

## Financial Statements

(10th Fiscal Period: From August 1, 2016 to January 31, 2017)

(9th Fiscal Period: From February 1, 2016 to July 31, 2016)

Independent Auditor's Report

Balance Sheets

Statements of Income and Retained Earnings

Statements of Changes in Net Assets

Statements of Cash Flows

Notes to Financial Statements

# KENEDIX RESIDENTIAL INVESTMENT CORPORATION

## Balance Sheets

As of January 31, 2017 and July 31, 2016

|  | Tenth Fiscal Period<br>as of January 31, 2017 | Ninth Fiscal Period<br>as of July 31, 2016 |
|--|---|--|
| (in thousands of yen)                                  |   |  |
| <b>ASSETS</b>  |   |  |
| <b>Current assets</b>                                  |   |  |
| Cash and deposits (Notes 6 and 8)                      | ¥5,679,445                                    | ¥5,146,011                                 |
| Cash and deposits in trust (Notes 6 and 8)             | 3,759,906                                     | 3,587,036                                  |
| Operating accounts receivable                          | 24,790  | 45,529                                     |
| Prepaid expenses                                       | 3,356   | 6,174                                      |
| Deferred tax assets (Note 10)                          | 61  | 14   |
| Consumption taxes receivable                           | -   | 43,758                                     |
| Other  | 503   | 2,300                                      |
| <b>Total current assets</b>                            | <b>9,468,062</b>                              | <b>8,830,826</b>                           |
| <b>Noncurrent assets</b>                               |   |  |
| <b>Property, plant and equipment (Notes 12 and 17)</b> |   |  |
| Land   | 1,798,041                                     | 1,798,041                                  |
| Buildings in trust                                     | 65,456,096                                    | 63,289,609                                 |
| Accumulated depreciation                               | (5,222,324)                                   | (4,482,346)                                |
| Buildings in trust, net                                | 60,233,772                                    | 58,807,263                                 |
| Structures in trust                                    | 439,236                                       | 397,122                                    |
| Accumulated depreciation                               | (86,535)                                      | (74,438)                                   |
| Structures in trust, net                               | 352,701                                       | 322,684                                    |
| Machinery and equipment in trust                       | 1,253,773                                     | 1,243,853                                  |
| Accumulated depreciation                               | (169,872)                                     | (142,746)                                  |
| Machinery and equipment in trust, net                  | 1,083,901                                     | 1,101,107                                  |
| Tools, furniture and fixtures in trust                 | 231,646                                       | 151,976                                    |
| Accumulated depreciation                               | (13,465)                                      | (7,850)                                    |
| Tools, furniture and fixtures in trust, net            | 218,181                                       | 144,126                                    |
| Land in trust  | 93,118,700                                    | 88,038,597                                 |
| <b>Total property, plant and equipment, net</b>        | <b>156,805,298</b>                            | <b>150,211,821</b>                         |
| <b>Investments and other assets</b>                    |   |  |
| Investment securities (Note 16)                        | -   | 62,397                                     |
| Lease and guarantee deposits                           | 10,561  | 10,950                                     |
| Long-term prepaid expenses                             | 864,092                                       | 756,459                                    |
| Other (Note 9)   | 54,619  | -  |
| <b>Total investments and other assets</b>              | <b>929,273</b>                                | <b>829,807</b>                             |
| <b>Total noncurrent assets</b>                         | <b>157,734,571</b>                            | <b>151,041,628</b>                         |
| <b>Deferred assets</b>                                 |   |  |
| Deferred organization costs                            | -   | 3,053                                      |
| Investment corporation bond issuance costs             | 28,219  | -  |
| Investment unit issuance costs                         | 45,830  | 72,819                                     |
| <b>Total deferred assets</b>                           | <b>74,049</b>                                 | <b>75,873</b>                              |
| <b>Total assets</b>                                    | <b>¥167,276,684</b>                           | <b>¥159,948,328</b>                        |

|  | Tenth Fiscal Period<br>as of January 31, 2017 | Ninth Fiscal Period<br>as of July 31, 2016 |
|--|---|--|
|  | (in thousands of yen)                         |  |
| <b>LIABILITIES</b>   |   |  |
| Current liabilities  |   |  |
| Operating accounts payable                                     | ¥401,777                                      | ¥336,650                                   |
| Short-term loans payable (Notes 8, 9 and 19)                   | 1,000,000                                     | -  |
| Current portion of long-term loans payable (Notes 8, 9 and 19) | 11,000,000                                    | 8,500,000                                  |
| Accounts payable-other   | 193,691                                       | 188,167                                    |
| Accrued expenses   | 24,468  | 20,220                                     |
| Income taxes payable   | 1,695   | 692  |
| Accrued consumption taxes                                      | 19,528  | 14,553                                     |
| Advances received  | 753,979                                       | 706,262                                    |
| Deposits received  | 62,612  | 52,106                                     |
| Total current liabilities                                      | 13,457,752                                    | 9,818,652                                  |
| Noncurrent liabilities   |   |  |
| Investment corporation bonds (Notes 8 and 18)                  | 3,000,000                                     | -  |
| Long-term loans payable (Notes 8, 9 and 19)                    | 66,800,000                                    | 66,300,000                                 |
| Tenant leasehold and security deposits in trust                | 1,466,769                                     | 1,422,073                                  |
| Other (Note 9)   | -   | 42,355                                     |
| Total noncurrent liabilities                                   | 71,266,769                                    | 67,764,428                                 |
| Total liabilities  | 84,724,522                                    | 77,583,081                                 |
| <b>NET ASSETS</b>  |   |  |
| Unitholders' equity  |   |  |
| Unitholders' capital   | 80,132,379                                    | 80,132,379                                 |
| Surplus  |   |  |
| Unappropriated retained earnings                               | 2,365,163                                     | 2,275,223                                  |
| Total surplus  | 2,365,163                                     | 2,275,223                                  |
| Total unitholders' equity                                      | 82,497,542                                    | 82,407,602                                 |
| Valuation and translation adjustments                          |   |  |
| Deferred gains or losses on hedges (Notes 8 and 9)             | 54,619  | (42,355)                                   |
| Total valuation and translation adjustments                    | 54,619  | (42,355)                                   |
| Total net assets (Note 3)                                      | 82,552,161                                    | 82,365,247                                 |
| Total liabilities and net assets                               | ¥167,276,684                                  | ¥159,948,328                               |

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL INVESTMENT CORPORATION

### Statements of Income and Retained Earnings

For the period from August 1, 2016 to January 31, 2017 and the period from February 1, 2016 to July 31, 2016

|  | Tenth Fiscal Period<br>from August 1, 2016<br>to January 31, 2017 | Ninth Fiscal Period<br>from February 1, 2016<br>to July 31, 2016 |
|--|---|--|
| (in thousands of yen)                                      |   |  |
| Operating revenues   |   |  |
| Rent revenue-real estate (Note 4)                          | ¥5,025,371  | ¥4,872,868   |
| Other lease business revenue (Note 4)                      | 412,245   | 456,142  |
| Gain on sales of real estate property (Note 4)             | 30,478  | -  |
| Dividends income   | -   | 4,790  |
| Total operating revenues                                   | 5,468,095   | 5,333,801  |
| Operating expenses   |   |  |
| Expenses related to rent business (Note 4)                 | 2,050,357   | 2,032,807  |
| Asset management fees                                      | 363,967   | 355,306  |
| Asset custody fees   | 10,997  | 11,003   |
| Administrative service fees                                | 37,513  | 37,574   |
| Directors' compensation                                    | 4,500   | 4,500  |
| Other operating expenses                                   | 162,422   | 168,880  |
| Total operating expenses                                   | 2,629,759   | 2,610,072  |
| Operating income   | 2,838,336   | 2,723,729  |
| Non-operating income                                       |   |  |
| Interest income  | 25  | 252  |
| Dividends and redemption-prescription                      | 174   | 801  |
| Interest on refund   | 156   | 1  |
| Total non-operating income                                 | 356   | 1,055  |
| Non-operating expenses                                     |   |  |
| Interest expenses  | 389,776   | 373,683  |
| Interest expenses on investment corporation bonds          | 6,515   | -  |
| Derivatives-related expenses                               | -   | 1,644  |
| Borrowing expenses   | 98,682  | 101,784  |
| Amortization of deferred organization costs                | 3,053   | 5,243  |
| Amortization of investment corporation bond issuance costs | 1,878   | -  |
| Amortization of investment unit issuance costs             | 26,989  | 49,318   |
| Total non-operating expenses                               | 526,895   | 531,674  |
| Ordinary income  | 2,311,797   | 2,193,110  |
| Income before income taxes                                 | 2,311,797   | 2,193,110  |
| Income taxes (Note 10)                                     |   |  |
| Current  | 1,698   | 899  |
| Deferred   | (47)  | (14)   |
| Total income taxes   | 1,651   | 885  |
| Net income   | 2,310,145   | 2,192,224  |
| Retained earnings brought forward                          | 55,017  | 82,998   |
| Unappropriated retained earnings                           | ¥2,365,163  | ¥2,275,223   |

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL INVESTMENT CORPORATION

### Statements of Changes in Net Assets

For the period from August 1, 2016 to January 31, 2017 and the period from February 1, 2016 to July 31, 2016

|   | Unitholders' equity  |                                  |               |                           |                           | Valuation and translation adjustments | Total net assets |
|---|----------------------|----------------------------------|---------------|---------------------------|---------------------------|---------------------------------------|------------------|
|   | Surplus              |                                  |               |                           | Total unitholders' equity | Deferred gains or losses on hedges    |                  |
|   | Unitholders' capital | Unappropriated retained earnings | Total surplus | Total unitholders' equity |                           |                                       |                  |
| (in thousands of yen)                               |                      |                                  |               |                           |                           |                                       |                  |
| Balance as of January 31, 2016                      | ¥ 80,132,379         | ¥ 2,258,172                      | ¥ 2,258,172   | ¥ 82,390,551              | ¥ (1,032)                 | ¥ 82,389,519                          |                  |
| Changes of items during the period                  |                      |                                  |               |                           |                           |                                       |                  |
| Dividends from surplus                              | -                    | (2,175,173)                      | (2,175,173)   | (2,175,173)               | -                         | (2,175,173)                           |                  |
| Net income  | -                    | 2,192,224                        | 2,192,224     | 2,192,224                 | -                         | 2,192,224                             |                  |
| Net changes of items other than unitholders' equity | -                    | -                                | -             | -                         | (41,323)                  | (41,323)                              |                  |
| Total changes of items during the period            | -                    | 17,051                           | 17,051        | 17,051                    | (41,323)                  | (24,271)                              |                  |
| Balance as of July 31, 2016 (Note 5)                | ¥ 80,132,379         | ¥ 2,275,223                      | ¥ 2,275,223   | ¥ 82,407,602              | ¥ (42,355)                | ¥ 82,365,247                          |                  |
| Changes of items during the period                  |                      |                                  |               |                           |                           |                                       |                  |
| Dividends from surplus                              | -                    | (2,220,206)                      | (2,220,206)   | (2,220,206)               | -                         | (2,220,206)                           |                  |
| Net income  | -                    | 2,310,145                        | 2,310,145     | 2,310,145                 | -                         | 2,310,145                             |                  |
| Net changes of items other than unitholders' equity | -                    | -                                | -             | -                         | 96,974                    | 96,974                                |                  |
| Total changes of items during the period            | -                    | 89,939                           | 89,939        | 89,939                    | 96,974                    | 186,914                               |                  |
| Balance as of January 31, 2017 (Note 5)             | ¥ 80,132,379         | ¥ 2,365,163                      | ¥ 2,365,163   | ¥ 82,497,542              | ¥ 54,619                  | ¥ 82,552,161                          |                  |

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL INVESTMENT CORPORATION

Statements of Cash Flows

For the period from August 1, 2016 to January 31, 2017 and the period from February 1, 2016 to July 31, 2016

|   | Tenth Fiscal Period<br>from August 1, 2016<br>to January 31, 2017 | Ninth Fiscal Period<br>from February 1, 2016<br>to July 31, 2016 |
|---|---|--|
|   | (in thousands of yen)   |  |
| Net cash provided by (used in) operating activities           |   |  |
| Income before income taxes                                    | ¥2,311,797  | ¥2,193,110   |
| Depreciation and amortization                                 | 878,295   | 857,592  |
| Amortization of deferred organization costs                   | 3,053   | 5,243  |
| Amortization of investment corporation bond issuance costs    | 1,878   | -  |
| Amortization of investment unit issuance costs                | 26,989  | 49,318   |
| Interest income   | (25)  | (252)  |
| Interest expenses   | 396,291   | 373,683  |
| Derivatives-related expenses                                  | -   | 1,644  |
| Decrease (increase) in operating accounts receivable          | 20,739  | (20,507)   |
| Decrease (increase) in consumption taxes refund receivable    | 43,758  | (43,758)   |
| Decrease (increase) in prepaid expenses                       | 2,818   | (2,831)  |
| Increase (decrease) in operating accounts payable             | 85,614  | (78,310)   |
| Increase (decrease) in accounts payable-other                 | 5,710   | (879)  |
| Increase (decrease) in accrued consumption taxes              | 4,974   | (72,758)   |
| Increase (decrease) in advances received                      | 47,716  | 7,908  |
| Decrease (increase) in long-term prepaid expenses             | (107,633)   | 30,769   |
| Decrease in property and equipment in trust due to sale       | 1,262,744   | -  |
| Other, net  | 16,460  | 25,275   |
| Subtotal  | 5,001,186   | 3,325,248  |
| Interest income received                                      | 25  | 252  |
| Interest expenses paid  | (392,043)   | (373,797)  |
| Income taxes (paid) refund                                    | 1,432   | (1,509)  |
| Net cash provided by (used in) operating activities           | 4,610,601   | 2,950,194  |
| Net cash provided by (used in) investing activities           |   |  |
| Purchase of property, plant and equipment in trust            | (8,755,004)   | (157,480)  |
| Proceeds from investment securities                           | 56,494  | 42,535   |
| Repayments of tenant leasehold and security deposits in trust | (124,324)   | (141,073)  |
| Proceeds from tenant leasehold and security deposits in trust | 169,200   | 148,081  |
| Net cash provided by (used in) investing activities           | (8,653,633)   | (107,937)  |
| Net cash provided by (used in) financing activities           |   |  |
| Increase in short-term loans payable                          | 2,000,000   | -  |
| Decrease in short-term loans payable                          | (1,000,000)   | -  |
| Proceeds from long-term loans payable                         | 11,500,000  | 3,500,000  |
| Decrease in long-term loans payable                           | (8,500,000)   | (3,500,000)  |
| Proceeds from issuance of investment corporation bonds        | 2,969,902   | -  |
| Dividends paid  | (2,220,566)   | (2,176,084)  |
| Net cash provided by (used in) financing activities           | 4,749,336   | (2,176,084)  |
| Net increase (decrease) in cash and cash equivalents          | 706,303   | 666,173  |
| Cash and cash equivalents at the beginning of period          | 8,733,047   | 8,066,875  |
| Cash and cash equivalents at the end of period (Note 6)       | ¥9,439,351  | ¥8,733,047   |

See accompanying notes to the financial statements.

## KENEDIX RESIDENTIAL INVESTMENT CORPORATION

### Notes to Financial Statements

For the period from August 1, 2016 to January 31, 2017 and the period from February 1, 2016 to July 31, 2016

#### 1. ORGANIZATION AND BASIS OF PRESENTATION

##### Organization

Kenedix Residential 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 additionally issued 67,900 investment units on February 4, 2015 through most recent public offerings, and 2,067 investment units on March 4, 2015 by way of a third-party allotment. As the result, as of January 31, 2017, the end of the tenth fiscal period, the number of investment units issued and outstanding totaled 349,089 units.

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

During the ninth fiscal period, the Investment Corporation acquired and sold no properties. During the tenth fiscal period, the Investment Corporation acquired 10 properties (total acquisition price of ¥8,167 million) and sold 2 properties with a total disposition price of ¥1,301 million. As the result, the Investment Corporation has a portfolio comprised of 113 properties (total acquisition price of ¥155,069 million) as of January 31, 2017, the end of the tenth fiscal period.

The occupancy rates of the overall portfolio excluding land with leasehold interest were 95.9% and 96.2% as of the end of the ninth and tenth fiscal period, respectively. Furthermore, the occupancy rates of the overall portfolio including land with leasehold interest were 95.9% and 96.2% as of the end of the ninth and tenth fiscal period.

During the tenth fiscal period, the Investment Corporation made new borrowings of ¥5,500 million upon acquiring properties. During the ninth and tenth fiscal period, the Investment Corporation made borrowings of ¥3,500 million and ¥8,000 million for the repayment of debt matured. As a result, balance of borrowings as of the end of the ninth and tenth fiscal period stood at ¥74,800 million and ¥78,800 million, respectively.

The Investment Corporation issued the three series investment corporation bonds with a total amount of ¥3,000 million on August 30, 2016.

##### Basis of Presentation

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (A) Securities

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

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

Property and equipment are stated at cost. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

|                               | From August 1, 2016<br>to January 31, 2017 | From February 1, 2016<br>to July 31, 2016 |
|-------------------------------|--|---|
| Buildings                     | 2-67 years                                 | 3-65 years                                |
| Structures                    | 3-48 years                                 | 3-45 years                                |
| Machinery and equipment       | 8-30 years                                 | 8-30 years                                |
| Tools, furniture and fixtures | 6-30 years                                 | 10-30 years                               |

### (C) Long-term Prepaid Expenses

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

### (D) Deferred Organization Costs

Deferred organization costs are amortized over a period of 5 years under 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 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 ¥7,827 thousand as of January 31, 2017. There were no capitalized property-related taxes as of July 31, 2016.

(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 and interest rate swap and other derivative transactions as hedging instruments.

As for the method of assessment of the effectiveness of the hedge in the period from the inception of the hedge to the time of judgment of its effectiveness, the cumulative changes in cash flow of the hedged items and hedging instruments are compared and a judgment is made based on changed amount, etc. However, an assessment of the effectiveness of hedging activities is omitted in the case of interest rate swaps and other derivatives that meet the requirements for special treatment.

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

### 3. NET ASSETS

The Investment Corporation issues only non-par value units in accordance with the Investment Trust Act. The entire amount of the issue price of new units is designated as stated capital. The Investment Corporation is required to maintain net assets of at least ¥50 million as required by the Investment Trust Act.

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

Rental and other operating revenues and property-related expenses for the periods from August 1, 2016 to January 31, 2017 and from February 1, 2016 to July 31, 2016 consist of the following:

|   | From August 1, 2016<br>to January 31, 2017 | From February 1, 2016<br>to July 31, 2016 |
|---|--|---|
| (in thousands of yen)                                   |  |   |
| Rental and other operating revenues:                    |  |   |
| Rental revenues   | ¥4,702,099                                 | ¥4,561,414                                |
| Rental revenues from limited proprietary rights of land | 43,749                                     | 43,750                                    |
| Common area charges                                     | 279,521                                    | 267,704                                   |
| Subtotal  | 5,025,371                                  | 4,872,868                                 |
| Others:   |  |   |
| Parking space rental revenues                           | 176,046                                    | 176,780                                   |
| Miscellaneous   | 236,199                                    | 279,361                                   |
| Subtotal  | 412,245                                    | 456,142                                   |
| Total rental and other operating revenues               | ¥5,437,617                                 | ¥5,329,011                                |
| Property-related expenses:                              |  |   |
| Property management fees and facility management fees   | ¥364,753                                   | ¥369,393                                  |
| Utilities   | 92,098                                     | 90,264                                    |
| Taxes   | 311,891                                    | 314,741                                   |
| Repairs and maintenance                                 | 208,250                                    | 210,659                                   |
| Insurance   | 8,110                                      | 7,823                                     |
| Trust fees  | 41,647                                     | 39,850                                    |
| Depreciation  | 878,295                                    | 857,592                                   |
| Others  | 145,309                                    | 142,482                                   |
| Total property-related expenses                         | ¥2,050,357                                 | ¥2,032,807                                |

Gain on sales of real estate property:

From August 1, 2016 to January 31, 2017

(in thousands of yen)

|   |          |
|---|----------|
| KDX Toyohira Sanjo Residence              |          |
| Revenue from sale of real estate property | ¥585,000 |
| Cost of real estate property              | 567,084  |
| Other sales expenses                      | 3,537    |
| Gain on sales of real estate property     | ¥14,378  |

KDX Residence Kamisugi

|   |          |
|---|----------|
| Revenue from sale of real estate property | ¥716,000 |
| Cost of real estate property              | 695,659  |
| Other sales expenses                      | 4,239    |
| Gain on sales of real estate property     | ¥16,100  |

From February 1, 2016 to July 31, 2016

Not applicable

## 5. UNITHOLDERS' EQUITY

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

|   | From August 1, 2016<br>to January 31, 2017 | From February 1, 2016<br>to July 31, 2016 |
|---|--|---|
| Total number of authorized investment units             | 5,000,000                                  | 5,000,000                                 |
| Total number of investment units issued and outstanding | 349,089                                    | 349,089                                   |

## 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of January 31, 2017 and July 31, 2016:

|                            | As of January 31, 2017 | As of July 31, 2016 |
|----------------------------|------------------------|---------------------|
|                            | (in thousands of yen)  |                     |
| Cash and deposits          | ¥5,679,445             | ¥5,146,011          |
| Cash and deposits in trust | 3,759,906              | 3,587,036           |
| Cash and cash equivalents  | ¥9,439,351             | ¥8,733,047          |

## 7. LEASES

The Investment Corporation, as lessor, has entered into leases whereby fixed monthly rents are due in advance with a lease term of generally two years for residential properties. The future minimum rental revenues under existing non-cancelable operating leases as of January 31, 2017 and July 31, 2016 are as follows:

|                  | As of January 31, 2017 | As of July 31, 2016 |
|------------------|------------------------|---------------------|
|                  | (in thousands of yen)  |                     |
| Due in 1 year    | ¥405,664               | ¥547,894            |
| Due after 1 year | 4,323,415              | 4,320,801           |
| Total            | ¥4,729,080             | ¥4,868,696          |

## 8. FINANCIAL INSTRUMENTS

### (A). Overview

#### (1) Policy for financial instruments

The Investment Corporation procures funds for asset acquisitions, repairs, payment of distributions, repayment of loans, etc. through loans from financial institutions, issuance of investment corporation bonds, issuance of investment units and other means. With regard to the procurement of interest-bearing debts, the Investment Corporation ensures that it can effectively combine stable long-term funds with flexible short-term funds. Management of surplus funds is undertaken through various bank deposits focusing on safety, liquidity and effectiveness. The Investment Corporation uses derivatives for the purpose of hedging its exposure to changes in interest rates and other risks and does not enter into derivative transactions for speculative or trading purposes.

#### (2) Types of financial instruments and related risk

Bank deposits are for managing the Investment Corporation's surplus funds and are exposed to credit risk such as the bankruptcy of financial institutions at which funds are deposited. Investment securities represent equity investments in an anonymous association and are exposed to credit risk of the issuer 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 11 years and 7 months as of January 31, 2017, the end of the tenth fiscal period, are exposed to liquidity risk where alternative funds may not be procured by the repayment date. Also, borrowings with floating interest rates are exposed to interest rate fluctuation risk. Derivatives are used for the purpose of hedging interest rate fluctuation risk for a certain portion of the borrowings.

#### (3) Risk management for financial instruments

##### a. Credit risk

While bank deposits are exposed to credit risk such as the bankruptcy of financial institutions at which funds are deposited, such risk is monitored by deposits in non-interest bearing ordinary savings accounts or with financial institutions with credit ratings above a certain level. Investment securities represent equity investments in an anonymous association and are exposed to credit risk of the issuer and interest rate fluctuation risk. To manage this credit risk, the Investment Corporation regularly evaluates the results of operations and the financial condition of the issuer, etc. In utilizing derivatives, the Investment Corporation aims to mitigate counterparty risk such as by transacting with financial institutions with favorable ratings.

##### b. Market risk

While borrowings with floating rates are exposed to interest rate volatility risk, such risk is monitored by adjusting the rate of the balance of borrowings with floating rates against the total borrowings according to the financial environment, interest rate forecasts by continuous monitoring, etc. and by using derivatives, etc. While investment securities, which are equity investments in an anonymous association, are exposed to credit risk of the issuer and property value fluctuation risk, the Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to these investment securities. A risk management policy is established with regard to the execution and management of derivatives, and such transactions are entered into based on this policy.

##### c. Liquidity risk

Though borrowings are subject to liquidity risk, the Investment Corporation reduces such risk by spreading out payment due dates and by diversifying financial institutions. Liquidity risk is also managed by such means as regularly checking the balance of cash reserves.

#### (4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

**(B). Estimated Fair Value of Financial Instruments**

The carrying value of financial instruments on the balance sheet and estimated fair value are shown in the following table.

As of January 31, 2017

|  | Carrying amount       | Estimated fair value | Difference |
|--|-----------------------|----------------------|------------|
|  | (in thousands of yen) |                      |            |
| (1) Cash and deposits                          | ¥5,679,445            | ¥5,679,455           | ¥ -        |
| (2) Cash and deposits in trust                 | 3,759,906             | 3,759,906            | -          |
| Subtotal                                       | 9,439,351             | 9,439,351            | -          |
| (1) Short-term loans payable                   | 1,000,000             | 1,000,000            | -          |
| (2) Current portion of long-term loans payable | 11,000,000            | 11,005,140           | 5,140      |
| (3) Investment corporation bonds               | 3,000,000             | 2,961,300            | (38,700)   |
| (4) Long-term loans payable                    | 66,800,000            | 66,990,356           | 190,356    |
| Subtotal                                       | 81,800,000            | 81,956,797           | 156,797    |
| Derivative transactions                        | ¥54,619               | ¥54,619              | ¥ -        |

As of July 31, 2016

|  | Carrying amount       | Estimated fair value | Difference |
|--|-----------------------|----------------------|------------|
|  | (in thousands of yen) |                      |            |
| (1) Cash and deposits                          | ¥5,146,011            | ¥5,146,011           | ¥ -        |
| (2) Cash and deposits in trust                 | 3,587,036             | 3,587,036            | -          |
| Subtotal                                       | 8,733,047             | 8,733,047            | -          |
| (1) Short-term loans payable                   | -                     | -                    | -          |
| (2) Current portion of long-term loans payable | 8,500,000             | 8,467,366            | (32,633)   |
| (3) Investment corporation bonds               | -                     | -                    | -          |
| (4) Long-term loans payable                    | 66,300,000            | 67,075,351           | 775,351    |
| Subtotal                                       | 74,800,000            | 75,542,717           | 742,717    |
| Derivative transactions                        | ¥(42,355)             | ¥(42,355)            | ¥ -        |

Note 1: Methods to determine the estimated fair value of financial instruments and matters related to derivative transactions

Assets

(1) Cash and deposits and (2) Cash and deposits in trust

Since these items are settled in a short period of time, their carrying amount approximates fair value.

Liabilities

(1) Short-term loans payable

Since these items are settled in a short period of time with floating interest rates, their carrying amount approximates fair value.

(2) Current portion of long-term loans payable and (4) Long-term loans payable

Among these items, the fair value of loans payable with fixed interest rates is calculated based on the present value, which is the total amount of principal and interest discounted by the estimated interest rate to be applied in the event that the Investment Corporation conducts new borrowings of the same type. As for the fair value of loans payable with floating interest rates, it is based on the carrying amount since market interest rates are reflected in the short term and the fair value is believed to approximate the carrying amount as the credit standing of the Investment Corporation has not changed significantly since the loans were made. (However, the fair value of long-term loans payable subject to the special treatment for interest-rate swaps is based on the present value of the total of principal and interest, accounted for together with the applicable interest-rate swaps, discounted by the estimated interest rate to be applied in the event that the Investment Corporation conducts new borrowings of the same type.)

(3) Investment corporation bonds

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

Derivative transactions

Please refer to Note 9 "DERIVATIVE TRANSACTIONS".

Note 2: Financial instruments whose fair values are recognized to be extremely difficult to grasp

(in thousands of yen)

| Classification          | As of January 31, 2017 | As of July 31, 2016 |
|-------------------------|------------------------|---------------------|
| Investment securities * | -                      | 62,397              |

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

Loss on valuation of investment securities of ¥27,964 thousand was recognized in the fiscal period ended July 31, 2016.

Note 3: Redemption schedule for financial assets with maturities

As of January 31, 2017

|                            | Due in 1 year or less | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
|----------------------------|-----------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| (in thousands of yen)      |                       |                                  |                                   |                                   |                                   |                   |
| Cash and deposits          | ¥5,679,445            | ¥ -                              | ¥ -                               | ¥ -                               | ¥ -                               | ¥ -               |
| Cash and deposits in trust | 3,759,906             | -                                | -                                 | -                                 | -                                 | -                 |
| Total                      | ¥9,439,351            | ¥ -                              | ¥ -                               | ¥ -                               | ¥ -                               | ¥ -               |

As of July 31, 2016

|                            | 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          | ¥5,146,011            | ¥ -                              | ¥ -                               | ¥ -                               | ¥ -                               | ¥ -               |
| Cash and deposits in trust | 3,587,036             | -                                | -                                 | -                                 | -                                 | -                 |
| Total                      | ¥8,733,047            | ¥ -                              | ¥ -                               | ¥ -                               | ¥ -                               | ¥ -               |

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

As of January 31, 2017

|                              | Due in 1 year or less | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
|------------------------------|-----------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| (in thousands of yen)        |                       |                                  |                                   |                                   |                                   |                   |
| Short-term loans payable     | ¥ 1,000,000           | ¥ -                              | ¥ -                               | ¥ -                               | ¥ -                               | ¥ -               |
| Investment corporation bonds | -                     | -                                | -                                 | -                                 | 1,000,000                         | 2,000,000         |
| Long-term loans payable      | 11,000,000            | 11,000,000                       | 1,500,000                         | 3,600,000                         | 10,000,000                        | 40,700,000        |
| Total                        | ¥ 12,000,000          | ¥ 11,000,000                     | ¥ 1,500,000                       | ¥ 3,600,000                       | ¥ 11,000,000                      | ¥ 42,700,000      |

As of July 31, 2016

|                          | 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 | ¥ -                   | ¥ -                              | ¥ -                               | ¥ -                               | ¥ -                               | ¥ -               |
| Long-term loans payable  | 8,500,000             | 11,000,000                       | 11,000,000                        | 1,500,000                         | 5,950,000                         | 36,850,000        |
| Total                    | ¥ 8,500,000           | ¥ 11,000,000                     | ¥ 11,000,000                      | ¥ 1,500,000                       | ¥ 5,950,000                       | ¥ 36,850,000      |

## 9. DERIVATIVE TRANSACTIONS

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

(1) Transactions not subject to hedge accounting  
Not applicable

(2) Transactions subject to hedge accounting

| Hedge accounting method                   | Type of derivative transactions                                | Hedged items            | Contract amount<br>(in thousands of yen) |                       | Fair value<br>(in thousands of yen) | Calculation method for applicable fair value                        |
|---|--|-------------------------|--|-----------------------|-------------------------------------|---|
|   |  |                         |  | Maturing after 1 year |                                     |   |
| Accounting method, in principle           | Interest rate swap transaction: Receive/floating and pay/fixed | Long-term loans payable | ¥9,000,000                               | ¥9,000,000            | ¥54,619                             | Based on the amount provided by counterparty financial institutions |
| Special treatment for interest-rate swaps | Interest rate swap transaction: Receive/floating and pay/fixed | Long-term loans payable | ¥57,300,000                              | ¥46,300,000           | *                                   | -   |
|   | Total  |                         | ¥66,300,000                              | ¥55,300,000           | ¥54,619                             | -   |

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

The contract amount and the fair value of interest-rate swap transactions as of July 31, 2016 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<br>(in thousands of yen) |                       | Fair value<br>(in thousands of yen) | Calculation method for applicable fair value                        |
|---|--|-------------------------|--|-----------------------|-------------------------------------|---|
|   |  |                         |  | Maturing after 1 year |                                     |   |
| Accounting method, in principle           | Interest rate swap transaction: Receive/floating and pay/fixed | Long-term loans payable | ¥3,500,000                               | ¥3,500,000            | ¥(42,355)                           | 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 | ¥65,800,000                              | ¥57,300,000           | *                                   | -   |
|   | Total  |                         | ¥69,300,000                              | ¥60,800,000           | ¥(42,355)                           | -   |

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

## 10. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 33%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements under the Special Taxation Measures Law of Japan are met, including a requirement that it currently distributes in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. Since the Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥2,280 million and ¥2,220 million for the periods ended January 31, 2017 and July 31, 2016, 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 0.07% and 0.04% for the periods ended January 31, 2017 and July 31, 2016, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

|                               | From August 1, 2016<br>to January 31, 2017 | From February 1, 2016<br>to July 31, 2016 |
|-------------------------------|--|---|
| Statutory tax rate            | 33.35%                                     | 32.31%                                    |
| Deductible cash distributions | (32.90)                                    | (32.71)                                   |
| Others                        | (0.38)                                     | 0.44                                      |
| Effective tax rate            | 0.07%                                      | 0.04%                                     |

The significant components of deferred tax assets and liabilities as of January 31, 2017 and July 31, 2016 are as follows:

|  | As of January 31, 2017 | As of July 31, 2016 |
|--|------------------------|---------------------|
|  | (in thousands of yen)  |                     |
| Deferred tax assets:                       |                        |                     |
| Enterprise tax payable                     | ¥ 61                   | ¥ 14                |
| Deferred gains or losses on hedges         | -                      | 13,380              |
| Loss on valuation of investment securities | -                      | 8,876               |
| Subtotal deferred tax assets               | 61                     | 22,270              |
| Valuation allowance                        | -                      | (22,256)            |
| Total deferred tax assets                  | ¥ 61                   | ¥ 14                |

## 11. RELATED-PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

Tenth Fiscal Period (August 1, 2016 to January 31, 2017) and Ninth Fiscal Period (February 1, 2016 to July 31, 2016): Not applicable

2. Affiliated companies and other

Tenth Fiscal Period (August 1, 2016 to January 31, 2017) and Ninth Fiscal Period (February 1, 2016 to July 31, 2016): Not applicable

3. Fellow subsidiary companies and other

Tenth Fiscal Period (August 1, 2016 to January 31, 2017) and Ninth Fiscal Period (February 1, 2016 to July 31, 2016): Not applicable

4. Directors, major individual unitholders and other

Tenth Fiscal Period (August 1, 2016 to January 31, 2017) and Ninth Fiscal Period (February 1, 2016 to July 31, 2016): Not applicable



## 12. INVESTMENT AND RENTAL PROPERTIES

The Investment Corporation owns real estate for rental purposes in the Tokyo Metropolitan Area and other regional areas for the purpose of generating rental revenues.

The book value and fair value concerning the above real estate for rental purposes are as follows.

|                                    | Tenth Fiscal Period<br>from August 1, 2016<br>to January 31, 2017 | Ninth Fiscal Period<br>from February 1, 2016<br>to July 31, 2016 |
|------------------------------------|---|--|
|                                    | (in thousands of yen)   |  |
| Book value                         |   |  |
| Balance at the beginning of period | ¥150,211,821  | ¥150,905,659   |
| Changes during the period          | 6,593,476   | (693,837)  |
| Balance at the end of period       | 156,805,298   | 150,211,821  |
| Fair value at the end of period    | ¥180,618,000  | ¥170,203,000   |

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 tenth fiscal period, the principal increases were the acquisition of real estate trust beneficiary interests in 10 properties totaling ¥8,513,821 thousand and the principal decreases were the disposition of real estate trust beneficiary interests in 2 properties totaling ¥1,262,744 thousand and depreciation amounting to ¥878,295 thousand, and the ninth fiscal period, the principal decreases were depreciation amounting to ¥857,592 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 ninth fiscal period of KDX Toyohira Sanjo Residence and KDX Residence Kamisugi, which will be sold on November 1, 2016, is based on the sales prices (¥585,000 thousand and ¥716,000 thousand, respectively) under the trust beneficiary interest sales contracts entered into on July 26, 2016.

Income and loss in the fiscal periods ended January 31, 2017 and July 31, 2016 for real estate for rental purposes is listed in Note 4 "BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, PROPERTY-RELATED EXPENSES AND GAIN ON SALES OF REAL ESTATE PROPERTY".

## 13. SEGMENT INFORMATION

Segment information for the period ended from August 1, 2016 to January 31, 2017 and from February 1, 2016 to July 31, 2016 is as follows:

### (A) Segment information

Disclosure is omitted because the real estate leasing business is the Investment Corporation's sole business and it has no reportable segment subject to disclosure.

### (B) Related information

#### (1) Information about each product and service

Disclosure is omitted because net sales to external customers for a single product/service category account for over 90% of the operating revenue on the statement of income and retained earnings.

#### (2) Information about each geographic area

##### (a) Net sales

Disclosure is omitted because net sales to external customers in Japan account for over 90% of the operating revenue on the statement of income and retained earnings.

##### (b) Property, plant and equipment

Disclosure is omitted because the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment on the balance sheet.

#### (3) Information about each major customer

Disclosure is omitted because net sales to a single external customer account for less than 10% of the operating revenue on the statement of income and retained earnings.

## 14. PER UNIT INFORMATION

|  | From August 1, 2016<br>to January 31, 2017 | From February 1, 2016<br>to July 31, 2016 |
|--|--|---|
| Net asset value per unit                 | ¥ 236,478                                  | ¥ 235,943                                 |
| Net income per unit                      | ¥6,617                                     | ¥6,279                                    |
| Weighted average number of units (units) | 349,089                                    | 349,089                                   |

The weighted average number of units outstanding of 349,089 were used for the computation of the amount of net income per unit as of January 31, 2017 and July 31, 2016.

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

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

|  | From August 1, 2016<br>to January 31, 2017 | From February 1, 2016<br>to July 31, 2016 |
|--|--|---|
| Net income (in thousands of yen)                                       | ¥2,310,145                                 | ¥2,192,224                                |
| Net income not available to ordinary unitholders (in thousands of yen) | -  | -   |
| Net income available to ordinary unitholders (in thousands of yen)     | ¥2,310,145                                 | ¥2,192,224                                |
| Weighted average number of units during the period (units)             | 349,089                                    | 349,089                                   |

## 15. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

## 16. SECURITIES PORTFOLIO

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

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

Securities portfolio consists of the following as of July 31, 2016:

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

(in thousands of yen)

| Type                                   | Name  | Face value<br>total | Book value | Accrued<br>interest | Prepaid<br>accrued<br>interest | Assessed<br>value<br>(Note 2) | Gain<br>(Loss) on<br>valuation | Remarks |
|--|---|---------------------|------------|---------------------|--------------------------------|-------------------------------|--------------------------------|---------|
| Silent Partnership<br>Equity Interests | Equity interests in TK property fund with<br>G.K. Bohemian as operator (Note 1) | -                   | 62,397     | -                   | -                              | 62,397                        | -                              |         |
| Total                                  |   | -                   | 62,397     | -                   | -                              | 62,397                        | -                              |         |

Note 1: TK property fund sold "KDX Residence Urayasu" and "KDX Residence Noborito" on March 1, 2016, and "KDX Residence Sumiyoshi" on March 15, 2016. As a result, TK property fund owned real estate beneficiary interests in trust in "KDX Residence Azabu Sendaizaka," "KDX Residence Nishi-azabu," "KDX Residence Bunkyo Yushima," "KDX Residence Waseda Tsurumaki," "KDX Residence Kamishakuji" as of July 31, 2016, the end of the ninth fiscal period. Furthermore, the Investment Corporation acquired real estate beneficiary interests in trust for the five abovementioned properties on August 1, 2016.

Note 2: The assessed value is stated at the book value. Loss on valuation of investment securities of ¥27,964 thousand was recognized in the fiscal period ended July 31, 2016.

## 17. PROPERTY, PLANT AND EQUIPMENT

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

| Type of asset                          | Balance at the beginning of period | Increase during the period | Decrease during the period | Balance at the end of period | Depreciation             |                             | Net balance at end of the period | Remarks       |
|--|------------------------------------|----------------------------|----------------------------|------------------------------|--------------------------|-----------------------------|----------------------------------|---------------|
|  |                                    |                            |                            |                              | Accumulated depreciation | Depreciation for the period |                                  |               |
| (in thousands of yen)                  |                                    |                            |                            |                              |                          |                             |                                  |               |
| Land                                   | ¥1,798,041                         | ¥ -                        | ¥ -                        | ¥1,798,041                   | ¥ -                      | ¥ -                         | ¥1,798,041                       |               |
| Sub total                              | 1,798,041                          | -                          | -                          | 1,798,041                    | -                        | -                           | 1,798,041                        |               |
| Buildings in trust                     | 63,289,609                         | 3,174,446                  | 1,007,958                  | 65,456,096                   | 5,222,324                | 831,074                     | 60,233,772                       | Notes 1 and 2 |
| Structures in trust                    | 397,122                            | 49,970                     | 7,856                      | 439,236                      | 86,535                   | 13,683                      | 352,701                          |               |
| Machinery and equipment in trust       | 1,243,853                          | 15,507                     | 5,586                      | 1,253,773                    | 169,872                  | 27,888                      | 1,083,901                        |               |
| Tools, furniture and fixtures in trust | 151,976                            | 80,065                     | 396                        | 231,646                      | 13,465                   | 5,649                       | 218,181                          |               |
| Land in trust                          | 88,038,597                         | 5,414,528                  | 334,425                    | 93,118,700                   | -                        | -                           | 93,118,700                       | Notes 1 and 2 |
| Sub total                              | 153,121,160                        | 8,734,516                  | 1,356,223                  | 160,499,454                  | 5,492,197                | 878,295                     | 155,007,256                      |               |
| Total                                  | ¥154,919,202                       | ¥8,734,516                 | ¥1,356,223                 | ¥162,297,495                 | ¥5,492,197               | ¥878,295                    | ¥156,805,298                     |               |

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

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

Property, plant and equipment consist of the following as of July 31, 2016:

| 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                     | 63,158,109                         | 131,500                    | -                          | 63,289,609                   | 4,482,346                | 813,619                     | 58,807,263                       |         |
| Structures in trust                    | 393,840                            | 3,282                      | -                          | 397,122                      | 74,438                   | 12,661                      | 322,684                          |         |
| Machinery and equipment in trust       | 1,241,311                          | 2,542                      | -                          | 1,243,853                    | 142,746                  | 27,793                      | 1,101,107                        |         |
| Tools, furniture and fixtures in trust | 125,547                            | 26,429                     | -                          | 151,976                      | 7,850                    | 3,518                       | 144,126                          |         |
| Land in trust                          | 88,038,598                         | -                          | -                          | 88,038,597                   | -                        | -                           | 88,038,597                       |         |
| Sub total                              | 152,957,405                        | 163,755                    | -                          | 153,121,160                  | 4,707,380                | 857,592                     | 148,413,779                      |         |
| Total                                  | ¥154,755,446                       | ¥163,755                   | ¥ -                        | ¥154,919,202                 | ¥4,707,380               | ¥857,592                    | ¥150,211,821                     |         |

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

## 18. INVESTMENT CORPORATION BONDS

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

| Series   | Date of issue      | Balance at                 | Decrease             | Balance at the<br>end of period | Interest rate | Repayment<br>date  | Use     | Remarks   |
|--|--------------------|----------------------------|----------------------|---------------------------------|---------------|--------------------|---------|-----------|
|  |                    | the beginning<br>of period | during the<br>period |                                 |               |                    |         |           |
| (in thousands of yen)  |                    |                            |                      |                                 |               |                    |         |           |
| First series of<br>unsecured<br>investment<br>corporation bonds  | August 30,<br>2016 | -                          | -                    | 1,000,000                       | 0.200%        | August 30,<br>2021 |         |           |
| Second series of<br>unsecured<br>investment<br>corporation bonds | August 30,<br>2016 | -                          | -                    | 1,000,000                       | 0.540%        | August 28,<br>2026 | (Note1) | Unsecured |
| Third series of<br>unsecured<br>investment<br>corporation bonds  | August 30,<br>2016 | -                          | -                    | 1,000,000                       | 0.800%        | August 30,<br>2028 |         |           |
| Total  |                    | -                          | -                    | 3,000,000                       |               |                    |         |           |

Note 1: Investment corporation bonds were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate (additional expenses are included) and repayment of debts.

Note 2: Annual repayments of investment corporation bonds scheduled for the next five years after the balance sheet date are as follows.

|                                 | Due in 1 year<br>or less | Due after 1 year<br>through 2 years | Due after 2 years<br>through 3 years | Due after 3 years<br>through 4 years | Due after 4 years<br>through 5 years |
|---------------------------------|--------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                                 | (in thousands of yen)    |                                     |                                      |                                      |                                      |
| Investment<br>corporation bonds | -                        | -                                   | -                                    | -                                    | 1,000,000                            |

Outstanding Investment corporation bonds as of July 31, 2016

Not applicable

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

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

| Classification   | Lender                                       | Balance at                    | Increase             | Decrease              | Balance at<br>the end of<br>period | Average<br>interest rate<br>(Note 3)<br>(Note 4) | Payment due<br>date<br>(Note 7) | Use      | Remarks                    |
|--|--|-------------------------------|----------------------|-----------------------|------------------------------------|--|---------------------------------|----------|----------------------------|
|  |  | the<br>beginning of<br>period | during the<br>period | during the<br>period  |                                    |  |                                 |          |                            |
| (in thousands of yen)                                  |  |                               |                      |                       |                                    |  |                                 |          |                            |
| Short-term<br>loans<br>payable                         | Sumitomo Mitsui<br>Banking Corporation       | -                             | 2,000,000            | 1,000,000<br>(Note 8) | 1,000,000                          | 0.431%   | July 31,<br>2017                | (Note 6) | Unsecured/<br>Unguaranteed |
|  | Sub total                                    | -                             | 2,000,000            | 1,000,000             | 1,000,000                          |  |                                 |          |                            |
| Current<br>portion of<br>long-term<br>loans<br>payable | Sumitomo Mitsui<br>Banking Corporation       | 3,000,000                     | -                    | 3,000,000             | -                                  | 0.787%   | August 31,<br>2016              | (Note 6) | Unsecured/<br>Unguaranteed |
|  | The Bank of<br>Tokyo-Mitsubishi UFJ,<br>Ltd. | 2,000,000                     | -                    | 2,000,000             | -                                  |  |                                 |          |                            |
|  | Aozora Bank, Ltd.                            | 1,000,000                     | -                    | 1,000,000             | -                                  |  |                                 |          |                            |
|  | Sumitomo Mitsui Trust<br>Bank, Limited       | 1,000,000                     | -                    | 1,000,000             | -                                  |  |                                 |          |                            |
|  | Resona Bank, Limited                         | 500,000                       | -                    | 500,000               | -                                  |  |                                 |          |                            |
|  | Mizuho Trust &<br>Banking Co., Ltd           | 500,000                       | -                    | 500,000               | -                                  |  |                                 |          |                            |
|  | Mizuho Bank, Ltd.                            | 500,000                       | -                    | 500,000               | -                                  |  |                                 |          |                            |
|  | Sumitomo Mitsui<br>Banking Corporation       | 4,000,000                     | -                    | -                     | 4,000,000                          | 0.910%   | August 31,<br>2017<br>(Note 2)  | (Note 6) | Unsecured/<br>Unguaranteed |
|  | The Bank of<br>Tokyo-Mitsubishi UFJ,<br>Ltd. | 2,500,000                     | -                    | -                     | 2,500,000                          |  |                                 |          |                            |
|  | Aozora Bank, Ltd.                            | 1,500,000                     | -                    | -                     | 1,500,000                          |  |                                 |          |                            |
|  | Resona Bank, Limited                         | 1,000,000                     | -                    | -                     | 1,000,000                          |  |                                 |          |                            |
|  | Sumitomo Mitsui Trust<br>Bank, Limited       | 1,000,000                     | -                    | -                     | 1,000,000                          |  |                                 |          |                            |
|  | Mizuho Trust &<br>Banking Co., Ltd.          | 500,000                       | -                    | -                     | 500,000                            |  |                                 |          |                            |
| Mizuho Bank, Ltd.                                      | 500,000                                      | -                             | -                    | 500,000               |                                    |  |                                 |          |                            |
| Sub total  | 19,500,000                                   | -                             | 8,500,000            | 11,000,000            |                                    |  |                                 |          |                            |

| Classification          | Lender                                       | Balance at the beginning of period | Increase during the period | Decrease during the period | Balance at the end of period | Average interest rate (Note 3) (Note 4) | Payment due date (Note 7) | Use      | Remarks                 |
|-------------------------|--|------------------------------------|----------------------------|----------------------------|------------------------------|---|---------------------------|----------|-------------------------|
| (in thousands of yen)   |  |                                    |                            |                            |                              |   |                           |          |                         |
|                         | Sumitomo Mitsui Banking Corporation          | 3,250,000                          | -                          | -                          | 3,250,000                    |   |                           |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 2,000,000                          | -                          | -                          | 2,000,000                    |   |                           |          |                         |
|                         | Aozora Bank, Ltd.                            | 1,000,000                          | -                          | -                          | 1,000,000                    | 1.052%                                  | August 31, 2018           |          |                         |
|                         | 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           |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 1,000,000                          | -                          | -                          | 1,000,000                    | 1.109%                                  | January 31, 2021          |          |                         |
|                         | Sumitomo Mitsui Banking Corporation          | 1,000,000                          | -                          | -                          | 1,000,000                    | 1.221%                                  | July 31, 2021             |          |                         |
|                         | Aozora Bank, Ltd.                            | 1,350,000                          | -                          | -                          | 1,350,000                    | 1.183%                                  | March 31, 2021            |          |                         |
|                         | Sumitomo Mitsui Banking Corporation          | 2,000,000                          | -                          | -                          | 2,000,000                    | 1.267%                                  | April 30, 2022            |          |                         |
|                         | Aozora Bank, Ltd.                            | 1,500,000                          | -                          | -                          | 1,500,000                    | 1.267%                                  | April 30, 2022            |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 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                    |   |                           |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 1,100,000                          | -                          | -                          | 1,100,000                    |   |                           |          |                         |
| Long-term loans payable | Mizuho Bank, Ltd.                            | 600,000                            | -                          | -                          | 600,000                      | 0.916%                                  | August 7, 2021            | (Note 6) | Unsecured/ Unguaranteed |
|                         | Aozora Bank, Ltd.                            | 350,000                            | -                          | -                          | 350,000                      |   |                           |          |                         |
|                         | Resona Bank, Limited                         | 300,000                            | -                          | -                          | 300,000                      |   |                           |          |                         |
|                         | The Mizuho Trust and Banking Co., Limited    | 300,000                            | -                          | -                          | 300,000                      |   |                           |          |                         |
|                         | Development Bank of Japan Inc.               | 1,000,000                          | -                          | -                          | 1,000,000                    | 0.996% (Note 5)                         | August 7, 2021            |          |                         |
|                         | Sumitomo Mitsui Banking Corporation          | 400,000                            | -                          | -                          | 400,000                      |   |                           |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 400,000                            | -                          | -                          | 400,000                      |   |                           |          |                         |
|                         | Mizuho Bank, Ltd.                            | 300,000                            | -                          | -                          | 300,000                      | 1.254%                                  | August 7, 2023            |          |                         |
|                         | Resona Bank, Limited                         | 200,000                            | -                          | -                          | 200,000                      |   |                           |          |                         |
|                         | The Mizuho Trust and Banking Co., Limited    | 200,000                            | -                          | -                          | 200,000                      |   |                           |          |                         |
|                         | Aozora Bank, Ltd.                            | 150,000                            | -                          | -                          | 150,000                      |   |                           |          |                         |
|                         | Development Bank of Japan Inc.               | 500,000                            | -                          | -                          | 500,000                      | 1.320% (Note 5)                         | August 7, 2023            |          |                         |
|                         | Sumitomo Mitsui Banking Corporation          | 600,000                            | -                          | -                          | 600,000                      | 0.945%                                  | August 31, 2021           |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 600,000                            | -                          | -                          | 600,000                      | 0.945%                                  | August 31, 2021           |          |                         |
|                         | Aozora Bank, Ltd.                            | 500,000                            | -                          | -                          | 500,000                      | 0.945%                                  | August 31, 2021           |          |                         |
|                         | Mizuho Bank, Ltd.                            | 950,000                            | -                          | -                          | 950,000                      | 1.083%                                  | November 30, 2022         |          |                         |
|                         | Sumitomo Mitsui Banking Corporation          | 2,000,000                          | -                          | -                          | 2,000,000                    | 0.804%                                  | November 30, 2020         |          |                         |
|                         | Mitsubishi UFJ Trust and Banking Corporation | 1,500,000                          | -                          | -                          | 1,500,000                    | 0.689%                                  | November 30, 2019         |          |                         |
|                         | Sumitomo Mitsui Banking Corporation          | 1,200,000                          | -                          | -                          | 1,200,000                    | 0.875%                                  | January 31, 2022          |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 1,200,000                          | -                          | -                          | 1,200,000                    | 1.105%                                  | January 31, 2024          |          |                         |

| 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)              |                            |                            |                              |   |                           |          |                        |
| Aozora Bank, Ltd.                         | 2,000,000                          | -                          | -                          | 2,000,000                    | 0.875%                                  | April 30, 2022            |          |                        |
| Resona Bank, Limited                      | 1,500,000                          | -                          | -                          | 1,500,000                    | 0.987%                                  | April 30, 2023            |          |                        |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.    | 2,000,000                          | -                          | -                          | 2,000,000                    | 1.100%                                  | April 30, 2024            |          |                        |
| Sumitomo Mitsui Banking Corporation       | 1,000,000                          | -                          | -                          | 1,000,000                    | 1.265%                                  | April 30, 2025            |          |                        |
| Aozora Bank, Ltd.                         | 300,000                            | -                          | -                          | 300,000                      | 0.678%                                  | August 31, 2020           |          |                        |
| Resona Bank, Limited                      | 1,100,000                          | -                          | -                          | 1,100,000                    | 0.923%                                  | August 31, 2022           |          |                        |
| The Mizuho Trust and Banking Co., Limited | 700,000                            | -                          | -                          | 700,000                      | 0.923%                                  | August 31, 2022           |          |                        |
| Sumitomo Mitsui Trust Bank, Limited       | 950,000                            | -                          | -                          | 950,000                      | 1.047%                                  | August 31, 2023           |          |                        |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.    | 1,700,000                          | -                          | -                          | 1,700,000                    | 1.169%                                  | August 31, 2024           |          |                        |
| Mizuho Bank, Ltd.                         | 950,000                            | -                          | -                          | 950,000                      | 1.169%                                  | August 31, 2024           |          |                        |
| Sumitomo Mitsui Banking Corporation       | 2,000,000                          | -                          | -                          | 2,000,000                    | 1.345%                                  | August 31, 2025           |          |                        |
| Development Bank of Japan Inc.            | 1,000,000                          | -                          | -                          | 1,000,000                    | 1.193% (Note 5)                         | August 31, 2024           |          |                        |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.    | 300,000                            | -                          | -                          | 300,000                      | 0.624%                                  | October 27, 2020          | (Note 6) | Unsecured/Unguaranteed |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.    | 1,000,000                          | -                          | -                          | 1,000,000                    | 1.156%                                  | April 27, 2025            |          |                        |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.    | 1,000,000                          | -                          | -                          | 1,000,000                    | 0.819%                                  | April 28, 2025            |          |                        |
| Sumitomo Mitsui Banking Corporation       | 2,500,000                          | -                          | -                          | 2,500,000                    | 0.903%                                  | April 30, 2026            |          |                        |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.    | -                                  | 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           |          |                        |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.    | -                                  | 2,000,000                  | -                          | 2,000,000                    | 0.670% (Note 5)                         | August 31, 2025           |          |                        |
| The Mizuho Trust and Banking Co., Limited | -                                  | 500,000                    | -                          | 500,000                      | 0.751% (Note 5)                         | August 31, 2025           |          |                        |
| Sumitomo Mitsui Banking Corporation       | -                                  | 3,000,000                  | -                          | 3,000,000                    | 0.906%                                  | August 31, 2026           |          |                        |
| Development Bank of Japan Inc.            | -                                  | 1,000,000                  | -                          | 1,000,000                    | 0.773% (Note 5)                         | October 31, 2025          |          |                        |
| Sub total                                 | 55,300,000                         | 11,500,000                 | -                          | 66,800,000                   |   |                           |          |                        |
| Total                                     | ¥74,800,000                        | ¥13,500,000                | ¥9,500,000                 | ¥78,800,000                  |   |                           |          |                        |

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

|                         | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years |
|-------------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                         | (in thousands of yen)            |                                   |                                   |                                   |
| Long-term loans payable | ¥11,000,000                      | ¥1,500,000                        | ¥3,600,000                        | ¥10,000,000                       |

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

Note 3: All debts except for the following Note 5 are borrowing at a floating rate.

Note 4: Average interest rates are the weighted average during the period and figures are rounded to the nearest third decimal place. Also, with regard to borrowings for which interest rate swap transactions and other derivative transactions were implemented in order to hedge the interest rate volatility risk, the weighted average interest rates taking into consideration the effects of the interest rate swaps and other derivatives are indicated.

Note 5: Borrowings is applied at a fixed rate.

Note 6: All debts were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate (additional expenses are included) and repayment of debts.

Note 7: Except for the following Note8, all the repayment methods of debt financing are lump-sum repayments on the due date.

Note 8: Partial prepayment of 1,000,000 thousand yen was made on August 31, 2016.

Short-term debt and long-term debt consist of the following as of July 31, 2016:

| Classification                             | Lender                                 | Balance at the beginning of period | Increase during the period | Decrease during the period | Balance at the end of period | Average interest rate (Note 2) (Note 3) | Payment due date (Note 6) | Use      | Remarks                 |
|--|--|------------------------------------|----------------------------|----------------------------|------------------------------|---|---------------------------|----------|-------------------------|
| (in thousands of yen)                      |  |                                    |                            |                            |                              |   |                           |          |                         |
| Current portion of long-term loans payable | Sumitomo Mitsui Banking Corporation    | 2,500,000                          | -                          | 2,500,000                  | -                            | 1.045%                                  | April 30, 2016            | (Note 5) | Unsecured/ Unguaranteed |
|  | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 1,000,000                          | -                          | 1,000,000                  | -                            |   |                           |          |                         |
|  | Sumitomo Mitsui Banking Corporation    | 3,000,000                          | -                          | -                          | 3,000,000                    | 0.787%                                  | August 31, 2016           |          |                         |
|  | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 2,000,000                          | -                          | -                          | 2,000,000                    |   |                           |          |                         |
|  | Aozora Bank, Ltd.                      | 1,000,000                          | -                          | -                          | 1,000,000                    |   |                           |          |                         |
|  | Sumitomo Mitsui Trust Bank, Limited    | 1,000,000                          | -                          | -                          | 1,000,000                    |   |                           |          |                         |
|  | Resona Bank, Limited                   | 500,000                            | -                          | -                          | 500,000                      |   |                           |          |                         |
|  | Mizuho Trust & Banking Co., Ltd.       | 500,000                            | -                          | -                          | 500,000                      |   |                           |          |                         |
|  | Mizuho Bank, Ltd.                      | 500,000                            | -                          | -                          | 500,000                      |   |                           |          |                         |
|  | Sub total                              | 12,000,000                         | -                          | 3,500,000                  | 8,500,000                    |   |                           |          |                         |
| Long-term loans payable                    | Sumitomo Mitsui Banking Corporation    | 4,000,000                          | -                          | -                          | 4,000,000                    | 0.910%                                  | August 31, 2017           |          |                         |
|  | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 2,500,000                          | -                          | -                          | 2,500,000                    |   |                           |          |                         |
|  | Aozora Bank, Ltd.                      | 1,500,000                          | -                          | -                          | 1,500,000                    |   |                           |          |                         |
|  | Resona Bank, Limited                   | 1,000,000                          | -                          | -                          | 1,000,000                    |   |                           |          |                         |
|  | Sumitomo Mitsui Trust Bank, Limited    | 1,000,000                          | -                          | -                          | 1,000,000                    |   |                           |          |                         |
|  | Mizuho Trust & Banking Co., Ltd.       | 500,000                            | -                          | -                          | 500,000                      |   |                           |          |                         |
|  | Mizuho Bank, Ltd.                      | 500,000                            | -                          | -                          | 500,000                      |   |                           |          |                         |
|  | Sumitomo Mitsui Banking Corporation    | 3,250,000                          | -                          | -                          | 3,250,000                    |   |                           | 1.052%   | August 31, 2018         |
|  | The Bank of Tokyo-Mitsubishi UFJ, 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 4)                         | August 31, 2018           |          |                         |
|  | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 1,000,000                          | -                          | -                          | 1,000,000                    | 1.109%                                  | January 31, 2021          |          |                         |
|  | Sumitomo Mitsui Banking Corporation    | 1,000,000                          | -                          | -                          | 1,000,000                    | 1.221%                                  | July 31, 2021             |          |                         |
|  | Aozora Bank, Ltd.                      | 1,350,000                          | -                          | -                          | 1,350,000                    | 1.183%                                  | March 31, 2021            |          |                         |
|  | Sumitomo Mitsui Banking Corporation    | 2,000,000                          | -                          | -                          | 2,000,000                    | 1.267%                                  | April 30, 2022            |          |                         |
|  | Aozora Bank, Ltd.                      | 1,500,000                          | -                          | -                          | 1,500,000                    | 1.267%                                  | April 30, 2022            |          |                         |

| Classification          | Lender                                       | Balance at the beginning of period | Increase during the period | Decrease during the period | Balance at the end of period | Average interest rate (Note 2) (Note 3) | Payment due date (Note 6) | Use      | Remarks                 |
|-------------------------|--|------------------------------------|----------------------------|----------------------------|------------------------------|---|---------------------------|----------|-------------------------|
|                         |  | (in thousands of yen)              |                            |                            |                              |   |                           |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 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                    |   |                           |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 1,100,000                          | -                          | -                          | 1,100,000                    |   |                           |          |                         |
|                         | Mizuho Bank, Ltd.                            | 600,000                            | -                          | -                          | 600,000                      | 0.916%                                  | August 7, 2021            |          |                         |
|                         | Aozora Bank, Ltd.                            | 350,000                            | -                          | -                          | 350,000                      |   |                           |          |                         |
|                         | Resona Bank, Limited                         | 300,000                            | -                          | -                          | 300,000                      |   |                           |          |                         |
|                         | The Mizuho Trust and Banking Co., Limited    | 300,000                            | -                          | -                          | 300,000                      |   |                           |          |                         |
|                         | Development Bank of Japan Inc.               | 1,000,000                          | -                          | -                          | 1,000,000                    | 0.996% (Note 4)                         | August 7, 2021            |          |                         |
|                         | Sumitomo Mitsui Banking Corporation          | 400,000                            | -                          | -                          | 400,000                      |   |                           |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 400,000                            | -                          | -                          | 400,000                      |   |                           |          |                         |
|                         | Mizuho Bank, Ltd.                            | 300,000                            | -                          | -                          | 300,000                      | 1.254%                                  | August 7, 2023            |          |                         |
|                         | Resona Bank, Limited                         | 200,000                            | -                          | -                          | 200,000                      |   |                           |          |                         |
|                         | The Mizuho Trust and Banking Co., Limited    | 200,000                            | -                          | -                          | 200,000                      |   |                           |          |                         |
|                         | Aozora Bank, Ltd.                            | 150,000                            | -                          | -                          | 150,000                      |   |                           |          |                         |
|                         | Development Bank of Japan Inc.               | 500,000                            | -                          | -                          | 500,000                      | 1.320% (Note 4)                         | August 7, 2023            |          |                         |
|                         | Sumitomo Mitsui Banking Corporation          | 600,000                            | -                          | -                          | 600,000                      | 0.945%                                  | August 31, 2021           |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 600,000                            | -                          | -                          | 600,000                      | 0.945%                                  | August 31, 2021           |          |                         |
|                         | Aozora Bank, Ltd.                            | 500,000                            | -                          | -                          | 500,000                      | 0.945%                                  | August 31, 2021           |          |                         |
| Long-term loans payable | Mizuho Bank, Ltd.                            | 950,000                            | -                          | -                          | 950,000                      | 1.083%                                  | November 30, 2022         | (Note 5) | Unsecured/ Unguaranteed |
|                         | Sumitomo Mitsui Banking Corporation          | 2,000,000                          | -                          | -                          | 2,000,000                    | 0.804%                                  | November 30, 2020         |          |                         |
|                         | Mitsubishi UFJ Trust and Banking Corporation | 1,500,000                          | -                          | -                          | 1,500,000                    | 0.689%                                  | November 30, 2019         |          |                         |
|                         | Sumitomo Mitsui Banking Corporation          | 1,200,000                          | -                          | -                          | 1,200,000                    | 0.875%                                  | January 31, 2022          |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, 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            |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 2,000,000                          | -                          | -                          | 2,000,000                    | 1.100%                                  | April 30, 2024            |          |                         |
|                         | Sumitomo Mitsui Banking Corporation          | 1,000,000                          | -                          | -                          | 1,000,000                    | 1.265%                                  | April 30, 2025            |          |                         |
|                         | Aozora Bank, Ltd.                            | 300,000                            | -                          | -                          | 300,000                      | 0.678%                                  | August 31, 2020           |          |                         |
|                         | Resona Bank, Limited                         | 1,100,000                          | -                          | -                          | 1,100,000                    | 0.923%                                  | August 31, 2022           |          |                         |
|                         | The Mizuho Trust and Banking Co., Limited    | 700,000                            | -                          | -                          | 700,000                      | 0.923%                                  | August 31, 2022           |          |                         |
|                         | Sumitomo Mitsui Trust Bank, Limited          | 950,000                            | -                          | -                          | 950,000                      | 1.047%                                  | August 31, 2023           |          |                         |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 1,700,000                          | -                          | -                          | 1,700,000                    | 1.169%                                  | August 31, 2024           |          |                         |
|                         | Mizuho Bank, Ltd.                            | 950,000                            | -                          | -                          | 950,000                      | 1.169%                                  | August 31, 2024           |          |                         |
|                         | Sumitomo Mitsui Banking Corporation          | 2,000,000                          | -                          | -                          | 2,000,000                    | 1.345%                                  | August 31, 2025           |          |                         |
|                         | Development Bank of Japan Inc.               | 1,000,000                          | -                          | -                          | 1,000,000                    | 1.193% (Note 4)                         | August 31, 2024           |          |                         |



| Classification          | Lender                                 | Balance at the beginning of period | Increase during the period | Decrease during the period | Balance at the end of period | Average interest rate (Note 2) (Note 3) | Payment due date (Note 6) | Use      | Remarks                |
|-------------------------|--|------------------------------------|----------------------------|----------------------------|------------------------------|---|---------------------------|----------|------------------------|
| (in thousands of yen)   |  |                                    |                            |                            |                              |   |                           |          |                        |
| Long-term loans payable | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 300,000                            | -                          | -                          | 300,000                      | 0.624%                                  | October 27, 2020          | (Note 5) | Unsecured/Unguaranteed |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 1,000,000                          | -                          | -                          | 1,000,000                    | 1.156%                                  | April 27, 2025            |          |                        |
|                         | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | -                                  | 1,000,000                  | -                          | 1,000,000                    | 0.819%                                  | April 28, 2025            |          |                        |
|                         | Sumitomo Mitsui Banking Corporation    | -                                  | 2,500,000                  | -                          | 2,500,000                    | 0.903%                                  | April 30, 2026            |          |                        |
|                         | Sub total                              | 62,800,000                         | 3,500,000                  | -                          | 66,300,000                   |   |                           |          |                        |
| Total                   |  | ¥74,800,000                        | ¥3,500,000                 | ¥3,500,000                 | ¥74,800,000                  |   |                           |          |                        |

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

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

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

Note 3: Average interest rates are the weighted average during the period and figures are rounded to the nearest third decimal place. Also, with regard to borrowings for which interest rate swap transactions and interest rate cap 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 interest rate caps are indicated.

Note 4: Borrowings is applied at a fixed rate.

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

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

## 20. DISTRIBUTIONS

|   | Tenth Fiscal Period<br>(From August 1, 2016 to January 31, 2017) | Ninth Fiscal Period<br>(From February 1, 2016 to July 31, 2016) |
|---|--|---|
| I. Retained earnings at the end of period                 | ¥2,365,163,158   | ¥2,275,223,755  |
| II. Total distributions                                   | ¥2,280,598,437   | ¥2,220,206,040  |
| Distributions per unit                                    | ¥6,533   | ¥6,360  |
| III. Retained earnings brought forward to the next period | ¥84,564,721  | ¥55,017,715   |

|   |  |   |
|---|--|---|
| 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, internal reserves as of the end of the ninth fiscal period and of the ¥30,478,618 in gain on sale of real estate property, net of tax, reported as unappropriated retained earnings will be allocated to internal reserves, and of the remaining amount, the Investment Corporation has decided that it shall distribute ¥2,280,598,437 which is the maximum integral multiple of 349,089 units issued and outstanding as the distribution of earnings. 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 tenth fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.</p> | <p>In accordance with the policy described in Article 38-1 of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law, and shall not exceed its accounting profits as the maximum amount. Following this policy, the Investment Corporation has decided that it shall distribute ¥2,220,206,040, which is the amount of ¥2,192,224,944 in net income and ¥27,981,096 from retained earnings brought forward, as the distribution of earnings. 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 ninth fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.</p> |
|---|--|---|