

**Translation of Japanese Original****FINANCIAL REPORT FOR THE FISCAL PERIOD ENDED JULY 31, 2022(REIT)
(February 1, 2022 to July 31, 2022)**

September 13, 2022

Kenedix Residential Next Investment Corporation is listed on the Tokyo Stock Exchange with the securities code number 3278.

(URL <https://www.kdr-reit.com/en/>)

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Preparing presentation material: Yes

Hold a financial brief meeting: No (Cancelled due to preventing the spread of coronavirus infection. Scheduled financial results presentation webcast (Japanese version) .)

(Amounts are rounded down to the nearest ¥million)

1. PERFORMANCE FOR THE FISCAL PERIOD ENDED July 31, 2022 (21st FISCAL PERIOD)**(1) Business Results**

(Percentages show period-on-period changes)

	Operating Revenues (Millions of Yen)		Operating Income (Millions of Yen)		Ordinary Income (Millions of Yen)		Net Income (Millions of Yen)	
The 21st fiscal period ended July 31, 2022	9,447	(3.3%)	4,850	(0.2%)	4,122	(0.1%)	4,122	(0.1%)
The 20th fiscal period ended January 31, 2022	9,143	(-0.6%)	4,840	(0.4%)	4,119	(-0.7%)	4,119	(-0.7%)

	Net Income per Unit (Yen)	Return on Unitholders' Equity	Ordinary Income to Total Assets	Ordinary Income to Operating Revenues
The 21st fiscal period ended July 31, 2022	3,966	2.9%	1.3%	43.6%
The 20th fiscal period ended January 31, 2022	4,136	3.0%	1.4%	45.1%

(2) Distribution

	Distribution per Unit (Excluding Excess of Earnings) (Yen)	Total Distributions (Excluding Excess of Earnings) (Millions of Yen)	Distribution in Excess of Earnings per Unit (Yen)	Total Distributions in Excess of Earnings (Millions of Yen)	Payout Ratio	Distribution Ratio to Unitholders' Equity
The 21st fiscal period ended July 31, 2022	4,101	4,288	-	-	104.0%	3.0%
The 20th fiscal period ended January 31, 2022	4,101	4,084	-	-	99.1%	3.0%

(Note 1) Total Distributions for the 21st fiscal period is not the same amount as Net Income because of adding reversal of reserve for temporary difference adjustments and a part of Retained earnings brought forward.

(Note 2) Total Distributions for the 20th fiscal period is not the same amount as Net Income because of excluding a part of gain on sale of real estate property and other adjustments from Net Income, and adding reversal of reserve for temporary difference adjustments

(Note 3) Due to issuance of new investment units in the 21st period, Payout Ratio for each fiscal period is calculated as follows.

Payout Ratio = Total Distributions (Excluding Excess of Earnings) / Net income × 100

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(3) Financial Position

	Total Assets (Millions of Yen)	Unitholders' Equity (Millions of Yen)	Unitholders' Equity to Total Assets	Unitholders' Equity per Share of Common Stock (Yen)
As of July 31, 2022	315,886	145,258	46.0%	138,902
As of January 31, 2022	302,410	135,790	44.9%	136,352

(4) Cash Flow Position

	Cash Flow from Operating Activities (Millions of Yen)	Cash Flow from Investing Activities (Millions of Yen)	Cash Flow from Financing Activities (Millions of Yen)	Cash and Cash Equivalents at the End of the Period (Millions of Yen)
The 21st fiscal period ended July 31, 2022	6,084	-14,488	8,926	25,504
The 20th fiscal period ended January 31, 2022	6,135	-13,488	4,799	24,982

2. FORECAST OF RESULTS FOR THE FISCAL PERIOD ENDING JANUARY 31, 2023 (August 1, 2022 to January 31, 2023) AND JULY 31, 2022 (February 1, 2023 to July 31, 2023)

(Percentages show period-on-period changes)

	Operating Revenues (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income (Millions of Yen)	Distribution per Unit Excluding Excess of Earning	Distribution in Excess of Earnings per Unit
The 22nd fiscal period ending January 31, 2023	9,558 (1.2%)	4,936 (1.8%)	4,233 (2.7%)	4,232 (2.7%)	4,120	-
The 23rd fiscal period ending July 31, 2023	9,661 (1.1%)	4,948 (0.3%)	4,240 (0.2%)	4,240 (0.2%)	4,120	-

(Reference) Estimated net income per unit (Estimated Net Income / Estimated weighted average number of units)

The 22nd fiscal period ending January 31, 2023 ¥4,047 The 23rd fiscal period ending July 31, 2023 ¥4,054

Distributions per Unit Excluding Excess of Earning are not the same amount as estimated net income per unit for the 22nd and 23rd fiscal periods. Total distributions for the 22nd and 23rd fiscal periods are calculated with the assumption adding reversal of reserve for temporary difference adjustments and amount including a part of retained earnings brought forward that were internally reserved through the previous fiscal period to the net income.

(Note) Distribution per unit is calculated based on the number of investment units issued and outstanding totaled 1,045,758 as of today.

3. OTHER

(1) Changes in Accounting Policies/Changes in Accounting Estimate/Retrospective Restatement

- (a) Changes concerning accounting policy accompanying amendments to accounting standards: No
- (b) Changes other than (a): No
- (c) Changes in accounting estimate: No
- (d) Retrospective restatement: No

(2) Number of Investment Unit Issued and Outstanding (including treasury units)

- (a) Number of investment units issued and outstanding at the end of the period (including treasury units)
As of January 31, 2022: 995,883 units As of July 31, 2022: 1,045,758 units
- (b) Number of treasury units at the end of the period
As of January 31, 2022: 0 units As of July 31, 2022: 0 units

[Provisional Translation Only]

English translation of the original Japanese document is provided solely for information purposes. Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

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1. Financial Statements

(1) Balance Sheets

	(in thousands of yen)	
	20th Fiscal Period (As of January 31, 2022)	21st Fiscal Period (As of July 31, 2022)
Assets		
Current assets		
Cash and deposits	13,828,613	14,043,415
Cash and deposits in trust	11,153,990	11,460,934
Operating accounts receivable	236,109	57,058
Prepaid expenses	10,310	16,867
Consumption taxes receivable	-	9,475
Other	5,272	8,062
Total current assets	25,234,296	25,595,814
Noncurrent assets		
Property, plant and equipment		
Land	173,018	173,018
Buildings in trust	115,859,756	122,148,745
Accumulated depreciation	-17,273,700	-18,830,347
Buildings in trust, net	98,586,055	103,318,397
Structures in trust	1,335,781	1,465,983
Accumulated depreciation	-354,077	-392,101
Structures in trust, net	981,703	1,073,882
Machinery and equipment in trust	1,545,362	1,574,807
Accumulated depreciation	-486,797	-521,625
Machinery and equipment in trust, net	1,058,565	1,053,181
Tools, furniture and fixtures in trust	1,054,703	1,239,572
Accumulated depreciation	-176,789	-211,213
Tools, furniture and fixtures in trust, net	877,913	1,028,358
Land in trust	172,904,875	180,334,732
Total property, plant and equipment, net	274,582,133	286,981,571
Intangible assets		
Leasehold right in trust	1,113,305	1,851,176
Other	1,681	905
Total intangible assets	1,114,987	1,852,082
Investments and other assets		
Investment securities	109,688	-
Lease and guarantee deposits	89,381	89,348
Long-term prepaid expenses	1,016,936	940,044
Other	166,099	324,482
Total investments and other assets	1,382,104	1,353,875
Total noncurrent assets	277,079,225	290,187,529
Deferred assets		
Investment corporation bond issuance costs	48,069	44,100
Investment unit issuance costs	48,750	59,235
Total deferred assets	96,819	103,335
Total assets	302,410,342	315,886,678

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION (3278)

(in thousands of yen)

	20th Fiscal Period (As of January 31, 2022)	21st Fiscal Period (As of July 31, 2022)
Liabilities		
Current liabilities		
Operating accounts payable	655,849	786,274
Short-term loans payable	2,500,000	4,400,000
Current portion of long-term loans payable	19,750,000	14,050,000
Accounts payable-other	409,744	386,351
Accrued expenses	54,800	59,408
Income taxes payable	605	605
Accrued consumption taxes	31,944	16,126
Advances received	1,263,949	1,387,348
Deposits received	71,603	84,024
Other	6,636	100
Total current liabilities	24,745,132	21,170,239
Noncurrent liabilities		
Investment corporation bonds	7,700,000	7,700,000
Long-term loans payable	125,870,000	133,470,000
Tenant leasehold and security deposits in trust	3,464,769	3,731,982
Tenant lump sum deposits in trust	4,671,456	4,414,784
Asset retirement obligations	68,264	68,451
Other	100,012	73,051
Total noncurrent liabilities	141,874,503	149,458,269
Total liabilities	166,619,636	170,628,508
Net assets		
Unitholders' equity		
Unitholders' capital	116,322,630	125,564,617
Surplus		
Capital surplus	13,187,100	13,187,100
Voluntary retained earnings		
Reserve for temporary difference adjustments	*2 1,880,000	*2 1,860,000
Total voluntary retained earnings	1,880,000	1,860,000
Unappropriated retained earnings (undisposed loss)	4,335,589	4,393,566
Total surplus	19,402,689	19,440,666
Total unitholders' equity	135,725,319	145,005,284
Valuation and translation adjustments		
Deferred gains or losses on hedges	65,386	252,885
Total valuation and translation adjustments	65,386	252,885
Total net assets	*1 135,790,706	*1 145,258,169
Total liabilities and net assets	302,410,342	315,886,678

(2) Statements of Income and Retained Earnings

(in thousands of yen)

	20th Fiscal Period August 1, 2021 to January 31, 2022	21st Fiscal Period February 1, 2022 to July 31, 2022
Operating revenues		
Rent revenue-real estate	*1 8,434,013	*1 8,790,331
Other lease business revenue	*1 528,925	*1 651,165
Gain on sale of real estate property	*2 180,124	-
Dividends income	-	6,207
Total operating revenues	9,143,063	9,447,705
Operating expenses		
Expenses related to rent business	*1 3,257,431	*1 3,549,451
Asset management fees	684,755	675,353
Asset custody fees	15,460	15,846
Administrative service fees	51,082	52,332
Directors' compensation	5,400	4,500
Other operating expenses	288,082	299,578
Total operating expenses	4,302,212	4,597,062
Operating income	4,840,850	4,850,642
Non-operating income		
Interest income	42	46
Gain on forfeiture of unclaimed dividends	141	151
Total non-operating income	184	197
Non-operating expenses		
Interest expenses	533,039	523,531
Interest expenses on investment corporation bonds	26,994	26,386
Borrowing expenses	134,043	153,526
Amortization of investment corporation bond issuance costs	3,968	3,968
Amortization of investment unit issuance costs	23,027	20,728
Total non-operating expenses	721,074	728,141
Ordinary income	4,119,960	4,122,698
Income before income taxes	4,119,960	4,122,698
Income taxes		
Current	605	605
Total income taxes	605	605
Net income	4,119,355	4,122,093
Retained earnings brought forward	216,234	271,473
Unappropriated retained earnings (undisposed loss)	4,335,589	4,393,566

(3) Statements of Changes in Net Assets

20th Fiscal Period August 1, 2021 to January 31, 2022

(in thousands of yen)

	Unitholders' equity							
	Unitholders' capital	Capital surplus	Surplus			Unappropriated retained earnings (undisposed loss)	Total surplus	Total unitholders' equity
			Voluntary reserve					
			Reserve for temporary difference adjustments	Total voluntary reserve				
Balance at the beginning of current period	116,322,630	13,187,100	1,900,000	1,900,000	4,296,284	19,383,384	135,706,015	
Changes of items during the period								
Reversal of reserve for temporary difference adjustments			-20,000	-20,000	20,000	-	-	
Dividends from surplus					-4,100,050	-4,100,050	-4,100,050	
Net income					4,119,355	4,119,355	4,119,355	
Net changes of items other than unitholders' equity								
Total changes of items during the period	-	-	-20,000	-20,000	39,304	19,304	19,304	
Balance at the end of current period	* 1 116,322,630	13,187,100	1,880,000	1,880,000	4,335,589	19,402,689	135,725,319	

	Valuation and translation adjustments		Total net assets
	Deferred gains and losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	-487,588	-487,588	135,218,427
Changes of items during the period			
Reversal of reserve for temporary difference adjustments			-
Dividends from surplus			-4,100,050
Net income			4,119,355
Net changes of items other than unitholders' equity	552,974	552,974	552,974
Total changes of items during the period	552,974	552,974	572,279
Balance at the end of current period	65,386	65,386	135,790,706

KENEDIX RESIDENTIAL NEXT INVESTMENT CORPORATION (3278)

21st Fiscal Period February 1, 2022 to July 31, 2022

(in thousands of yen)

	Unitholders' equity						
	Unitholders' capital	Surplus					Total unitholders' equity
		Capital surplus	Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus	
			Reserve for temporary difference adjustments	Total voluntary reserve			
Balance at the beginning of current period	116,322,630	13,187,100	1,880,000	1,880,000	4,335,589	19,402,689	135,725,319
Changes of items during the period							
Issuance of new investment units	9,241,987						9,241,987
Reversal of reserve for temporary difference adjustments			-20,000	-20,000	20,000	-	-
Dividends from surplus					-4,084,116	-4,084,116	-4,084,116
Net income					4,122,093	4,122,093	4,122,093
Net changes of items other than unitholders' equity							
Total changes of items during the period	9,241,987	-	-20,000	-20,000	57,977	37,977	9,279,964
Balance at the end of current period	* 1 125,564,617	13,187,100	1,860,000	1,860,000	4,393,566	19,440,666	145,005,284

	Valuation and translation adjustments		Total net assets
	Deferred gains and losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	65,386	65,386	135,790,706
Changes of items during the period			
Issuance of new investment units			9,241,987
Reversal of reserve for temporary difference adjustments			-
Dividends from surplus			-4,084,116
Net income			4,122,093
Net changes of items other than unitholders' equity	187,499	187,499	187,499
Total changes of items during the period	187,499	187,499	9,467,463
Balance at the end of current period	252,885	252,885	145,258,169

(4) Distributions

	20th Fiscal Period (From August 1, 2021 to January 31, 2022)	21st Fiscal Period (From February 1, 2022 to July 31, 2022)
I. Retained earnings at the end of period	¥4,335,589,580	¥4,393,566,974
II. Reversal of voluntary retained earnings Reversal of reserve for temporary difference adjustments *1	¥20,000,000	¥20,000,000
III. Total distributions	¥4,084,116,183	¥4,288,653,558
Distributions per unit	¥4,101	¥4,101
. Retained earnings brought forward to the next period	¥271,473,397	¥124,913,416
Method of calculating distribution amount	<p>In accordance with the policy described in Article 38-1 of its Articles of Incorporation, the Investment Corporation determines that the amount of distribution shall exceed the amount equivalent to 90% of its distributable profit as stipulated in Article 67-15 of the Special Taxation Measures Law, and shall not exceed its accounting profits as the maximum amount. Following this policy, the Investment Corporation has decided that it shall distribute ¥4,084,116,183, which is the amount deducted a part of gain on sale of real estate property and other adjustments from net income and added reversal of reserve for temporary difference adjustments, as the distribution of earnings.</p> <p>Procedures for the distribution of amounts exceeding distributable income are outlined in Article 38-2 of the Investment Corporation's Articles of Incorporation. In the 20th 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 ¥4,288,653,558, which is the amount of ¥4,122,093,577 in net income and ¥146,559,981 from retained earnings brought forward and reversal of reserve for temporary difference adjustments, as the distribution of earnings.</p> <p>Procedures for the distribution of amounts exceeding distributable income are outlined in Article 38-2 of the Investment Corporation's Articles of Incorporation. In the 21st fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.</p>

(5) Statements of Cash Flows

(in thousands of yen)

	20th Fiscal Period August 1, 2021 to January 31, 2022	21st Fiscal Period February 1, 2022 to July 31, 2022
Net cash provided by (used in) operating activities		
Income before income taxes	4,119,960	4,122,698
Depreciation and amortization	1,590,604	1,666,611
Amortization of investment corporation bond issuance expenses	3,968	3,968
Amortization of investment unit issuance costs	23,027	20,728
Interest income	-42	-46
Interest expenses	560,034	549,917
Decrease (increase) in operating accounts receivable	-68,012	179,050
Decrease (increase) in consumption taxes refund receivable	-	-9,475
Decrease (increase) in prepaid expenses	5,512	-6,556
Increase (decrease) in operating accounts payable	73,023	-66,422
Increase (decrease) in accounts payable-other	-13,861	-22,584
Increase (decrease) in accrued consumption taxes	-34,076	-15,817
Increase (decrease) in advances received	60,395	123,398
Decrease (increase) in long-term prepaid expenses	-18,277	76,891
Decrease in net property, plant and equipment held in trust due to sale	379,169	-
Other, net	15,389	15,539
Subtotal	6,696,814	6,637,902
Interest income received	42	46
Interest expenses paid	-560,700	-551,245
Income taxes (paid) refund	-604	-2,422
Net cash provided by (used in) operating activities	6,135,552	6,084,281
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-351	-
Purchase of property, plant and equipment in trust	-13,548,175	-13,866,514
Purchase of intangible assets in trust	-	-739,596
Purchase of investment securities	-109,688	-
Proceeds from investment securities	-	107,000
Payments of lease and guarantee deposits	-	-120
Proceeds from lease and guarantee deposits	-	153
Repayments of tenant leasehold and security deposits in trust	-126,302	-146,972
Proceeds from tenant leasehold and security deposits in trust	194,966	414,185
Repayments of tenant lump sum deposits in trust	-129,873	-299,494
Proceeds from tenant lump sum deposits in trust	230,795	42,822
Net cash provided by (used in) investing activities	-13,488,628	-14,488,536
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	2,500,000	5,900,000
Repayments of short-term loans payable	-	-4,000,000
Proceeds from long-term loans payable	15,850,000	15,400,000
Repayments of long-term loans payable	-8,450,000	-13,500,000
Redemption of investment corporation bonds	-1,000,000	-
Proceeds from issuance of investment units	-	9,210,774
Dividends paid	-4,100,193	-4,084,773
Net cash provided by (used in) financing activities	4,799,806	8,926,001
Net increase (decrease) in cash and cash equivalents	-2,553,270	521,746
Cash and cash equivalents at the beginning of period	27,535,874	24,982,604
Cash and cash equivalents at the end of period	*1 24,982,604	*1 25,504,350

(6) Notes to the Going Concern

Not applicable

(7) Important Accounting Standards

1. Evaluation standards and evaluation method of assets	Securities Other securities Those with no fair value Cost method through moving-average method Concerning anonymous association equity interests, the method of incorporating the amount equivalent to equity interests corresponding to net amount of gain or loss from anonymous association is adopted.
2. Depreciation of fixed assets	(1) Property, plant and equipment (includes trust assets) The straight-line method is applied. Useful lives of the assets ranging are as follows: Buildings: 2 to 69 years Structures: 3 to 65 years Machinery and equipment: 3 to 40 years Tools, furniture and fixtures: 2 to 30 years (2) Intangible assets(includes trust assets) The straight-line method is applied. Land leasehold: Fixed term land leaseholds is amortized over a contractual period under the straight-line method. (3) Long-term prepaid expenses The straight-line method is applied.
3. Accounting policies for deferred assets	(1) Unit issuance costs Unit issuance costs are amortized over a period of 3 years under the straight-line method. (2) Investment corporation bond issuance costs Bond issuance costs are amortized by applying the straight-line method for the entire redemption period.
4. Accounting standards for revenues and expenses	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 ¥7,873 thousand and ¥35,972 thousand as of January 31, 2022 and July 31, 2022, respectively.
5. Accounting for hedges	(1) Hedge accounting method The deferred hedge method is applied. However, the special treatment is applied for the interest-rate swap agreements that meet the criteria. (2) Hedging instruments and risks hedged Hedge instruments The Investment Corporation enters into interest-rate swap transactions. Risks hedged Interest rates on debt. (3) Hedging policy The Investment Corporation enters into derivative transactions based on its risk management policies with the objective of hedging risks in accordance with its Articles of Incorporation. (4) Method of evaluating the effectiveness of hedging 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 that meet the requirements for special treatment.
6. The scope of cash and cash equivalents on statements of cash flows	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.
7. Other significant accounting policies utilized in the preparation of financial statements	(1) Accounting method for trust beneficiary interests in real estate and other assets The assets and liabilities as well as revenues and expenses of financial assets held in the form of trust beneficiary interests in real estate and other assets are recorded in full in the Investment Corporation's balance sheets and statements of income. Important line items included in accounting for financial assets and liabilities in the Investment Corporation's balance sheet are as follows: 1. Cash and deposits in trust 2. Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, land in trust, leasehold right in trust 3. Tenant leasehold and security deposits in trust, tenant lump sum deposits in trust (2) Accounting method for consumption tax Consumption taxes are separately recorded. Non-deductible consumption taxes applicable to the acquisition of assets are included in the cost of acquisition for each asset.

(8) Notes to the Financial Statements

(Notes to the Balance Sheets)

* 1. Minimum unitholders' equity pursuant to Article 67-4 of the Law Concerning Investment Trusts and Investment Corporations Law

(in thousands of yen)	
As of January 31, 2022	As of July 31, 2022
50,000	50,000

*2. Reserve for temporary difference adjustments

20th Fiscal Period (As of January 31, 2022)

The following summarizes reserve for temporary difference adjustments.						(in thousands of yen)
	Initial amount	Balance at the beginning of the period	Reserve during the period	Reversal during the period	Balance at the end of the period	Reason for reserve and reversal
Gain on negative good will*	2,000,000	1,900,000	-	20,000	1,880,000	Appropriate for distribution

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

21st Fiscal Period (As of July 31, 2022)

The following summarizes reserve for temporary difference adjustments.						(in thousands of yen)
	Initial amount	Balance at the beginning of the period	Reserve during the period	Reversal during the period	Balance at the end of the period	Reason for reserve and reversal
Gain on negative good will*	2,000,000	1,880,000	-	20,000	1,860,000	Appropriate for distribution

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

3. Commitment line contracts

KDR has commitment line contracts with the banks with which it does business.

	As of January 31, 2022	As of July 31, 2022
Total amount of commitment line contracts	4,500,000	4,500,000
Balance of loans payable outstanding	-	-
Remaining amount	4,500,000	4,500,000

(Notes to the Statements of Income and Retained Earnings)

* 1. Breakdown of real estate rental business profit and loss

(in thousands of yen)

	From August 1, 2021 to January 31, 2022	From February 1, 2022 to July 31, 2022
A. Rental and other operating revenues:		
Rental revenues	8,059,188	8,402,006
Common area charges	374,825	388,325
Subtotal	8,434,013	8,790,331
Others:		
Parking space rental revenues	211,358	216,894
Miscellaneous	317,566	434,271
Subtotal	528,925	651,165
Total rental and other operating revenues	8,962,938	9,441,497

B. Property-related expenses:

Property management fees and facility management fees	461,343	502,201
Utilities	105,032	117,105
Taxes	532,192	573,379
Repairs and maintenance	316,759	398,804
Insurance	15,603	15,003
Trust fees	59,827	66,844
Depreciation	1,589,828	1,665,834
Others	176,844	210,278
Total property-related expenses	3,257,431	3,549,451
C. Net operating income (A-B)	5,705,506	5,892,045

*2. Gain and Loss on sale of real estate property

20th Fiscal Period (August 1, 2021 to January 31, 2022)

(in thousands of yen)

KDX Residence Tobu Nerima	
Revenue from sale of the investment property	580,000
Costs of the investment property	379,169
Other sales expenses	20,705
Gain on sale of real estate property	180,124

21st Fiscal Period (February 1, 2022 to July 31, 2022): Not applicable

(Notes to the Statements of Changes in Net Assets)

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

	From August 1, 2021 to January 31, 2022	From February 1, 2022 to July 31, 2022
Total number of authorized investment units	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	995,883 units	1,045,758 units

(Notes to Distributions)

20th Fiscal Period (August 1, 2021 to January 31, 2022)

*1. Reserve for temporary difference adjustments

The Investment Corporation has reserved ¥2,000,000,000 as reserve for temporary difference adjustments from gain on negative goodwill in the 13th fiscal period. At least 1% of the initial amount in equal installments over 50 years (100 fiscal periods) will be reversed every fiscal period applied to distribution starting from the 14th fiscal period distribution. It has been decided that ¥20,000,000 shall be reversed and applied to distribution in the 20th fiscal period distribution.

21st Fiscal Period (February 1, 2022 to July 31, 2022)

*1. Reserve for temporary difference adjustments

The Investment Corporation has reserved ¥2,000,000,000 as reserve for temporary difference adjustments from gain on negative goodwill in the 13th fiscal period. At least 1% of the initial amount in equal installments over 50 years (100 fiscal periods) will be reversed every fiscal period applied to distribution starting from the 14th fiscal period distribution. It has been decided that ¥20,000,000 shall be reversed and applied to distribution in the 21st fiscal period distribution.

(Notes to the Statements of Cash Flow)

* 1. Reconciliation of balance sheet items to cash and cash equivalents at end of period in the cash flows statements

	(in thousands of yen)	
	As of January 31, 2022	As of July 31, 2022
Cash and deposits	13,828,613	14,043,415
Cash and deposits in trust	11,153,990	11,460,934
Cash and cash equivalents	24,982,604	25,504,350

(Notes to the Lease Transactions)

Operating lease transactions (Lessee)

Unearned lease payments

	(in thousands of yen)	
	As of January 31, 2022	As of July 31, 2022
Due in 1 year	12,000	12,000
Due after 1 year	521,000	515,000
Total	533,000	527,000

Operating lease transactions (Lessor)

Unearned lease payments

	(in thousands of yen)	
	As of January 31, 2022	As of July 31, 2022
Due in 1 year	5,941,594	4,152,082
Due after 1 year	14,709,787	18,725,548
Total	20,651,381	22,877,631

(Notes to the 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 9 years and 4 months for borrowings and also have a redemption date of a maximum of 8 years and 10 months for investment corporation bonds as of July 31, 2022, the end of the 21st 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. A risk management policy is established with regard to the execution and management of derivatives and such transactions are conducted based on this policy. The Investment Corporation periodically reviews the value of the property and financial condition of the issuer with regard to investment securities.

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 as of January 31, 2022 and estimated fair value are shown in the following table. Moreover, because "Cash and deposits," "Cash and deposits in trust" and "Short-term loans payable" are settled with cash in the short term, the fair value can be considered as equivalent to the book value. Therefore, the notes for these accounts have been omitted.

As of January 31, 2022

(in thousands of yen)

	Carrying amount	Estimated fair value	Difference
(1) Current portion of long-term loans payable	19,750,000	19,745,024	-4,975
(2) Investment corporation bonds	7,700,000	7,658,870	-41,130
(3) Long-term loans payable	125,870,000	126,071,920	201,920
Total	153,320,000	153,475,815	155,815
Derivative transactions	65,386	65,386	-

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

As of July 31, 2022

(in thousands of yen)			
	Carrying amount	Estimated fair value	Difference
(1) Current portion of long-term loans payable	14,050,000	14,044,551	-5,448
(2) Investment corporation bonds	7,700,000	7,667,450	-32,550
(3) Long-term loans payable	133,470,000	133,463,068	-6,931
Total	155,220,000	155,175,069	-44,930
Derivative transactions	252,885	252,885	-

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

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

Liabilities

(1) Current portion of long-term loans payable and (3) 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.)

(2) Investment corporation bonds

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

Derivative transactions

Please refer to “Notes to the Derivative Transactions”.

Note2: Equity interests in silent partnership

20th Fiscal Period (As of January 31, 2022)

Notes as stipulated in Paragraph 4 (1) of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, revised on March 31, 2020) are not disclosed by applying the treatment stipulated in paragraph 27 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, revised on July 4, 2019). The balance sheet amounts of investment in partnerships to which the above treatment is applied is 109,688 thousand yen as of January 31, 2022.

21st Fiscal Period (As of July 31, 2022): Not applicable

Note 3: Redemption schedule for loans payable and investment corporation bonds

As of January 31, 2022

(in thousands of yen)						
	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
Investment corporation bonds	-	1,000,000	-	-	1,000,000	5,700,000
Long-term loans payable	19,750,000	15,900,000	16,900,000	16,700,000	21,300,000	55,070,000
Total	19,750,000	16,900,000	16,900,000	16,700,000	22,300,000	60,770,000

As of July 31, 2022

(in thousands of yen)						
	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
Investment corporation bonds	-	1,000,000	-	-	1,000,000	5,700,000
Long-term loans payable	14,050,000	18,850,000	21,350,000	23,300,000	21,500,000	48,470,000
Total	14,050,000	19,850,000	21,350,000	23,300,000	22,500,000	54,170,000

(Notes to the Investment securities)

20th Fiscal Period (As of January 31, 2022):

Based on Article 8-6-2, paragraph 3 of the Regulations on Financial Statements, note disclosures defined in item 2 of the said paragraph for equity interests in silent partnerships (Book value: 109,688 thousand yen) are omitted.

21st Fiscal Period (As of July 31, 2022): Not applicable

(Notes on Revenue Recognition)

1. Information on the Breakdown of Revenue from Contracts with Customers

20th Fiscal Period (August 1, 2021 to January 31, 2022)

(in thousands of yen)

	Revenue from contracts with customers *1	Net sales to external customers
Revenue from sale of real estate, etc.	580,000	*2 180,124
Utility charge reimbursement	43,262	43,262
Other	-	8,919,676
Total	623,262	9,143,063

*1 The rental revenues, etc. subject to the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and the sale of real estate, etc. subject to the "Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies" (Accounting System Committee Report No. 15 of the Japanese Institute of Certified Public Accountants) are not included in the above amount as they are not applied to the Revenue Recognition Accounting Standard. Moreover, the main revenue from contracts with customers are revenue from sale of real estate, etc. and utility charge reimbursement.

*2 As proceeds from sale of real estate property are recorded as gain on sale of real estate property in the statements of income and retained earnings, the amount calculated by deducting the cost of real estate property sales and other sales expenses from proceeds from sale of real estate property is indicated.

21st Fiscal Period ((February 1, 2022 to July 31, 2022)

(in thousands of yen)

	Revenue from contracts with customers *	Net sales to external customers
Revenue from sale of real estate, etc.	-	-
Utility charge reimbursement	49,184	49,184
Other	-	9,398,520
Total	49,184	9,447,705

* The rental revenues, etc. subject to the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and the sale of real estate, etc. subject to the "Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies" (Accounting System Committee Report No. 15 of the Japanese Institute of Certified Public Accountants) are not included in the above amount as they are not applied to the Revenue Recognition Accounting Standard. Moreover, the main revenue from contracts with customers are revenue from sale of real estate, etc. and utility charge reimbursement.

2. Information Utilized as the Base for Understanding Revenue from Contracts with Customers

The information is as described in the notes on important accounting standards.

3. Information on Relationship of Fulfillment of Performance Obligations Based on Contracts with Customers with Cashflow Generated from Said Contracts and Amount and Period of Revenue Expected to Be Recognized in the Next Calculation Period or Thereafter from Contracts with Customers Existing at the End of the Current Calculation Period

(1) Balance of contract assets and contract liabilities, etc.

(in thousands of yen)

	20th Fiscal Period (August 1, 2021 to January 31, 2022)	21st Fiscal Period (February 1, 2022 to July 31, 2022)
Claims generated from contracts with customers (balance at beginning of fiscal year)	3,830	2,969
Claims generated from contracts with customers (balance at end of fiscal year)	2,969	4,864
Contract assets (balance at beginning of fiscal year)	-	-
Contract assets (balance at end of fiscal year)	-	-
Contract liabilities (balance at beginning of fiscal year)	-	-
Contract liabilities (balance at end of fiscal year)	-	-

(2) Transaction value allocated to remaining performance obligations

Not applicable.

With regard to utility charge reimbursements, as the Investment Corporation has the right to receive from customers an amount directly corresponding to the value for the lessees, or customers, of sections for which performance is complete by the end of the fiscal period, the amount it has the right to claim is recognized as revenue in accordance with Paragraph 19 of the Implementation Guidance on Accounting Standard for Revenue Recognition. Accordingly, such is not included in the note on transaction value allocated to remaining performance obligations through application of the provisions of Paragraph 80-22 (2) of the Accounting Standard for Revenue Recognition.

(Notes to the Derivative Transactions)

(1) Transactions not subject to hedge accounting

As of January 31, 2022; and as of July 31, 2022: Not applicable

(2) Transactions subject to hedge accounting

As of January 31, 2022

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
				Maturing after 1 year		
Accounting method, in principle	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	91,320,000	84,920,000	65,386	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	24,200,000	13,950,000	*	-
Total			115,520,000	98,870,000	65,386	

*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.

As of July 31, 2022

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
				Maturing after 1 year		
Accounting method, in principle	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	98,020,000	90,520,000	252,885	Based on the amount provided by counterparty financial institutions
Special treatment of interest-rate swaps	Interest rate swap transaction: Receive/floating and pay/fixed	Long-term loans payable	16,700,000	12,450,000	*	-
Total			114,720,000	102,970,000	252,885	

*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.

(Notes to the Related-Party Transactions)

1. Parent Company, major corporate unitholders and other

20th Fiscal Period (August 1, 2021 to January 31, 2022) and 21st Fiscal Period (February 1, 2022 to July 31, 2022): Not applicable

2. Affiliated companies and other

20th Fiscal Period (August 1, 2021 to January 31, 2022) and 21st Fiscal Period (February 1, 2022 to July 31, 2022): Not applicable

3. Fellow subsidiary companies and other

20th Fiscal Period (August 1, 2021 to January 31, 2022) and 21st Fiscal Period (February 1, 2022 to July 31, 2022): Not applicable

4. Directors, major individual unitholders and other

20th Fiscal Period (August 1, 2021 to January 31, 2022) and 21st Fiscal Period (February 1, 2022 to July 31, 2022): Not applicable

(Notes to the Tax-Effect Accounting)

The significant components of deferred tax assets and liabilities:

	(in thousands of yen)	
	As of January 31, 2022	As of July 31, 2022
Deferred tax assets:		
Valuation difference on other assets acquired by merger	628,384	611,183
Deferred gains or losses on hedges	31,684	23,013
Asset retirement obligations	21,476	21,534
Amortization of leasehold right in trust	2,894	3,436
Other	20	20
Subtotal deferred tax assets	684,459	659,189
Valuation allowance	-684,459	-659,189
Total deferred tax assets	-	-
Net deferred tax assets	-	-

The significant differences between the statutory tax rate and the effective tax rate:

	From August 1, 2021 to January 31, 2022	From February 1, 2022 to July 31, 2022
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	-31.10%	-31.08%
Others	-0.35%	-0.37%
Effective tax rate	0.01%	0.01%

(Notes to Asset Retirement Obligations)

Asset retirement obligations reported on balance sheets

1. Summary of the asset retirement obligations

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

2. Method of calculating asset retirement obligations

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

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

	(in thousands of yen)	
	From August 1, 2021 to January 31, 2022	From February 1, 2022 to July 31, 2022
Balance at the beginning of period	68,078	68,264
Accretion adjustment	186	186
Balance at the end of period	68,264	68,451

(Notes to the 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.

(in thousands of yen)

		From August 1, 2021 to January 31, 2022	From February 1, 2022 to July 31, 2022
Book value	Balance at the beginning of period	264,204,787	275,695,438
	Changes during the period	11,490,651	13,137,309
	Balance at the end of period	275,695,438	288,832,748
Fair value at the end of period		344,484,000	365,903,000

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 20th fiscal period, the principal increase was the acquisition of real estate trust beneficiary interests in 5 properties totaling ¥12,816,688 thousand, and the principal decrease was the sales of real estate trust beneficiary interests in 1 property totaling ¥379,169 thousand and depreciation of ¥1,589,641 thousand and during the 21st fiscal period, the principal increase was the acquisition of real estate trust beneficiary interests in 8 properties totaling ¥13,990,070 thousand, and the principal decrease was depreciation of ¥1,665,648 thousand.

Note 3: The fair value at the end of the period is the appraisal value determined by outside appraisers.

Income and loss for real estate rental business in the fiscal periods ended January 31, 2022 and July 31, 2022 for real estate for rental purposes is listed in "Notes to the Statements of Income and Retained Earnings".

(Notes to the Segment Information)

Segment information for the periods from August 1, 2021 to January 31, 2022 and from February 1, 2022 to July 31, 2022, 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.

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(Notes to Per Unit Information)

	From August 1, 2021 to January 31, 2022	From February 1, 2022 to July 31, 2022
Net asset value per unit	¥136,352	¥138,902
Net income per unit	¥4,136	¥3,966

Note 1: Net income per unit is calculated by dividing net income by the day-weighted average number of investment units outstanding during the period. Net income per unit after adjusting for residual units is not included because there were no residual investment units.

Note 2: The basis for calculating net income per unit is as follows:

	From August 1, 2021 to January 31, 2022	From February 1, 2022 to July 31, 2022
Net income (in thousands of yen)	4,119,355	4,122,093
Net income not available to ordinary unitholders (in thousands of yen)	-	-
Net income available to ordinary unitholders (in thousands of yen)	4,119,355	4,122,093
Weighted average number of units during the period (units)	995,883	1,039,237

(Notes to Important Subsequent Events)

Not applicable