

Financial Statements

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

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

Independent Auditor's Report

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KENEDIX RESIDENTIAL INVESTMENT CORPORATION

Balance Sheets

As of July 31, 2017 and January 31, 2017

	11th Fiscal Period as of July 31, 2017	10th Fiscal Period as of January 31, 2017
	(in thousands of yen)	
ASSETS		
Current assets		
Cash and deposits (Notes 6 and 8)	¥6,405,982	¥5,679,445
Cash and deposits in trust (Notes 6 and 8)	3,778,959	3,759,906
Operating accounts receivable	24,821	24,790
Prepaid expenses	4,831	3,356
Deferred tax assets (Note 10)	9	61
Other	503	503
Total current assets	10,215,108	9,468,062
Noncurrent assets		
Property, plant and equipment (Notes 12 and 17)		
Land	1,798,041	1,798,041
Buildings in trust	65,654,206	65,456,096
Accumulated depreciation	(6,058,335)	(5,222,324)
Buildings in trust, net	59,595,871	60,233,772
Structures in trust	444,009	439,236
Accumulated depreciation	(100,446)	(86,535)
Structures in trust, net	343,563	352,701
Machinery and equipment in trust	1,259,827	1,253,773
Accumulated depreciation	(197,886)	(169,872)
Machinery and equipment in trust, net	1,061,940	1,083,901
Tools, furniture and fixtures in trust	263,829	231,646
Accumulated depreciation	(20,241)	(13,465)
Tools, furniture and fixtures in trust, net	243,587	218,181
Land in trust	93,118,700	93,118,700
Total property, plant and equipment, net	156,161,704	156,805,298
Investments and other assets		
Investment securities (Note 16)	91,579	-
Lease and guarantee deposits	10,397	10,561
Long-term prepaid expenses	764,254	864,092
Other (Note 9)	26,626	54,619
Total investments and other assets	892,858	929,273
Total noncurrent assets	157,054,563	157,734,571
Deferred assets		
Investment corporation bond issuance costs	26,340	28,219
Investment unit issuance costs	20,039	45,830
Total deferred assets	46,380	74,049
Total assets	¥167,316,051	¥167,276,684

	11th Fiscal Period as of July 31, 2017	10th Fiscal Period as of January 31, 2017
	(in thousands of yen)	
LIABILITIES		
Current liabilities		
Operating accounts payable	¥431,854	¥401,777
Short-term loans payable (Notes 8, 9 and 19)	1,000,000	1,000,000
Current portion of long-term loans payable (Notes 8, 9 and 19)	11,000,000	11,000,000
Accounts payable-other	203,876	193,691
Accrued expenses	24,212	24,468
Income taxes payable	799	1,695
Accrued consumption taxes	6,135	19,528
Advances received	766,964	753,979
Deposits received	50,111	62,612
Total current liabilities	13,483,955	13,457,752
Noncurrent liabilities		
Investment corporation bonds (Notes 8 and 18)	3,000,000	3,000,000
Long-term loans payable (Notes 8, 9 and 19)	66,800,000	66,800,000
Tenant leasehold and security deposits in trust	1,473,087	1,466,769
Total noncurrent liabilities	71,273,087	71,266,769
Total liabilities	84,757,042	84,724,522
NET ASSETS		
Unitholders' equity		
Unitholders' capital	80,132,379	80,132,379
Surplus		
Unappropriated retained earnings	2,400,002	2,365,163
Total surplus	2,400,002	2,365,163
Total unitholders' equity	82,532,381	82,497,542
Valuation and translation adjustments		
Deferred gains or losses on hedges (Notes 8 and 9)	26,626	54,619
Total valuation and translation adjustments	26,626	54,619
Total net assets (Note 3)	82,559,008	82,552,161
Total liabilities and net assets	¥167,316,051	¥167,276,684

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL INVESTMENT CORPORATION

Statements of Income and Retained Earnings

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

	11th Fiscal Period from February 1, 2017 to July 31, 2017	10th Fiscal Period from August 1, 2016 to January 31, 2017
(in thousands of yen)		
Operating revenues		
Rent revenue-real estate (Note 4)	¥5,102,400	¥5,025,371
Other lease business revenue (Note 4)	472,418	412,245
Gain on sales of real estate property (Note 4)	-	30,478
Total operating revenues	5,574,819	5,468,095
Operating expenses		
Expenses related to rent business (Note 4)	2,124,246	2,050,357
Asset management fees	371,229	363,967
Asset custody fees	11,363	10,997
Administrative service fees	38,143	37,513
Directors' compensation	4,500	4,500
Other operating expenses	192,121	162,422
Total operating expenses	2,741,604	2,629,759
Operating income	2,833,215	2,838,336
Non-operating income		
Interest income	12	25
Dividends and redemption-prescription	824	174
Interest on refund	-	156
Total non-operating income	836	356
Non-operating expenses		
Interest expenses	385,660	389,776
Interest expenses on investment corporation bonds	7,629	6,515
Borrowing expenses	96,801	98,682
Amortization of deferred organization costs	-	3,053
Amortization of investment corporation bond issuance costs	1,878	1,878
Amortization of investment unit issuance costs	25,790	26,989
Total non-operating expenses	517,760	526,895
Ordinary income	2,316,291	2,311,797
Income before income taxes	2,316,291	2,311,797
Income taxes (Note 10)		
Current	801	1,698
Deferred	51	(47)
Total income taxes	853	1,651
Net income	2,315,438	2,310,145
Retained earnings brought forward	84,564	55,017
Unappropriated retained earnings	¥2,400,002	¥2,365,163

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL INVESTMENT CORPORATION

Statements of Changes in Net Assets

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

	Unitholders' equity				Valuation and translation adjustments	Total net assets
	Surplus			Total unitholders' equity	Deferred gains or losses on hedges	
	Unitholders' capital	Unappropriated retained earnings	Total surplus			
(in thousands of yen)						
Balance as of July 31, 2016	¥ 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
Changes of items during the period						
Dividends from surplus	-	(2,280,598)	(2,280,598)	(2,280,598)	-	(2,280,598)
Net income	-	2,315,438	2,315,438	2,315,438	-	2,315,438
Net changes of items other than unitholders' equity	-	-	-	-	(27,992)	(27,992)
Total changes of items during the period	-	34,839	34,839	34,839	(27,992)	6,847
Balance as of July 31, 2017 (Note 5)	¥ 80,132,379	¥ 2,400,002	¥ 2,400,002	¥ 82,532,381	¥ 26,626	¥ 82,559,008

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL INVESTMENT CORPORATION

Statements of Cash Flows

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

	11th Fiscal Period from February 1, 2017 to July 31, 2017	10th Fiscal Period from August 1, 2016 to January 31, 2017
	(in thousands of yen)	
Net cash provided by (used in) operating activities		
Income before income taxes	¥2,316,291	¥2,311,797
Depreciation and amortization	884,713	878,295
Amortization of deferred organization costs	-	3,053
Amortization of investment corporation bond issuance costs	1,878	1,878
Amortization of investment unit issuance costs	25,790	26,989
Interest income	(12)	(25)
Interest expenses	393,289	396,291
Decrease (increase) in operating accounts receivable	(31)	20,739
Decrease (increase) in consumption taxes refund receivable	-	43,758
Decrease (increase) in prepaid expenses	(1,475)	2,818
Increase (decrease) in operating accounts payable	(55,535)	85,614
Increase (decrease) in accounts payable-other	11,489	5,710
Increase (decrease) in accrued consumption taxes	(13,392)	4,974
Increase (decrease) in advances received	12,985	47,716
Decrease (increase) in long-term prepaid expenses	99,837	(107,633)
Decrease in property and equipment in trust due to sale	-	1,262,744
Other, net	(13,325)	16,460
Subtotal	3,662,503	5,001,186
Interest income received	12	25
Interest expenses paid	(393,545)	(392,043)
Income taxes (paid) refund	(1,696)	1,432
Net cash provided by (used in) operating activities	3,267,273	4,610,601
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(155,506)	(8,755,004)
Purchase of investment securities	(90,000)	-
Proceeds from investment securities	-	56,494
Proceeds from collection of lease and guarantee deposits	164	-
Repayments of tenant leasehold and security deposits in trust	(147,418)	(124,324)
Proceeds from tenant leasehold and security deposits in trust	153,736	169,200
Net cash provided by (used in) investing activities	(239,024)	(8,653,633)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	1,000,000	2,000,000
Decrease in short-term loans payable	(1,000,000)	(1,000,000)
Proceeds from long-term loans payable	-	11,500,000
Decrease in long-term loans payable	-	(8,500,000)
Proceeds from issuance of investment corporation bonds	-	2,969,902
Dividends paid	(2,282,658)	(2,220,566)
Net cash provided by (used in) financing activities	(2,282,658)	4,749,336
Net increase (decrease) in cash and cash equivalents	745,590	706,303
Cash and cash equivalents at the beginning of period	9,439,351	8,733,047
Cash and cash equivalents at the end of period (Note 6)	¥10,184,942	¥9,439,351

See accompanying notes to the financial statements.

KENEDIX RESIDENTIAL INVESTMENT CORPORATION

Notes to Financial Statements

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

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 July 31, 2017, the end of the 11th 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 10th 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. During the 11th fiscal period, the Investment Corporation acquired and sold no properties. As the result, the Investment Corporation has a portfolio comprised of 113 properties (total acquisition price of ¥155,069 million) as of July 31, 2017, the end of the 11th fiscal period.

The occupancy rates of the overall portfolio excluding land with leasehold interest were 96.2% and 96.8% as of the end of the 10th and 11th fiscal period, respectively. Furthermore, the occupancy rates of the overall portfolio including land with leasehold interest were 96.2% and 96.9% as of the end of the 10th and 11th fiscal period.

During the 10th fiscal period, the Investment Corporation made new borrowings of ¥5,500 million upon acquiring properties. During the 10th and 11th fiscal period, the Investment Corporation made borrowings of ¥8,000 million and ¥1,000 million for the repayment of debt matured. As a result, balance of borrowings as of the end of the 10th and 11th fiscal period stood at ¥78,800 million.

Basis of Presentation

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Securities

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

(B) Property and Equipment (including trust assets)

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

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

(C) Long-term Prepaid Expenses

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

(D) Unit Issuance Costs

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

(E) Investment Corporation Bond Issuance Costs

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

(F) Accounting Treatment of Trust Beneficiary Interests in Real Estate

For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan, all relevant assets and liabilities in trust are recorded on the balance sheet and the statement of income and retained earnings.

(G) Revenue Recognition

Operating revenues consist of rental revenues including base rents and common area charges, and other operating revenues including parking space rental revenues and other miscellaneous revenues. Rental revenues are generally recognized on an accrual basis over the life of each lease.

(H) Taxes on Property and Equipment

Property-related taxes including property taxes, city planning taxes and depreciable property taxes are imposed on properties on a calendar year basis. These taxes are generally charged to operating expenses for the period, for the portion of such taxes corresponding to said period. Under Japanese tax regulations, the seller of the property is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is generally reimbursed by the purchaser for these accrued property-related tax liabilities.

When the Investment Corporation purchases properties, it typically allocates the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes amounted to ¥7,827 thousand as of January 31, 2017. There were no capitalized property-related taxes as of July 31, 2017.

(I) Income Taxes

Deferred tax assets and liabilities are computed based on the difference between the financial statements and income tax bases of assets and liabilities using the statutory tax rates.

(J) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Non-deductible consumption taxes applicable to the acquisition of assets are included in the cost of acquisition for each asset.

(K) Derivative Financial Instruments

The Investment Corporation enters into derivative transactions to hedge risks prescribed in its Articles of Incorporation based on its risk management policies. The Investment Corporation hedges interest rate volatility risk of its interest payments on its borrowings by utilizing and interest rate swap and other derivative transactions as hedging instruments.

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

(L) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits placed with banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of purchase.

(M) Presentation of Amounts

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

3. NET ASSETS

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

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

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

	From February 1, 2017 to July 31, 2017	From August 1, 2016 to January 31, 2017
(in thousands of yen)		
Rental and other operating revenues:		
Rental revenues	¥4,769,190	¥4,702,099
Rental revenues from limited proprietary rights of land	43,750	43,749
Common area charges	289,460	279,521
Subtotal	5,102,400	5,025,371
Others:		
Parking space rental revenues	173,218	176,046
Miscellaneous	299,200	236,199
Subtotal	472,418	412,245
Total rental and other operating revenues	¥5,574,819	¥5,437,617
Property-related expenses:		
Property management fees and facility management fees	¥386,322	¥364,753
Utilities	85,370	92,098
Taxes	324,067	311,891
Repairs and maintenance	234,429	208,250
Insurance	7,984	8,110
Trust fees	41,900	41,647
Depreciation	884,713	878,295
Others	159,458	145,309
Total property-related expenses	¥2,124,246	¥2,050,357

Gain on sales of real estate property:

From February 1, 2017 to July 31, 2017

Not applicable

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

5. UNITHOLDERS' EQUITY

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

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

6. CASH AND CASH EQUIVALENTS

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

	As of July 31, 2017	As of January 31, 2017
	(in thousands of yen)	
Cash and deposits	¥6,405,982	¥5,679,445
Cash and deposits in trust	3,778,959	3,759,906
Cash and cash equivalents	¥10,184,942	¥9,439,351

7. LEASES

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

	As of July 31, 2017	As of January 31, 2017
	(in thousands of yen)	
Due in 1 year	¥328,364	¥405,664
Due after 1 year	4,266,213	4,323,415
Total	¥4,594,578	¥4,729,080

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 1 month as of July 31, 2017, the end of the 11th fiscal period, are exposed to liquidity risk where alternative funds may not be procured by the repayment date. Also, borrowings with floating interest rates are exposed to interest rate fluctuation risk. Derivatives are used for the purpose of hedging interest rate fluctuation risk for a certain portion of the borrowings.

(3) Risk management for financial instruments

a. Credit risk

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

b. Market risk

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

c. Liquidity risk

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

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

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

(B). Estimated Fair Value of Financial Instruments

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

As of July 31, 2017

	Carrying amount	Estimated fair value	Difference
	(in thousands of yen)		
(1) Cash and deposits	¥6,405,982	¥6,405,982	¥ -
(2) Cash and deposits in trust	3,778,959	3,778,959	-
Subtotal	10,184,942	10,184,942	-
(1) Short-term loans payable	1,000,000	1,000,000	-
(2) Current portion of long-term loans payable	11,000,000	10,956,857	(43,142)
(3) Investment corporation bonds	3,000,000	2,967,700	(32,300)
(4) Long-term loans payable	66,800,000	66,913,944	113,944
Subtotal	81,800,000	81,838,502	38,502
Derivative transactions	¥26,626	¥26,626	¥ -

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	¥ -

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

Assets

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

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

Liabilities

(1) Short-term loans payable

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

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

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

(3) Investment corporation bonds

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

Derivative transactions

Please refer to Note 9 "DERIVATIVE TRANSACTIONS".

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

(in thousands of yen)		
Classification	As of July 31, 2017	As of January 31, 2017
Investment securities *	91,579	-

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

Note 3: Redemption schedule for financial assets with maturities

As of July 31, 2017

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)						
Cash and deposits	¥6,405,982	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	3,778,959	-	-	-	-	-
Total	¥10,184,942	¥ -	¥ -	¥ -	¥ -	¥ -

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	¥ -	¥ -	¥ -	¥ -	¥ -

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

As of July 31, 2017

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)						
Short-term loans payable	¥ 1,000,000	¥ -	¥ -	¥ -	¥ -	¥ -
Investment corporation bonds	-	-	-	-	1,000,000	2,000,000
Long-term loans payable	11,000,000	11,000,000	1,500,000	5,950,000	15,150,000	33,200,000
Total	¥ 12,000,000	¥ 11,000,000	¥ 1,500,000	¥ 5,950,000	¥ 16,150,000	¥ 35,200,000

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

9. DERIVATIVE TRANSACTIONS

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

(1) Transactions not subject to hedge accounting
Not applicable

(2) Transactions subject to hedge accounting

Hedge accounting method	Type of derivative transactions	Hedged items	Contract amount (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
			Total	Maturing after 1 year		
Accounting method, in principle	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥9,000,000	¥9,000,000	¥26,626	Based on the amount provided by counterparty financial institutions
Special treatment for interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥57,300,000	¥46,300,000	*	-
	Total		¥66,300,000	¥55,300,000	¥26,626	-

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

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 (in thousands of yen)		Fair value (in thousands of yen)	Calculation method for applicable fair value
			Total	Maturing after 1 year		
Accounting method, in principle	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	¥9,000,000	¥9,000,000	¥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.

10. INCOME TAXES

The Investment Corporation is subject to corporate income taxes at a regular statutory rate of approximately 32%. However, the Investment Corporation may deduct from its taxable income amounts distributed to its unitholders, provided the requirements under the Special Taxation Measures Law of Japan are met, including a requirement that it currently distributes in excess of 90% of its net income for the fiscal period in order to be able to deduct such amounts. If the Investment Corporation does not satisfy all of the requirements, the entire taxable income of the Investment Corporation will be subject to regular corporate income taxes. Since the Investment Corporation distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥2,315 million and ¥2,280 million for the periods ended July 31, 2017 and January 31, 2017, respectively, the distributions were treated as deductible distributions for purposes of corporate income taxes. The effective tax rates on the Investment Corporation's income were 0.04% and 0.07% for the periods ended July 31, 2017 and January 31, 2017, respectively. The following table summarizes the significant differences between the statutory tax rate and the effective tax rate:

	From February 1, 2017 to July 31, 2017	From August 1, 2016 to January 31, 2017
Statutory tax rate	31.74%	33.35%
Deductible cash distributions	(31.73)	(32.90)
Others	0.03	(0.38)
Effective tax rate	0.04%	0.07%

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

	As of July 31, 2017	As of January 31, 2017
	(in thousands of yen)	
Deferred tax assets:		
Enterprise tax payable	¥ 9	¥ 61
Subtotal deferred tax assets	9	61
Total deferred tax assets	¥ 9	¥ 61

11. RELATED-PARTY TRANSACTIONS

1. Parent Company, major corporate unitholders and other

11th Fiscal Period (February 1, 2017 to July 31, 2017) and 10th Fiscal Period (August 1, 2016 to January 31, 2017): Not applicable

2. Affiliated companies and other

11th Fiscal Period (February 1, 2017 to July 31, 2017) and 10th Fiscal Period (August 1, 2016 to January 31, 2017): Not applicable

3. Fellow subsidiary companies and other

11th Fiscal Period (February 1, 2017 to July 31, 2017) and 10th Fiscal Period (August 1, 2016 to January 31, 2017): Not applicable

4. Directors, major individual unitholders and other

11th Fiscal Period (February 1, 2017 to July 31, 2017) and 10th Fiscal Period (August 1, 2016 to January 31, 2017): Not applicable

12. INVESTMENT AND RENTAL PROPERTIES

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

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

	11th Fiscal Period from February 1, 2017 to July 31, 2017	10th Fiscal Period from August 1, 2016 to January 31, 2017
	(in thousands of yen)	
Book value		
Balance at the beginning of period	¥156,805,298	¥150,211,821
Changes during the period	(643,593)	6,593,476
Balance at the end of period	156,161,704	156,805,298
Fair value at the end of period	¥182,410,000	¥180,618,000

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 11th fiscal period, the principal decrease was depreciation amounting of ¥884,713 thousand, and the 10th fiscal period, the principal increases were the acquisition of trust beneficiary interests in real estate in 10 properties totaling ¥8,513,821 thousand and the principal decreases were the disposition of trust beneficiary interests in real estate in 2 properties totaling ¥1,262,744 thousand and depreciation amounting of ¥878,295 thousand.

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

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

13. SEGMENT INFORMATION

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

(A) Segment information

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

(B) Related information

(1) Information about each product and service

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

(2) Information about each geographic area

(a) Net sales

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

(b) Property, plant and equipment

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

(3) Information about each major customer

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

14. PER UNIT INFORMATION

	From February 1, 2017 to July 31, 2017	From August 1, 2016 to January 31, 2017
Net asset value per unit	¥236,498	¥ 236,478
Net income per unit	¥6,632	¥6,617
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 July 31, 2017 and January 31, 2017.

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

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

	From February 1, 2017 to July 31, 2017	From August 1, 2016 to January 31, 2017
Net income (in thousands of yen)	¥2,315,438	¥2,310,145
Net income not available to ordinary unitholders (in thousands of yen)	-	-
Net income available to ordinary unitholders (in thousands of yen)	¥2,315,438	¥2,310,145
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 July 31, 2017:

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

(in thousands of yen)

Type	Name	Face value total	Book value	Accrued interest	Prepaid accrued interest	Assessed value (Note 2)	Gain (Loss) on valuation	Remarks
Subordinated Silent Partnership Equity Interests	Equity interests in TK property fund with G.K. Tropic I as operator (Note 1)	-	91,579	-	-	91,579	-	
Total		-	91,579	-	-	91,579	-	

Note 1: TK property fund owns trust beneficiary interests in real estate for "KDX Residence Shukugawa Hills."

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

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

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

17. PROPERTY, PLANT AND EQUIPMENT

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

Type of asset	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Depreciation		Net balance at end of the period	Remarks
					Accumulated depreciation	Depreciation for the period		
(in thousands of yen)								
Land	¥1,798,041	¥ -	¥ -	¥1,798,041	¥ -	¥ -	¥1,798,041	
Sub total	1,798,041	-	-	1,798,041	-	-	1,798,041	
Buildings in trust	65,456,096	198,109	-	65,654,206	6,058,335	836,010	59,595,871	
Structures in trust	439,236	4,773	-	444,009	100,446	13,911	343,563	
Machinery and equipment in trust	1,253,773	6,053	-	1,259,827	197,886	28,014	1,061,940	
Tools, furniture and fixtures in trust	231,646	32,183	-	263,829	20,241	6,776	243,587	
Land in trust	93,118,700	-	-	93,118,700	-	-	93,118,700	
Sub total	160,499,454	241,119	-	160,740,573	6,376,910	884,713	154,363,663	
Total	¥162,297,495	¥241,119	¥ -	¥162,538,615	¥6,376,910	¥884,713	¥156,161,704	

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

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.

18. INVESTMENT CORPORATION BONDS

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

Series	Date of issue	Balance at the beginning of period	Decrease during the period	Balance at the end of period	Interest rate	Repayment date	Use	Remarks
(in thousands of yen)								
First series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.200%	August 30, 2021		
Second series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.540%	August 28, 2026	(Note2)	Unsecured
Third series of unsecured investment corporation bonds (Note 1)	August 30, 2016	1,000,000	-	1,000,000	0.800%	August 30, 2028		
Total		3,000,000	-	3,000,000				

Note 1: Ranking pari passu among the specified investment corporation bonds.

Note 2: Investment corporation bonds were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate and repayment of debts.

Note 3: Annual repayments of investment corporation bonds scheduled for the next five years after the balance sheet date are as follows.

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

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

Series	Date of issue	Balance at the beginning of period	Decrease during the period	Balance at the end of period	Interest rate	Repayment date	Use	Remarks
(in thousands of yen)								
First series of unsecured investment corporation bonds (Note 1)	August 30, 2016	-	-	1,000,000	0.200%	August 30, 2021		
Second series of unsecured investment corporation bonds (Note 1)	August 30, 2016	-	-	1,000,000	0.540%	August 28, 2026	(Note2)	Unsecured
Third series of unsecured investment corporation bonds (Note 1)	August 30, 2016	-	-	1,000,000	0.800%	August 30, 2028		
Total		-	-	3,000,000				

Note 1: Ranking pari passu among the specified investment corporation bonds.

Note 2: Investment corporation bonds were used as the funds for acquiring real estate properties or trust beneficiary interest in real estate and repayment of debts.

Note 3: Annual repayments of investment corporation bonds scheduled for the next five years after the balance sheet date are as follows.

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

19. SHORT-TERM DEBT AND LONG-TERM DEBT

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

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 6)	Use	Remarks
(in thousands of yen)									
Short-term loans payable	Sumitomo Mitsui Banking Corporation	1,000,000	-	1,000,000	-	0.430%	July 31, 2017	(Note 5)	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.430%	July 31, 2018		
	Sub total	1,000,000	1,000,000	1,000,000	1,000,000				
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	4,000,000	-	-	4,000,000	0.910%	August 31, 2017	(Note 5)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,500,000	-	-	2,500,000				
	Aozora Bank, Ltd.	1,500,000	-	-	1,500,000				
	Resona Bank, Limited	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000				
	Mizuho Trust & Banking Co., Ltd.	500,000	-	-	500,000				
	Mizuho Bank, Ltd.	500,000	-	-	500,000				
	Sub total	11,000,000	-	-	11,000,000				
Long-term loans payable	Sumitomo Mitsui Banking Corporation	3,250,000	-	-	3,250,000	1.052%	August 31, 2018	(Note 5)	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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		
	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	0.916%	August 7, 2021		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,100,000	-	-	1,100,000				
	Mizuho Bank, Ltd.	600,000	-	-	600,000				
	Aozora Bank, Ltd.	350,000	-	-	350,000				
	Resona Bank, Limited	300,000	-	-	300,000				
	The Mizuho Trust and Banking Co., Limited	300,000	-	-	300,000				
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Banking Corporation	400,000	-	-	400,000	1.254%	August 7, 2023		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	400,000	-	-	400,000					
Mizuho Bank, Ltd.	300,000	-	-	300,000					
Resona Bank, Limited	200,000	-	-	200,000					
The Mizuho Trust and Banking Co., Limited	200,000	-	-	200,000					
Aozora Bank, Ltd.	150,000	-	-	150,000					

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 2) (Note 3)	Payment due date (Note 6)	Use	Remarks
Lender	(in thousands of yen)							
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		
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		
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	(Note 5)	Unsecured/ Unguaranteed
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		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	300,000	-	-	300,000	0.624%	October 27, 2020		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	1.156%	April 27, 2025		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	0.819%	April 28, 2025		
Sumitomo Mitsui Banking Corporation	2,500,000	-	-	2,500,000	0.903%	April 30, 2026		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	0.660% (Note 4)	July 31, 2025		
Mizuho Bank, Ltd.	1,500,000	-	-	1,500,000	0.816% (Note 4)	August 31, 2026		
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 4)	August 31, 2025		
The Mizuho Trust and Banking Co., Limited	500,000	-	-	500,000	0.751% (Note 4)	August 31, 2025		

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 2) (Note 3)	Payment due date (Note 6)	Use	Remarks
(in thousands of yen)									
Long-term loans payable	Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.906%	August 31, 2026	(Note 5)	Unsecured/Unguaranteed
	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.773% (Note 4)	October 31, 2025		
	Sub total	66,800,000	-	-	66,800,000				
Total		¥78,800,000	¥1,000,000	¥1,000,000	¥78,800,000				

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

	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
(in thousands of yen)					
Long-term loans payable	¥11,000,000	¥1,500,000	¥5,950,000	¥15,150,000	¥33,200,000

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

Note 3: Average interest rates are the weighted average during the period and figures are rounded to the nearest third decimal place. Also, with regard to borrowings for which interest rate swap transactions and other derivative transactions were implemented in order to hedge the interest rate volatility risk, the weighted average interest rates taking into consideration the effects of the interest rate swaps and other derivatives are indicated.

Note 4: Borrowings is applied at a fixed rate.

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

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

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

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 3) (Note 4)	Payment due date (Note 7)	Use	Remarks
(in thousands of yen)									
Short-term loans payable	Sumitomo Mitsui Banking Corporation	-	2,000,000	1,000,000 (Note 8)	1,000,000	0.431%	July 31, 2017	(Note 6)	Unsecured/Unguaranteed
	Sub total	-	2,000,000	1,000,000	1,000,000				
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation	3,000,000	-	3,000,000	-	0.787%	August 31, 2016	(Note 6)	Unsecured/Unguaranteed
	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	-				
	Sumitomo Mitsui Banking Corporation	4,000,000	-	-	4,000,000				
	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				
	Sub total	19,500,000	-	8,500,000	11,000,000				
Long-term loans payable	Sumitomo Mitsui Banking Corporation	3,250,000	-	-	3,250,000	1.052%	August 31, 2018	(Note 6)	Unsecured/Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000,000	-	-	2,000,000				
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000				

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)							
	Resona Bank, Limited	500,000	-	-	500,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000	1.052%	August 31, 2018		
	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				
	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				
Long-term loans payable	Development Bank of Japan Inc.	1,000,000	-	-	1,000,000	0.996% (Note 5)	August 7, 2021	(Note 6)	Unsecured/ Unguaranteed
	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		
	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		

Classification	Lender	Balance at the beginning of period	Increase during the period	Decrease during the period	Balance at the end of period	Average interest rate (Note 3) (Note 4)	Payment due date (Note 7)	Use	Remarks
(in thousands of yen)									
Long-term loans payable	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		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	-	1,000,000	1.156%	April 27, 2025	(Note 6)	Unsecured/ Unguaranteed
	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	Due after 5 years
(in thousands of yen)					
Long-term loans payable	¥11,000,000	¥1,500,000	¥3,600,000	¥10,000,000	¥40,700,000

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 repayment of 1,000,000 thousand yen was made on August 31, 2016.

20. DISTRIBUTIONS

	11th Fiscal Period (From February 1, 2017 to July 31, 2017)	10th Fiscal Period (From August 1, 2016 to January 31, 2017)
I. Retained earnings at the end of period	¥2,400,002,851	¥2,365,163,158
II. Total distributions	¥2,315,507,337	¥2,280,598,437
Distributions per unit	¥6,633	¥6,533
III. Retained earnings brought forward to the next period	¥84,495,514	¥84,564,721

Method of calculating distribution amount

In accordance with the policy described in Article 38-1 of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law, and shall not exceed its accounting profits as the maximum amount. Following this policy, the Investment Corporation has decided that it shall distribute ¥2,315,507,337, which is the amount of ¥2,315,438,130 in net income and ¥69,207 from retained earnings brought forward, as the distribution of earnings.

Procedures for the distribution of amounts exceeding distributable income are outlined in Article 38-2 of the Investment Corporation's Articles of Incorporation. In the 11th fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.

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 9th 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 10th fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.