KDX Residence Shimouma	21-8, Shimouma 1-chome, Setagaya-ku, Tokyo	TBI	598	765
		T-35	Raffine Minami-magome	24-8, Minami-Magome 5-chome, Ota-ku, Tokyo	TBI	1,241	1,450
		T-36	KDX Residence Yukigaya Otsuka	15-13, Minami-Yukigaya 2-chome, Ota-ku, Tokyo	TBI	1,024	1,340
		T-37	KDX Residence Denenchofu	40-14, Denenchofu Honmachi, Ota-ku, Tokyo	TBI	1,062	1,280
		T-38	KDX Residence Tamagawa	9-17, Tamagawa 1-chome, Ota-ku, Tokyo	TBI	739	942
		T-39	KDX Residence Monzennakacho	6-7, Kiba 3-chome, Koto-ku, Tokyo	TBI	766	1,010
		T-40	KDX Residence Okachimachi	28-4, Taito 2-chome, Taito-ku, Tokyo	TBI	870	1,060

Use	Area	No.	Name of property	Location	Form of ownership	Book value (Million yen)	Appraisal value at the end of fiscal period (Million yen) (Note 1)
		T-41	KDX Residence Moto-asakusa	8-10, Motoasakusa 4-chome, Taito-ku, Tokyo	TBI	788	1,010
		T-42	KDX Residence Itabashi Honcho	13-16, Yamatocho, Itabashi-ku, Tokyo	TBI	599	767
		T-43	KDX Residence Azusawa	7-13, Azusawa 1-chome, Itabashi-ku, Tokyo	TBI	551	654
		T-44	KDX Residence Tobu Nerima	27-9, Kitamachi 1-chome, Nerima-ku, Tokyo	TBI	396	522
		T-45	KDX Residence Yokohama Kannai	5-9, Bandaicho 3-chome, Naka-ku, Yokohama-shi, Kanagawa	TBI	776	985
		T-46	KDX Residence Miyamaedaira	14-3, Miyamaedaira 3-chome, Miyamae-ku, Kawasaki-shi, Kanagawa	TBI	1,001	1,140
		T-47	KDX Residence Machida	13-32, Kamitsurumahoncho, Minami-ku, Sagami-hara-shi, Kanagawa	TBI	1,709	2,080
		T-48	KDX Residence Kinshicho	24-13, Midori 4-chome, Sumida-ku, Tokyo	TBI	1,339	1,690
		T-49	KDX Residence Nihombashi Hamacho	33-4, Nishimbashi-Hamacho 3-chome, Chuo-ku, Tokyo	TBI	1,001	1,250
		T-50	KDX Residence Nihombashi Ningyocho	8-5, Nihombashi-Horidomecho 1-chome, Chuo-ku, Tokyo	TBI	560	682
		T-51	KDX Residence Jiyugaoka	11-27, Yakumo 3-chome, Meguro-ku, Tokyo	TBI	1,319	1,620

Use	Area	No.	Name of property	Location	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-52	KDX Residence Togoshi	1-1, Togoshi 5-chome, Shinagawa-ku, Tokyo	TBI	3,745	4,800
		T-53	KDX Residence Shinagawa Seaside	6-7, Higashi-Shinagawa 3-chome, Shinagawa-ku, Tokyo	TBI	2,575	3,340
		T-54	KDX Residence Ojima	8-4, Ojima 4-chome, Koto-ku, Tokyo	TBI	1,833	2,370
		T-55	KDX Residence Oyama	8-8, Oyamakanaimachi, Itabashi-ku, Tokyo	TBI	2,638	3,310
		T-56	KDX Residence Hanzomon	12-1, Kojimachi 2-chome, Chiyoda-ku, Tokyo	TBI	4,950	5,650
		T-57	B-Site Akihabara	7, Kanda-Sudacho 1-chome, Chiyoda-ku, Tokyo	TBI	862	1,010
		T-58	KDX Residence Kagurazaka Dori	120-1, Yaraicho, Shinjuku-ku, Tokyo	TBI	1,380	1,940
		T-59	KDX Residence Sendagi	43-17, Sendagi 3-chome, Bunkyo-ku, Tokyo	TBI	2,355	2,510
		T-60	KDX Residence Seijo	16-25, Seijyo 4-chome, Setagaya-ku, Tokyo	TBI	1,421	1,600
		T-61	KDX Residence Akihabara	13-7, Taito Higashi 2-chome, Taito-ku, Tokyo	TBI	1,249	1,560
		T-62	KDX Residence Iriya	10-7, Iriya 1-chome, Taito-ku, Tokyo	TBI	1,062	1,400
		T-63	KDX Residence Tachikawa	28-29, Akebonocho 2-chome, Tachikawa-shi, Tokyo	TBI	2,994	3,650
		T-64	KDX Residence Tsurumi	10, Mukaicho 1-chome, Tsurumi-ku, Yokohama-shi, Kanagawa	TBI	1,149	1,500
		T-65	KDX Residence Morishita Chitose	5-3, Chitose 1-chome, Sumida-ku, Tokyo	TBI	1,106	1,300
		T-66	KDX Residence Akasaka	13-11, Akasaka 6-chome, Minato-ku, Tokyo	TBI	1,191	1,760
		T-67	KDX Residence Kanda	8-2, Uchikanda 2-chome, Chiyoda-ku, Tokyo	TBI	722	1,110
		T-68	KDX Residence Ebisu	11-16, Ebisu Minami 1-chome, Shibuya-ku, Tokyo	TBI	2,939	4,320
		T-69	KDX Residence Nishi-magome	4-4, Minami-Magome 6-chome, Ota-ku, Tokyo	TBI	1,170	1,260
		T-70	KDX Residence Nishi-azabu	5-10, Nishi-Azabu 3-chome, Minato-ku, Tokyo	TBI	1,240	1,710
		T-71	KDX Residence Azabu Sendaizaka	1-7, Minami-Azabu 3-chome, Minato-ku, Tokyo	TBI	806	1,090
		T-72	KDX Residence Waseda Tsurumaki	574-25, Waseda-Tsurumakimachi, Shinjuku-ku, Tokyo	TBI	566	834
		T-73	KDX Residence Bunkyo Yushima	29-2, Yushima 2-chome, Bunkyo-ku, Tokyo	TBI	702	975
		T-74	KDX Residence Kamishakujii	18-5, Kamishakujii 1-chome, Nerima-ku, Tokyo	TBI	657	820
		T-75	KDX Residence Shin-otsuka	44-16, Higashi-Ikebukuro 5-chome, Toshima-ku, Tokyo	TBI	775	993
		T-76	KDX Residence Sakurajosui	26-14, Shimotakaido 1-chome, Suginami-ku, Tokyo	TBI	906	1,160
		T-77	KDX Residence Ryogoku	19-13, Kamesawa 2-chome, Sumida-ku, Tokyo	TBI	855	1,130
		T-78	KDX Residence Toyosu	2-33, Toyosu 1-chome, Koto-ku, Tokyo	TBI	7,734	7,640
		T-79	KDX Residence Asagaya	1-47-24, Asagayaminami, Suginami-ku, Tokyo	TBI	1,964	2,170
		T-80	KDX Residence Hiyoshi	7-17-35, Hiyoshi, Kohoku-ku, Yokohama-shi, Kanagawa	TBI	2,699	2,730
		T-81	KDX Residence Kamikitazawa	4-23-15, Kamikitazawa, Setagaya-ku, Tokyo	TBI	1,395	1,410
		T-82	KDX Residence Kaminoge	3-2-11, Noge, Setagaya-ku, Tokyo	TBI	1,141	1,230
		T-83	KDX Residence Higashi-Asakusa	1-9-8 Higashi-Asakusa, Taito-ku, Tokyo	TBI	709	737
		Other Regional Area	R-2	KDX Jozenjidori Residence	3-25, Kasugamachi, Aoba-ku, Sendai-shi, Miyagi	TBI	936
R-3	KDX Izumi Residence		24-28, Izumi 2-chome, Higashi-ku, Nagoya-shi, Aichi	TBI	1,050	1,380	
R-4	KDX Chihaya Residence		49-6, Shinsakae 1-chome, Naka-ku, Nagoya-shi, Aichi	TBI	996	1,400	
R-5	KDX Sakaisuji Hommachi Residence		7-15, Kawaracho 1-chome, Chuo-ku, Osaka-shi, Osaka	TBI	2,706	3,420	
R-7	KDX Takarazuka Residence		2-43, Sakaemachi 3-chome, Takarazuka-shi, Hyogo	TBI	1,353	1,930	
R-8	KDX Shimizu Residence		21-27, Shimizu 1-chome, Minami-ku, Fukuoka-shi, Fukuoka	TBI	1,559	2,020	
	R-9	KDX Residence Odori Koen	1000-4, Minami 2-jo 40-chome, Chuo-ku, Sapporo-shi, Hokkaido	TBI	779	968	

Use	Area	No.	Name of property	Location	Form of ownership	Book value (Million yen)	Appraisal value at the end of fiscal period (Million yen) (Note 1)
		R-10	KDX Residence Kikusui Yojo	2-35, Kikusui 4-jo 3-chome, Shiroishi-ku, Sapporo-shi, Hokkaido	TBI	786	1,020
		R-11	KDX Residence Toyohira Koen	4-16, Hiragishi 4-jo 3-chome, Toyohira-ku, Sapporo-shi, Hokkaido	TBI	467	549
		R-13	KDX Residence Ichiban-cho	15-42, Ichibancho 1-chome, Aoba-ku, Sendai-shi, Miyagi	TBI	503	706
		R-15	KDX Residence Izumi Chuo	45-2, Ichinazaka-Ishidome, Izumi-ku, Sendai-shi, Miyagi	TBI	456	613
		R-16	KDX Residence Higashi-sakura I	13-22, Higashi-sakura 2-chome, Higashi-ku, Nagoya-shi, Aichi	TBI	2,248	2,540
		R-17	KDX Residence Higashi-sakura II	5-10, Higashi-sakura 1-chome, Higashi-ku, Nagoya-shi, Aichi	TBI	863	1,020
		R-18	KDX Residence Jingumae	4-27, Yokota 2-chome, Atsuta-ku, Nagoya-shi, Aichi	TBI	797	1,030
		R-19	KDX Residence Nishi-oji	40-3, Nishi 7-jo Kakekoshicho, Shimogyo-ku, Kyoto-shi, Kyoto	TBI	780	938
		R-20	KDX Residence Saiin	30-2, Saiintakadacho, Ukyo-ku, Kyoto-shi, Kyoto	TBI	419	512
		R-21	KDX Residence Namba	6-16, Inari 1-chome, Naniwa-ku, Osaka-shi, Osaka	TBI	1,359	1,650
		R-22	KDX Residence Namba-minami	11-9, Shiokusa 3-chome, Naniwa-ku, Osaka-shi, Osaka	TBI	1,281	1,570

Use	Area	No.	Name of property	Location	Form of ownership	Book value (Million yen)	Appraisal value at the end of fiscal period (Million yen) (Note 1)
Residential Facilities	Other Regional Area	R-24	KDX Residence Ibaraki I・II (Note 2)	9-11, 9-12, Takehashicho, Ibaragi-shi, Osaka	TBI	1,289	1,424
		R-25	KDX Residence Toyonakaminami	7-22, Shonaihigashicho 2-chome, Toyonaka-shi, Osaka	TBI	682	860
		R-26	KDX Residence Moriguchi	12-12, Dainichihigasimachi, Moriguchi-shi, Osaka	TBI	518	666
		R-27	KDX Residence Sannomiya	8-10, Ninomiyacho 4-chome, Chuo-ku, Kobe-shi, Hyogo	TBI	1,079	1,210
		R-28	Ashiya Royal Homes	20-10, Oharacho, Ashiya-shi, Hyogo	TBI	1,458	1,920
		R-29	KDX Residence Funairi Saiwai-cho	10-5, Funairisaiwaicho, Naka-ku, Hiroshima-shi, Hiroshima	TBI	553	703
		R-30	KDX Residence Tenjin-higashi II	6-22, Chikukohomachi, Hakata-ku, Fukuoka-shi, Fukuoka	TBI	646	873
		R-32	KDX Residence Nishi Koen	5-7, Minato 3-chome, Chuo-ku, Fukuoka-shi, Fukuoka	TBI	728	876
		R-33	KDX Residence Hirao Josuimachi	10-17, Hiraoyosuimachi, Chuo-ku, Fukuoka-shi, Fukuoka	TBI	738	913
		R-34	Melody Heim Gotenyama	6-1, Nagisa Nishimachi 1-chome, Hirakata-shi, Osaka	TBI	423	531
		R-35	Leopalace Flat Shin-sakae	5-31, Shinsakae 1-chome, Naka-ku, Nagoya-shi, Aichi	TBI	3,496	4,490
		R-36	KDX Residence Konan Yamate	9-3, Moriminamimachi 1-chome, Higashinada-ku, Kobe-shi, Hyogo	TBI	969	1,130
		R-37	KDX Residence Hommachibashi	2-14, Hommachibashi, Chuo-ku, Osaka-shi, Osaka	TBI	3,157	3,620
		R-38	KDX Residence Minami-kusatsu	1-8, Minamikusatsu 1-chome, Kusatsu-shi, Shiga	TBI	1,987	2,410
		R-39	KDX Residence Ohori Harbor View Tower	2-18, Minato 1-chome, Chuo-ku, Fukuoka-shi, Fukuoka	TBI	4,547	5,220
		R-40	KDX Residence Minami-sanjo	3-2, Minami 3-jo Nishi 8-chome, Chuo-ku, Sapporo-shi, Hokkaido	TBI	919	1,690
		R-41	Serenite Kita-kyuhoji	3-15, Kitakyuhojicho 1-chome, Chuo-ku, Osaka-shi, Osaka	TBI	1,278	1,580
		R-42	Serenite Nishinomiya Hommachi	5-26, Hommachi, Nishinomiya-shi, Hyogo	TBI	643	744
		R-43	KDX Residence Nishijin	24-30, Nishijin 2-chome, Sawara-ku, Fukuoka-shi, Fukuoka	TBI	1,747	1,690
		R-44	Serenite Kobe Motomachi	1-22, Kaigandori 3-chome, Chuo-ku, Kobe-shi, Hyogo	TBI	2,492	2,600
R-45	KDX Residence Shukugawa Hills	7-1, Hinoikecho, Nishinomiya-shi, Hyogo	TBI	7,263	7,300		
Subtotal						177,319	216,593
Healthcare Facilities	Tokyo Metropolitan Area	H-1	Irise Kamata/Yuseien	2-15-21 Kitakojiya, Ota-ku, Tokyo	TBI	1,093	1,120
		H-2	Nichii Home Nakano-Minamidai	3-26-24 Minamidai, Nakano-ku, Tokyo	TBI	1,772	1,780
		H-3	Joy Stage Hachioji	924-2 Yokokawamachi, Hachioji-shi, Tokyo	TBI	3,783	3,760
		H-4	Yuimaru Hijirigaoka (Note 2)	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	1,094	1,120
		H-5	Nichii Home Tama Plaza	Nichii Home Tama Plaza	TBI	2,857	2,940
		H-21	Plaisant Grand Ota tamagawa	2-19-4 Tamagawa, Ota-ku, Tokyo	TBI	3,241	3,180
		H-22	Tsukui Sun-shine Machida (Note 2)	1-11-7 Oyamagaoka Machida-shi, Tokyo (West Tower) 1-11-8 Oyamagaoka Machida-shi, Tokyo (East Tower)	TBI	7,187	7,070
		H-23	Serabi Ebisu	2-10-20, Mita, Meguro-ku, Tokyo	TBI	1,720	1,700
		H-6	Ten	6-3-1 Tsukisamuchuodori, Toyohira-ku, Sapporo-shi, Hokkaido	TBI	2,576	2,660
		H-7	Irise Nishioka	13-7-10 Nishioka Sanjo, Toyohira-ku, Sapporo-shi, Hokkaido	TBI	834	857
Other Regional Area	H-8	Izarie Eniwa Building	2-1 Aioimachi, Eniwa-shi, Hokkaido	TBI	1,608	1,740	
	H-9	Sawayaka Sakura Nibankan	1-10-3 Oroshimachi, Akita-shi, Akita	TBI	954	991	
	H-10	Activa Biwa (Note 2)	6-16-16 Ogoto, Otsu-shi, Shiga 6-11-8 Ogoto, Otsu-shi, Shiga	TBI	6,429	6,560	



Use	Area	No.	Name of property	Location	Form of ownership	Book value (Million yen)	Appraisal value at the end of fiscal period (Million yen) (Note 1)
				6-17-17 Ogoto, Otsu-shi, Shiga			
		H-11	Sompo Care LAVIERE Kobe Tarumi	285 Sarukura, Myodanicho, Tarumi-ku, Kobe-shi, Hyogo	TBI	2,078	2,110
		H-12	Granda Mondo Yakujin	10-10 Hayashidacho, Nishinomiya-shi, Hyogo	TBI	1,162	1,190
		H-13	Excellent Nishinomiya	2-4-3 Sumiredai, Nishinomiya-shi, Hyogo	TBI	944	975
		H-15	Excellent Kitano	10 Kitanohigashi, kobaicho, kita-ku, Kyoto-shi, Kyoto	TBI	761	780
		H-16	Anesis Teradacho	1-4-24, Hayashiji, Ikuno-ku, Osaka-shi, Osaka	TBI	3,557	3,630
		H-17	Rococo-riha	6-7 Hozan-cho, Toyonaka-shi, Osaka	TBI	2,096	2,170
		H-18	Orange Suma	3-622-11, Wakakusa-cho, Suma-ku, Kobe-shi, Hyogo	TBI	2,827	2,810
		H-19	Canadian Hill	2-3-1 Nagamedai, Nada-ku, Kobe-shi, Hyogo	TBI	1,843	1,870
		H-20	Anesis Hyogo	1-8-21, Yoshida-cho, Hyogo-ku, Kobe-shi, Hyogo	TBI	1,422	1,440
		H-24	Arute Ishiyagawa	1-10-13, Mikage tsuka-machi, Higashi nada-ku, Kobe-shi, Hyogo	TBI	1,201	1,410
	Others	H-14	Gran Hills Ogawarako	57-2 Tachino Oura-aza, Tohokumachi-Oaza, Kamikita-gun, Aomori	TBI	1,328	1,380
Subtotal						54,378	55,243

Use	Area	No.	Name of property	Location	Form of ownership	Book value (Million yen)	Appraisal value at the end of fiscal period (Million yen) (Note 1)
Other	Tokyo Metropolitan	T-9	Cosmo Heim Motosumiyoshi	5-1, Kizukigioncho, Nakahara-ku, Kawasaki-shi, Kanagawa	RP	1,798	1,840
Total						233,496	273,676

(Note 1) "Appraisal value at the end of the fiscal period" is the appraisal value in a real property appraisal prepared, pursuant to the asset appraisal techniques and standards in the Investment Corporation's certificate of incorporation and the rules of the Investment Trusts Association, Japan, by Japan Real Estate Institute, Daiwa Real Estate Appraisal Co., Ltd., JLL Mori Valuation & Advisory K.K. or Tanizawa Sogo Appraisal Co., Ltd.

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

The overview of the rental business for the Individual Properties owned by the Investment Corporation are as follows.

Use	Area	No.	Name of property	14th (From August 1, 2018 to January 31, 2019)				15th (From February 1, 2019 to July 31, 2019)			
				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 Facilities	Tokyo Metropolitan Area	T-1	KDX Daikanyama Residence	1	100.0	160	2.1	1	98.7	164	2.1
		T-3	KDX Odemma Residence	1	100.0	58	0.8	1	96.4	58	0.7
		T-4	KDX Iwamoto-cho Residence	1	100.0	28	0.4	1	98.0	28	0.4
		T-5	KDX Bunkyo Sengoku Residence	1	100.0	49	0.7	1	100.0	50	0.6
		T-6	KDX Azumabashi Residence	1	95.5	24	0.3	1	95.5	25	0.3
		T-7	KDX Shimura Sakaue Residence	1	98.8	109	1.4	1	98.6	103	1.3
		T-10	KDX Musashi Nakahara Residence	1	100.0	25	0.3	1	94.3	27	0.3
		T-11	KDX Chiba Chuo Residence	1	97.7	60	0.8	1	98.1	64	0.8
		T-12	KDX Kawaguchi Saiwai-cho Residence	1	95.3	47	0.6	1	96.6	49	0.6
		T-13	KDX Residence Shirokane I	1	96.6	111	1.5	1	98.7	113	1.4
		T-15	KDX Residence Shirokane II	1	100.0	92	1.2	1	95.4	91	1.2
		T-16	KDX Residence Minami-aoyama	1	100.0	64	0.8	1	100.0	65	0.8
		T-17	KDX Residence Minami-azabu	1	97.4	72	1.0	1	95.9	73	0.9
		T-18	KDX Residence Shiba Koen	1	96.6	66	0.9	1	95.9	65	0.8
		T-19	KDX Residence Azabu East	1	100.0	56	0.7	1	97.7	55	0.7
		T-20	KDX Residence Takanawa	1	100.0	28	0.4	1	100.0	27	0.3
		T-21	KDX Residence Nishihara	1	100.0	52	0.7	1	100.0	52	0.7
		T-22	KDX Residence Daikanyama II	1	100.0	28	0.4	1	100.0	28	0.4
		T-23	KDX Residence Sendagaya	1	100.0	24	0.3	1	93.8	22	0.3
		T-24	KDX Residence Nihombashi Suitengu	1	100.0	97	1.3	1	100.0	97	1.2
		T-25	KDX Residence Nihombashi Hakozaki	1	100.0	40	0.5	1	97.3	41	0.5
		T-26	KDX Residence Higashi-shinjuku	1	97.9	110	1.4	1	98.4	111	1.4
		T-27	KDX Residence Yotsuya	1	96.9	79	1.1	1	98.1	79	1.0
		T-28	KDX Residence Nishi-shinjuku	1	95.1	34	0.5	1	96.2	35	0.5
		T-29	KDX Residence Kagurazaka	1	100.0	25	0.3	1	94.4	25	0.3
		T-30	KDX Residence Futako Tamagawa	1	94.7	42	0.6	1	100.0	42	0.5
		T-31	KDX Residence Komazawa Koen	1	100.0	28	0.4	1	96.8	28	0.4
		T-32	KDX Residence Mishuku	1	90.5	27	0.4	1	100.0	25	0.3
		T-33	KDX Residence Yoga	1	97.5	23	0.3	1	100.0	24	0.3
		T-34	KDX Residence Shimouma	1	100.0	21	0.3	1	100.0	21	0.3
		T-35	Raffine Minami-magome	1	100.0	41	0.5	1	100.0	41	0.5
		T-36	KDX Residence Yukigaya Otsuka	1	98.7	38	0.5	1	95.9	39	0.5
		T-37	KDX Residence Denenchofu	1	97.2	37	0.5	1	100.0	38	0.5
		T-38	KDX Residence Tamagawa	1	98.2	28	0.4	1	98.3	29	0.4
		T-39	KDX Residence Monzennakacho	1	100.0	27	0.4	1	100.0	29	0.4
		T-40	KDX Residence Okachimachi	1	98.1	30	0.4	1	100.0	32	0.4

Use	Area	No.	Name of property	14th (From August 1, 2018 to January 31, 2019)				15th (From February 1, 2019 to July 31, 2019)			
				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 (%)
				T-41	KDX Residence Moto-asakusa	1	95.9	29	0.4	1	100.0
T-42	KDX Residence Itabashi Honcho	1	100.0	24	0.3	1	100.0	24	0.3		
T-43	KDX Residence Azusawa	1	100.0	20	0.3	1	96.8	20	0.3		
T-44	KDX Residence Tobu Nerima	1	100.0	17	0.2	1	100.0	18	0.2		
T-45	KDX Residence Yokohama Kannai	1	98.8	34	0.5	1	97.5	35	0.4		
T-46	KDX Residence Miyamaedaira	1	100.0	36	0.5	1	95.5	37	0.5		
T-47	KDX Residence Machida	1	100.0	65	0.9	1	100.0	65	0.8		
T-48	KDX Residence Kinshicho	1	100.0	44	0.6	1	93.7	44	0.6		
T-49	KDX Residence Nihombashi Hamacho	1	100.0	30	0.4	1	100.0	30	0.4		
T-50	KDX Residence Nihombashi Ningyocho	1	100.0	19	0.3	1	100.0	20	0.3		
T-51	KDX Residence Jiyugaoka	1	93.6	38	0.5	1	100.0	41	0.5		

Use	Area	No.	Name of property	14th (From August 1, 2018 to January 31, 2019)				15th (From February 1, 2019 to July 31, 2019)			
				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 Facilities	Tokyo Metropolitan Area	T-52	KDX Residence Togoshi	1	99.3	122	1.6	1	98.0	122	1.5
		T-53	KDX Residence Shinagawa Seaside	1	97.1	85	1.1	1	98.3	87	1.1
		T-54	KDX Residence Ojima	1	95.7	61	0.8	1	97.4	64	0.8
		T-55	KDX Residence Oyama	1	92.0	91	1.2	1	97.0	94	1.2
		T-56	KDX Residence Hanzomon	1	98.8	131	1.7	1	98.3	135	1.7
		T-57	B-Site Akihabara	1	100.0	23	0.3	1	100.0	23	0.3
		T-58	KDX Residence Kagurazaka Dori	1	100.0	51	0.7	1	98.6	53	0.7
		T-59	KDX Residence Sendagi	1	97.8	65	0.9	1	95.1	66	0.8
		T-60	KDX Residence Seijo	1	100.0	39	0.5	1	95.5	42	0.5
		T-61	KDX Residence Akihabara	1	95.2	41	0.5	1	91.0	41	0.5
		T-62	KDX Residence Iriya	1	100.0	39	0.5	1	100.0	40	0.5
		T-63	KDX Residence Tachikawa	1	94.3	97	1.3	1	99.4	101	1.3
		T-64	KDX Residence Tsurumi	1	98.4	52	0.7	1	98.4	53	0.7
		T-65	KDX Residence Morishita Chitose	1	96.2	39	0.5	1	98.1	39	0.5
		T-66	KDX Residence Akasaka	1	96.4	39	0.5	1	100.0	40	0.5
		T-67	KDX Residence Kanda	1	96.9	27	0.4	1	100.0	29	0.4
		T-68	KDX Residence Ebisu	1	99.0	94	1.2	1	97.3	94	1.2
		T-69	KDX Residence Nishi-magome	1	89.1	30	0.4	1	98.1	33	0.4
		T-70	KDX Residence Nishi-azabu	1	100.0	37	0.5	1	94.3	40	0.5
		T-71	KDX Residence Azabu Sendaizaka	1	100.0	26	0.4	1	100.0	27	0.3
		T-72	KDX Residence Waseda Tsurumaki	1	100.0	22	0.3	1	97.6	21	0.3
		T-73	KDX Residence Bunkyo Yushima	1	100.0	24	0.3	1	100.0	25	0.3
		T-74	KDX Residence Kamishakujii	1	97.8	23	0.3	1	97.7	24	0.3
		T-75	KDX Residence Shin-otsuka	1	100.0	22	0.3	1	100.0	22	0.3
		T-76	KDX Residence Sakurajosui	1	93.0	29	0.4	1	95.9	29	0.4
		T-77	KDX Residence Ryogoku	1	100.0	29	0.4	1	100.0	29	0.4
		T-78	KDX Residence Toyosu	1	100.0	180	2.4	1	100.0	181	2.3
		T-79	KDX Residence Asagaya	1	100.0	49	0.6	1	97.8	49	0.6
		T-80	KDX Residence Hiyoshi	1	93.6	73	1.0	1	97.2	77	1.0
		T-81	KDX Residence Kamikitazawa	-	-	-	-	1	92.3	34	0.4
T-82	KDX Residence Kaminoge	-	-	-	-	1	100.0	26	0.3		
T-83	KDX Residence Kaminoge	-	-	-	-	1	96.2	18	0.2		
Other Regional Area	R-2	KDX Jozenji Dori Residence	1	97.0	51	0.7	1	87.2	49	0.6	
	R-3	KDX Izumi Residence	1	90.0	41	0.5	1	100.0	43	0.5	
	R-4	KDX Chihaya Residence	1	96.2	48	0.6	1	93.7	48	0.6	
	R-5	KDX Sakaisuji Hommachi Residence	1	94.4	106	1.4	1	96.0	107	1.4	
	R-7	KDX Takarazuka Residence	1	100.0	59	0.8	1	94.3	58	0.7	
	R-8	KDX Shimizu Residence	1	96.2	72	1.0	1	93.4	71	0.9	
	R-9	KDX Residence Odori Koen	1	89.7	32	0.4	1	93.5	31	0.4	
R-10	KDX Residence Kikusui Yojo	1	89.8	36	0.5	1	97.9	39	0.5		

Use	Area	No.	Name of property	14th (From August 1, 2018 to January 31, 2019)				15th (From February 1, 2019 to July 31, 2019)			
				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 (%)
				R-11	KDX Residence Toyohira Koen	1	94.0	22	0.3	1	93.8
R-13	KDX Residence Ichiban-cho	1	85.2	24	0.3	1	88.1	25	0.3		
R-14	KDX Residence Kotodai (Note4)	-	-	19	0.3	-	-	-	-		
R-15	KDX Residence Izumi Chuo	1	97.2	23	0.3	1	94.8	23	0.3		
R-16	KDX Residence Higashi-sakura I	1	87.7	90	1.2	1	96.3	91	1.2		
R-17	KDX Residence Higashi-sakura II	1	92.5	36	0.5	1	94.0	37	0.5		
R-18	KDX Residence Jingumae	1	92.3	38	0.5	1	96.0	39	0.5		
R-19	KDX Residence Nishi-oji	1	99.1	33	0.4	1	97.8	34	0.4		

Use	Area	No.	Name of property	14th (From August 1, 2018 to January 31, 2019)				15th (From February 1, 2019 to July 31, 2019)			
				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 Facilities	Other Regional Area	R-20	KDX Residence Saini	1	96.0	19	0.3	1	95.7	18	0.2
		R-21	KDX Residence Namba	1	96.2	57	0.8	1	97.7	56	0.7
		R-22	KDX Residence Namba-minami	1	97.4	54	0.7	1	97.3	54	0.7
		R-23	KDX Residence Shin-osaka	1	97.7	21	0.3	-	-	0	0.0
		R-24	KDX Residence Ibaraki I・II	1	98.4	57	0.8	1	98.4	54	0.7
		R-25	KDX Residence Toyonaka-minami	1	100.0	29	0.4	1	95.6	29	0.4
		R-26	KDX Residence Moriguchi	1	100.0	24	0.3	1	96.9	23	0.3
		R-27	KDX Residence Sannomiya	1	98.9	38	0.5	1	97.8	39	0.5
		R-28	Ashiya Royal Homes	1	86.9	64	0.8	1	87.6	65	0.8
		R-29	KDX Residence Funairi Saiwai-cho	1	100.0	27	0.4	1	90.6	27	0.3
		R-30	KDX Residence Tenjin-higashi II	1	100.0	29	0.4	1	98.4	31	0.4
		R-32	KDX Residence Nishi Koen	1	94.9	30	0.4	1	91.3	31	0.4
		R-33	KDX Residence Hiraos Josui-machi	1	96.2	29	0.4	1	92.4	28	0.4
		R-34	Melody Heim Gotenyama	1	100.0	22	0.3	1	100.0	22	0.3
		R-35	Leopalace Flat Shin-sakae	1	100.0	121	1.6	1	100.0	121	1.5
		R-36	KDX Residence Koman Yamate	1	98.4	32	0.4	1	100.0	32	0.4
		R-37	KDX Residence Hommachibashi	1	96.4	107	1.4	1	96.5	107	1.4
		R-38	KDX Residence Minami-kusatsu	1	99.0	100	1.3	1	100.0	104	1.3
		R-39	KDX Residence Ohori Harbor View Tower	1	91.6	175	2.3	1	76.8	189	2.4
		R-40	KDX Residence Minami-sanjo	1	95.2	54	0.7	1	100.0	55	0.7
R-41	Serenite Kita-kyuhoji	1	94.2	42	0.6	1	100.0	43	0.5		
R-42	Serenite Nishinomiya Hommachi	1	98.1	21	0.3	1	100.0	23	0.3		
R-43	KDX Residence Nishijin	1	96.6	56	0.7	1	96.8	57	0.7		
R-44	KDX Residence Hiyoshi	1	98.6	73	1.0	1	97.2	76	1.0		
R-45	KDX Residence Shukugawa Hills	1	93.3	203	2.7	1	93.9	206	2.6		
Subtotal				116	96.7	6,147	80.8	118	96.4	6,283	79.2
Healthcare Facilities	Tokyo Metropolitan Area	H-1	Irise Kamata/Yuseien	1	100.0	Non-disclosure (Note5)	Non-disclosure (Note5)	1	100.0	Non-disclosure (Note5)	Non-disclosure (Note5)
		H-2	Nichii Home Nakano-Minamidai	1	100.0			1	100.0		
		H-3	Joy Stage Hachioji	1	100.0			1	100.0		
		H-4	Yuimaru Hijirigaoka	1	100.0			1	100.0		
		H-5	Nichii Home Tama Plaza	1	100.0			1	100.0		
		H-21	Plaisant Grand Ota tamagawa	1	100.0			1	100.0		
		H-22	Tsukui Sun-shine Machida	-	-			-	-		
	H-23	Serabi Ebisu	-	-	-	-	1	100.0			
	Other Regional Area	H-6	Ten	1	100.0	Non-disclosure (Note5)	Non-disclosure (Note5)	1	100.0	Non-disclosure (Note5)	Non-disclosure (Note5)
		H-7	Irise Nishioka	1	100.0			1	100.0		
H-8		Izarie Eniwa Building	1	100.0	1			100.0			
H-9	Sawayaka Sakura Nibankan	1	100.0			1	100.0				
H-10	Activa Biwa	1	100.0			1	100.0				

Use	Area	No.	Name of property	14th (From August 1, 2018 to January 31, 2019)				15th (From February 1, 2019 to July 31, 2019)			
				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 (%)
		H-11	Sompo Care LAVIERE Kobe Tarumi	1	100.0			1	100.0		
		H-12	Granda Mondo Yakujin	1	100.0			1	100.0		
		H-13	Excellent Nishinomiya	1	100.0			1	100.0		
		H-15	Excellent Kitano	1	100.0			1	100.0		
		H-16	Anesis Teradacho	1	100.0			1	100.0		
		H-17	Rococo-riha	1	100.0			1	100.0		
		H-18	Orage Suma	1	100.0			1	100.0		
		H-19	Canadian Hill	1	100.0			1	100.0		



Use	Area	No.	Name of property	14th (From August 1, 2018 to January 31, 2019)				15th (From February 1, 2019 to July 31, 2019)			
				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 Facilities	Other Regional Area	H-20	Anesis Hyogo	1	100.0	Non-disclosure (Note5)	Non-disclosure (Note5)	1	100.0	Non-disclosure (Note5)	Non-disclosure (Note5)
		H-24	Arute Ishiyagawa	-	-	-	-	1	100.0		
	Other	H-14	Gran Hills Ogawarako	1	100.0	Non-disclosure (Note5)	Non-disclosure (Note5)	1	100.0		
Subtotal				21	100.0	1,415	18.6	24	100.0	1,605	20.2
Other	Tokyo Metropolitan Area	T-9	Cosmo Heim Motosumiyoshi (land with leasehold interest)	-	100.0	43	0.6	-	100.0	43	0.6
Total				137	97.7	7,605	100.0	142	97.5	7,933	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 July 31, 2019, 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 14 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 2019.

(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.

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

(Note4) (R-14) KDX Residence Kotodai sold on January 24, 2019 and (R-23) KDX Residence Shin-Osaka sold on February 1, 2019.

(Note5) The Investment Corporation has not obtained consent from the tenant to release this information.

#### (Details of investment securities)

Investment securities as of July 31, 2019 are as follows.

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

(Note 1) TK property fund owns trust beneficiary interests in real estate for “Serabi Ebisu” and “Arute ishiyagawa”. The asset under management was acquired by the Investment Corporation on June 3, 2019.

(Note 2) Assessed value indicates book value. Loss on valuation of investment securities of ¥5 million was recorded in the 15th fiscal period.

#### (4) Details of specified transaction

The details of specified transaction at the end of 15th fiscal period are as follows.

Classification	Transaction	Contact amount (Million yen)		Fair value (Million yen) (Note 2) (Note 3)
		(Note 1)	Over 1 year (Note 1)	
Over-the-counter transactions	Interest rate swap (Floating-rate to fixed- rate interest)	94,500	85,500	△483
Total	—	94,500	85,500	△483

(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. There are not any other specified assets the Investment Corporation owns at the end of 15th fiscal period except for those mentioned in (3) 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) Planned capital expenditures

The table below shows major capital expenditures for renovations, repairs and other projects that are planned for the 16th fiscal period ending January 31, 2019. These expenditures are for real estate owned by the Investment Corporation and real estate in trusts in which the Investment Corporation owns trust beneficiary rights. These planned projects may include some expenditure that will be recorded as expenses rather than capital expenditures for accounting purposes.

No.	Name of property	Location	Purpose	Scheduled	Planned amount of capital expenditure (Millions of yen)		
					Total	Payment for the period	Total of advanced payment
T-17	KDX Residence Minami-azabu	Minato-ku, Tokyo	Major renewal construction	From August 2019 To January 2020	78	—	—
T-24	KDX Residence Nihombashi Suitengu	Chuo-ku, Tokyo	Major renewal construction	From August 2019 To January 2020	70	—	—
H-6	Ten	Sapporo-shi, Hokkaido	Major renewal construction	From August 2019 To January 2020	68	—	—
R-45	KDX Residence Shukugawa Hills	Nishinomiya-ku, Hyogo	Major renewal construction (3rd phase)	From August 2019 To January 2020	56	—	—
T-49	KDX Residence Nihombashi Hamacho	Chuo-ku, Tokyo	Major renewal construction	From August 2019 To January 2020	45	—	—
T-16	KDX Residence Minami-aoyama	Minato-ku, Tokyo	Major renewal construction	From August 2019 To January 2020	38	—	—
T-41	KDX Residence Moto-asakusa	Taito-ku, Tokyo	Major renewal construction	From August 2019 To January 2020	35	—	—
R-11	KDX Residence Toyohira Koen	Sapporo-shi, Hokkaido	Water heater replacement construction	From August 2019 To January 2020	5	—	—
R-11	KDX Residence Toyohira Koen	Sapporo-shi, Hokkaido	Replacement of common utility	From August 2019 To January 2020	4	—	—

#### (2) Capital expenditures during the 15th fiscal period

The table below shows major capital expenditures for renovations, repairs and other projects in the 15th fiscal period ended July 2019. The construction cost for the period amounted to 912 million yen, consisting of 612 million yen of capital expenditures and 300 million yen of repair and maintenance expenses.

No.	Name of property	Location	Purpose	Term	Capital expenditures (Million yen)
H-3	Joy Stage Hachioji	Hachioji-shi, Tokyo	Major renewal construction	From February 2019 To July 2019	121
R-9	KDX Residence Odori Koen	Sapporo-shi, Hokkaido	Major renewal construction	From March 2019 To July 2019	51
T-19	KDX Residence Azabu East	Minato-ku, Tokyo	Major renewal construction	From February 2019 To July 2019	46
T-21	KDX Residence Nishihara	Shibuya-ku, Tokyo	Major renewal construction	From April 2019 To July 2019	40
H-19	Canadian Hill	Kobe-shi, Hyogo	Equipment replacement construction	From February 2019 To June 2019	39
T-40	KDX Residence Okachimachi	Taito-ku, Tokyo	Major renewal construction	From May 2019 To July 2019	32
Other					279
Total					612

### (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 the 15th fiscal period, repair and maintenance reserves designed to finance payment of future medium- to long-term major repair and maintenance work.

(Million yen)

Term	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	14th From Aug. 1, 2018 to Jan. 31, 2019	15th From Feb. 1, 2019 to Jul. 31, 2019
Reserve balance at the beginning of the period	1,161	1,295	1,384	732	831
Amount of reserve during the period	151	263	302	101	71
Reversal of reserves during the period	17	174	954	2	4
Amount carried forward to the next period	1,295	1,384	732	831	898

## 5. Expenditures and liabilities

### (1) Details of asset management expenses

(in thousands of yen)

Item	14th From August 1, 2018 to January 31, 2019	15th From February 1, 2019 to July 31, 2019
(i) Asset management fees <sup>(Note)</sup>	513,065	562,274
(ii) Asset custody fees	11,985	13,404
(iii) Administrative service fees	41,723	45,950
(iv) Directors' compensation	8,100	8,100
(v) Other operating expenses	240,701	231,968
Total	815,575	861,697

(Note) There are other asset management fees in addition to the amount set forth above, and asset management fees pertaining to property acquisitions (14th fiscal period: 285,477 thousand yen and 15th fiscal period: 128,443 thousand yen) and sold fee pertaining to property sold (14th fiscal period: 3,652 thousand yen and 15th fiscal period: 3,450 thousand yen).

### (2) Status of Interest-bearing debt

Borrowings on a financial institution basis as of July 31, 2019 are as follows.

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, 2018	1,250	-	0.412	July 31, 2019	Repayment of principal in full on maturity date	(Note 4)	Unsecured/Unguaranteed
	Mizuho Bank, Ltd.	July 31, 2018	800	-	0.412	July 31, 2019			
	Sumitomo Mitsui Banking Corporation	February 28, 2019	-	1,000	0.413	February 28, 2020			
	Sumitomo Mitsui Banking Corporation	July 31, 2019	-	1,000	0.374	July 31, 2020			
	Sumitomo Mitsui Banking Corporation	July 31, 2019	-	500	0.324	July 31, 2020			
	Subtotal		2,050	2,500					
Current portion of long-term borrowings	MUFG Bank, Ltd.	November 28, 2014	1,500	1,500	0.689	November 30, 2019	Repayment of principal in full on maturity date	(Note 4)	Unsecured/Unguaranteed
	Sumitomo Mitsui Banking Corporation	August 22, 2017	1,000	-	0.486	February 28, 2019			
	MUFG Bank, Ltd.	August 22, 2017	500	-	0.486	February 28, 2019			
	Sumitomo Mitsui Banking Corporation	July 30, 2018	500	-	0.362	July 31, 2019			
	Shinsei Bank, Ltd.	July 30, 2018	500	-	0.362	July 31, 2019			
	Sumitomo Mitsui Banking Corporation	August 2, 2018	1,500	1,500	0.437	1月31, 2020			
	MUFG Bank, Ltd.		1,400	1,400					
	Mizuho Bank, Ltd.		900	900					
	Shinsei Bank, Ltd.		500	500					
	Resona Bank, Ltd.		400	400					
	Sumitomo Mitsui Trust Bank, Limited.		300	300					
	Mizuho Trust & Banking Co., Ltd.		300	300					
	Aozora Bank, Ltd.		200	200					
	THE BANK OF FUKUOKA, LTD.		200	200					
	Shinsei Bank, Ltd. (Note 5)		July 29, 2015	1,750					
	Sumitomo Mitsui Banking Corporation (Note 5)	1,750		1,750					
	MUFG Bank, Ltd. (Note 5)	1,000		1,000					
	Mizuho Bank, Ltd. (Note 5)	500		500					
	Resona Bank, Ltd. (Note 5)	500		500					
	Mizuho Trust & Banking Co., Ltd. (Note 5)	500		500					
Subtotal		15,700	13,200						

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 borrowings	MUFG Bank, Ltd.	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.	April 30, 2014	1,000	1,000	1.267	April 30, 2022			
	Resona Bank, Ltd.	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.		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			
	Sumitomo Mitsui Banking Corporation	August 7, 2014	400	400	1.254	August 7, 2023			
	MUFG Bank, Ltd.		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.	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			
	Sumitomo Mitsui Banking Corporation	February 5, 2015	1,200	1,200	0.875	January 31, 2022			
	MUFG Bank, Ltd.	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.	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, Ltd.	July 29, 2015	1,100	1,100	1.115	July 29, 2022			
	Sumitomo Mitsui Banking Corporation		1,100	1,100					
	MUFG Bank, Ltd.		1,000	1,000					
	Mizuho Bank, Ltd.		300	300					
	Sompo Japan Nipponkoa Insurance Inc.		1,000	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.	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				
Development Bank of Japan Inc. (Note 3)	August 31, 2015	1,000	1,000	1.193	August 31, 2024				
MUFG Bank, Ltd.	October 27, 2015	300	300	0.624	October 27, 2020				
MUFG Bank, Ltd.	October 27, 2015	1,000	1,000	1.156	April 27, 2025				
MUFG Bank, Ltd.	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)	August 1, 2016	1,000	1,000	0.660	July 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 borrowings	Mizuho Bank, Ltd. (Note 3)	August 30, 2016	1,500	1,500	0.816	August 31, 2026	Repayment of principal in full on maturity date	(Note 4)	Unsecured/Unguaranteed
	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)	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, Ltd.	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.	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.	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	1,000	0.409	July 31, 2021			
	Shinsei Bank, Ltd.	July 30, 2018	1,000	1,000	0.409	July 31, 2021			
	MUFG Bank, Ltd.	July 30, 2018	500	500	0.409	July 31, 2021			
	Mizuho Bank, Ltd.	July 30, 2018	500	500	0.409	July 31, 2021			
	Nippon Life Insurance Company (Note 3)	July 30, 2018	500	500	0.900	January 30, 2027			
	Sumitomo Mitsui Banking Corporation	August 2, 2018	1,500	1,500	0.799	February 2, 2026			
	MUFG Bank, Ltd.		1,400	1,400					
	Mizuho Bank, Ltd.		900	900					
	Development Bank of Japan Inc.		500	500					
	Nippon Life Insurance Company		500	500					
	Resona Bank, Ltd.		400	400					
	Shinsei Bank, Ltd.		400	400					
	Sumitomo Mitsui Trust Bank, Limited.		400	400					
	Mizuho Trust & Banking Co., Ltd.		400	400					
	Aozora Bank, Ltd.		300	300					
	THE BANK OF FUKUOKA, LTD.		300	300					
	Sumitomo Mitsui Banking Corporation		August 31, 2018	1,000					
MUFG Bank, Ltd.	August 31, 2018	400	400	0.509	August 31, 2022				
Development Bank of Japan Inc. (Note 3)	August 31, 2018	1,600	1,600	0.498	August 31, 2022				
Sumitomo Mitsui Banking Corporation	August 31, 2018	1,200	1,200	0.592	August 31, 2023				
Aozora Bank, Ltd.	August 31, 2018	1,000	1,000	0.592	August 31, 2023				
MUFG Bank, Ltd.	August 31, 2018	800	800	0.592	August 31, 2023				
Sumitomo Mitsui Banking Corporation	August 31, 2018	1,050	1,050	0.914	February 28, 2027				
Resona Bank, Ltd.	August 31, 2018	500	500	0.914	February 28, 2027				
Sumitomo Mitsui Trust Bank, Limited.	August 31, 2018	500	500	0.914	February 28, 2027				

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 borrowings	Mizuho Trust & Banking Co., Ltd.	August 31, 2018	500	500	0.914	February 28, 2027	Repayment of principal in full on maturity date	(Note 4)	Unsecured/Unguaranteed
	Mizuho Bank, Ltd.	August 31, 2018	250	250	0.914	February 28, 2027			
	Development Bank of Japan Inc. (Note 3)	August 31, 2018	1,400	1,400	0.884	February 28, 2027			
	MUFG Bank, Ltd. (Note 3)	August 31, 2018	800	800	0.825	February 28, 2027			
	Nippon Life Insurance Company (Note 3)	September 28, 2018	700	700	0.920	September 30, 2026			
	Shinsei Bank, Ltd.	September 28, 2018	1,000	1,000	1.031	September 30, 2028			
	Sumitomo Mitsui Trust Bank, Limited.	September 28, 2018	800	800	1.031	September 30, 2028			
	Mizuho Trust & Banking Co., Ltd.	September 28, 2018	500	500	1.031	September 30, 2028			
	MUFG Bank, Ltd.	February 28, 2019	-	500	0.438	August 31, 2020			
	Mizuho Trust & Banking Co., Ltd.	June 3, 2019	-	400	0.363	November 30, 2024			
	Mizuho Bank, Ltd. (Note 3)	June 3, 2019	-	2,000	0.330	May 31, 2025			
	Shinsei Bank, Ltd.	June 3, 2019	-	500	0.484	November 30, 2025			
	Shinsei Bank, Ltd.	July 31, 2019	-	500	0.272	January 31, 2023			
	Mizuho Bank, Ltd.	July 31, 2019	-	800	0.299	July 31, 2023			
	Subtotal			100,500	105,200				
Total			118,250	120,900					

(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 places. 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 15th fiscal period and in of long-term loans payable in the 14th fiscal period.

### (3) Investment corporation bonds

Outstanding Investment corporation bonds as of July 31, 2019 are as follows.2019

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 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 Unsecured Investment Corporation Bonds	August 30, 2016	1,000	1,000	0.540	August 28, 2026			
Third Series Unsecured Investment Corporation Bonds	August 30, 2016	1,000	1,000	0.800	August 30, 2028			
Fourth Series Unsecured Investment Corporation Bonds	November 30, 2018	1,000	1,000	0.410	November 30, 2023			
Fifth Series Unsecured Investment Corporation Bonds	November 30, 2018	1,000	1,000	0.850	November 30, 2028			
Total		5,000	5,000					

(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) Status of Short-Term Investment Corporation Bonds

Not applicable

### (5) Investment Unit warrants

Not applicable

## 6. Acquisitions and sales during the 15th fiscal period

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

Type	No.	Name	Acquisition		Sale			
			Acquisition date	Acquisition price (Million yen) (Note 1)	Sales date	Sales price (Million yen) (Note 1)	Book value (in millions) (Million yen) (Note 2)	Gain and loss (Million yen) (Note 2)
Trust Beneficiary Interest	T-81	KDX Residence Kamikitazawa	February 1, 2019	1,360	—	—	—	—
Trust Beneficiary Interest	T-82	KDX Residence Kaminoge	February 1, 2019	1,111	—	—	—	—
Trust Beneficiary Interest	T-83	KDX Residence Higashi-Asakusa	February 21, 2019	687	—	—	—	—
Trust Beneficiary Interest	R-23	KDX Residence Shin-Osaka	—	—	February 1, 2019	690	482	203
Trust Beneficiary Interest	H-22	Tsukui Sun-shine Machida	March 1, 2019	6,934	—	—	—	—
Trust Beneficiary Interest	H-23	Serabi Ebisu	June 3, 2019	1,690	—	—	—	—
Trust Beneficiary Interest	H-24	Arute Ishiyagawa	June 3, 2019	1,061	—	—	—	—

(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.), 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 Sale 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) Appraisals of Specified Assets

#### (i) Real estate, etc.

Transaction	Type	No.	Property name	Date of acquisition or sale	Acquisition price or Sale price (Million yen) (Note 1)	Appraisal value (Million yen) (Note 2)	Appraiser	As of Appraisal date
Acquisition	Trust Beneficiary Interest	T-81	KDX Residence Kamikitazawa	February 1, 2019	1,360	1,400	Japan Real Estate Institute	September 1, 2018
Acquisition	Trust Beneficiary Interest	T-82	KDX Residence Kaminoge	February 1, 2019	1,111	1,200	Japan Real Estate Institute	December 1, 2018
Acquisition	Trust Beneficiary Interest	T-83	KDX Residence Higashi-Asakusa	February 21, 2019	687	727	Japan Real Estate Institute	December 1, 2018
Sale	Trust Beneficiary Interest	R-23	KDX Residence Shin-Osaka	February 1, 2019	690	578	Japan Real Estate Institute	July 31, 2018
Acquisition	Trust Beneficiary Interest	H-22	Tsukui Sun-shine Machida	March 1, 2019	6,934	7,070	Japan Real Estate Institute	December 1, 2018
Acquisition	Trust Beneficiary Interest	H-23	Serabi Ebisu	June 3, 2019	1,690	1,700	JLL Morii Valuation & Advisory K.K.	December 1, 2018
Acquisition	Trust Beneficiary Interest	H-24	Arute Ishiyagawa	June 3, 2019	1,061	1,430	The Tanizawa Sogo Appraisal Co., Ltd.	December 1, 2018

(Note 1) “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.” For the Appraisal value of H-22 Tsukui Sun-shine Machida, the totals of the East and West Buildings are included.



(ii) Others

With regard to transactions and contracts entered by the Investment Corporation whose values shall be investigated based on the Act on Investment Trusts and Investment Corporations, Crowe Toyo & Co. performs an investigation of transactions. For the fiscal period from February 1, 2019 to July 31, 2019, the transactions subject to such investigation were six interest rate swap transactions, for which the Investment Corporation received reports from Crowe Toyo & Co. For this purpose, investigation was performed with respect to details of the interest swap contracts, such as the name of counter parties, contract amounts, or the period of transactions.

This survey is not a part of the audit for financial statements, and there is no guarantee of fairness of the price and internal management system.

(4) Transactions with Related-Party

(i) Transactions

Category	Transaction price (million yen)	
	Acquisition price <sup>(Note 2)</sup>	Sale price <sup>(Note 2)</sup>
Total amount	12,844 million yen	690 million yen
Transaction with related-party		
GK KSLF5	6,934 million yen (54.0%)	– (– %)
Total	6,934 million yen (54.0%)	– (– %)

(ii) Amounts of Fees Paid

Category	Total paid fees (A)	Related-Party Transactions		Ratio to total (B) / (A)
		Paid to	Paid amount (B)	
Rent paid	22 million yen	GK KRF17	1 million yen	7.3%

(Note 1) A related-party, etc. is defined as a related-party, 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.

(Note 3) The amount of payments including expenses for repair work of which orders were placed to related-party, etc. during the 14th fiscal period other than the above paid fees is as follows.

Kenedix Engineering, Inc.

Construction costs recorded as capital expenditure: 43 million yen

Repair costs: 3 million yen

(5) Transactions with asset management company related to Concurrent Operations Carried Out by the Asset Management Company

There is no transaction with the Asset Management Company, KFM, regarding to the Type II Financial Instruments Business, and Building Lots and Buildings Transaction Business. Furthermore, KFM does not concurrently engage in any of Type I Financial Instruments Business, Real Estate Specified Joint Business.

## 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.

The status of investment units held by the Asset management Company of the Investment Corporation (Kenedix Real Estate Fund Management, Inc) is as follows.

#### (i) Acquisitions

Date of acquisition	Number of units	Number of disposal units	Number of units held
March 1, 2018 (Note)	1	-	1
Accumulated total	1	-	1

(Note) The Asset Management Company acquired one investment unit of Japan Senior Living Investment Corporation on July 21, 2015. Following the merger with the Investment Corporation, the Asset Management Company acquired its investment units on March 1, 2018, which is the effective date of the merger.

#### (ii) Ownership

	Number of units held at end of fiscal period (Unit)	Asset held at the end of fiscal period (Million yen)	Ratio to total number of units issued (%)
13th Fiscal Period From February 1, 2018 to July 31, 2018	1	0	0.0
14th Fiscal Period From August 1, 2018 to January 31, 2019	1	0	0.0
15th Fiscal Period From February 1, 2019 to July 31, 2019	1	0	0.0

### (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

### (i) Unitholders general meeting

Not applicable

### (ii) Board of directors Meeting

Date of approval	Items	Overview
February 13, 2019	Conclusion of new investment unit underwriting agreement	Entrusted administrative work related to solicitation of investment units to be issued to underwriters (SMBC Nikko Securities Co., Ltd., Mizuho Securities Co., Ltd., 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

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

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, 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		
<b>Total</b>		<b>¥5,000,000</b>	<b>¥ -</b>	<b>¥5,000,000</b>				

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		
<b>Total</b>		<b>¥3,000,000</b>	<b>¥ -</b>	<b>¥5,000,000</b>				

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							
					0.996% (Note 5)			August 7, 2021			
					1.254%			August 7, 2023			
					1.254%			August 7, 2023			

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 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	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						
	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				
	Mizuho Bank, Ltd.	500,000	-	-	500,000	0.729%	July 29, 2020		
	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				
	Mizuho Bank, Ltd.	300,000	-	-	300,000	1.115%	July 29, 2022		
	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.