

**Translation of Japanese Original**

**FINANCIAL REPORT FOR THE FISCAL PERIOD ENDED JULY 31, 2013(REIT)  
 (February 1, 2013 to July 31, 2013)**

September 13, 2013

Kenedix Residential Investment Corporation is listed on the Tokyo Stock Exchange with the securities code number 3278.  
 (URL <http://www.kdr-reit.com/english>)

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Planned submission of semiannual securities report: October 29, 2013  
 Planned start of distribution payments: October 16, 2013  
 Preparing presentation material: Yes  
 Hold a financial brief meeting: Yes (for analysts and institutional investors)

(Amounts are rounded down to the nearest ¥million)

**1. PERFORMANCE FOR THE FISCAL PERIOD ENDED JULY 31, 2013 (THIRD 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 third fiscal period ended July 31, 2013	1,135 (1.9) %	553 (-10.1) %	407 (-12.3) %	406 (-12.3) %
The second fiscal period ended January 31, 2013	1,114 (101.3) %	615 (82.7) %	464 (81.3) %	463 (81.9) %

	Net Income per Unit	Return on Unitholders' Equity	[Reference] (annualized)	Ordinary Income to Total Assets	[Reference] (annualized)	Ordinary Income to Operating Revenues
The third fiscal period ended July 31, 2013	5,389 Yen	2.9 %	5.8 %	1.2 %	2.5 %	35.9 %
The second fiscal period ended January 31, 2013	6,145 Yen	3.3 %	6.5 %	1.4 %	2.8 %	41.7 %

**(2) Distribution**

	Distributions per Unit Excluding Excess of Earnings (Yen)	Total Distribution (Millions of Yen)	Distributions in Excess of Earnings per Unit (Yen)	Total Distributions in Excess of Earnings (Millions of Yen)	Payout Ratio	Distribution Ratio to Unitholders' Equity
The third fiscal period ended July 31, 2013	5,390	406	0	0	100.0 %	2.9 %
The second fiscal period ended January 31, 2013	6,145	463	0	0	100.0 %	3.3 %

This is an English-language translation of the key financials in the original Japanese announcement on our Web site released on September 13, 2013. However, no assurance or warranties are given with respect to the accuracy or completeness of this English-language translation. The Japanese original shall prevail in the case of discrepancies between this translation and the Japanese original.

**(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, 2013	33,025	14,171	% 42.9	187,847
As of January 31, 2013	33,195	14,213	% 42.8	188,402

**(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 third fiscal period ended July 31, 2013	686	-411	-632	1,144
The second fiscal period ended January 31, 2013	810	-52	-315	1,502

**2. FORECAST OF RESULTS FOR THE FISCAL PERIOD ENDING JANUARY 31, 2014 (August 1, 2013 to January 31, 2014)**

(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 (Yen)	Distribution in Excess of Earnings per Unit (Yen)
The fourth fiscal period ending January 31, 2014	3,550 (212.6)	1,985 (258.9)	1,474 (261.9)	1,473 (262.5)	6,100	0

(Reference) Estimated net income per unit for the fiscal period ending January 31, 2014: ¥6,221

**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, 2013: 75,440 units As of July 31, 2013: 75,440 units

- (b) Number of treasury units at the end of the period

As of January 31, 2013: 0 units As of July 31, 2013: 0 units

**[Provisional Translation Only]**

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**3. Financial Statements****(1) Balance Sheets**

	(in thousands of yen)	
	Second Fiscal Period (As of January 31, 2013)	Third Fiscal Period (As of July 31, 2013)
Assets		
Current assets		
Cash and deposits	836,814	507,326
Cash and deposits in trust	*1 665,818	*1 637,662
Operating accounts receivable	5,503	4,399
Prepaid expenses	4,235	9,925
Deferred tax assets	16	16
Other	384	-
Total current assets	1,512,772	1,159,330
Noncurrent assets		
Property, plant and equipment		
Land	2,787,376	2,787,376
Buildings in trust	14,715,539	14,727,698
Accumulated depreciation	-275,405	-460,293
Buildings in trust, net	*1 14,440,133	*1 14,267,405
Structures in trust	118,484	118,903
Accumulated depreciation	-5,090	-8,530
Structures in trust, net	*1 113,393	*1 110,373
Machinery and equipment in trust	316,923	318,149
Accumulated depreciation	-9,702	-16,176
Machinery and equipment in trust, net	*1 307,221	*1 301,972
Tools, furniture and fixtures in trust	3,678	5,714
Accumulated depreciation	-30	-105
Tools, furniture and fixtures in trust, net	*1 3,648	*1 5,609
Land in trust	*1 13,766,909	*1 13,766,909
Total property, plant and equipment, net	31,418,684	31,239,647
Investments and other assets		
Investment securities	-	405,922
Lease and guarantee deposits	10,156	10,156
Long-term prepaid expenses	122,671	93,439
Other	36,318	39,497
Total investments and other assets	169,146	549,014
Total noncurrent assets	31,587,830	31,788,662
Deferred assets		
Deferred organization costs	39,842	34,627
Investment unit issuance costs	55,307	43,009
Total deferred assets	95,149	77,637
Total assets	33,195,752	33,025,629

(in thousands of yen)

	Second Fiscal Period (As of January 31, 2013)	Third Fiscal Period (As of July 31, 2013)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	29,909	57,095
Short-term loans payable	*1 3,000,000	*1 2,830,000
Current portion of long-term loans payable	*1 -	*1 5,500,000
Accounts payable-other	40,217	49,024
Accrued expenses	424	405
Income taxes payable	946	944
Accrued consumption taxes	4,158	1,836
Advances received	157,638	160,145
Deposits received	9,390	9,670
Total current liabilities	3,242,684	8,609,122
<b>Noncurrent liabilities</b>		
Long-term loans payable	*1 15,500,000	*1 10,000,000
Tenant leasehold and security deposits in trust	240,015	245,320
Total noncurrent liabilities	15,740,015	10,245,320
Total liabilities	18,982,699	18,854,443
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	13,773,456	13,773,456
<b>Surplus</b>		
Unappropriated retained earnings (undisposed loss)	463,620	406,661
Total surplus	463,620	406,661
Total unitholders' equity	14,237,076	14,180,117
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges	-24,023	-8,930
Total valuation and translation adjustments	-24,023	-8,930
Total net assets	*2 14,213,052	*2 14,171,186
Total liabilities and net assets	33,195,752	33,025,629

**(2) Statements of Income and Retained Earnings**

(in thousands of yen)

	Second Fiscal Period		Third Fiscal Period	
	August 1, 2012 to		February 1, 2013 to	
	January 31, 2013		July 31, 2013	
Operating revenues				
Rent revenue-real estate	*1	1,021,344	*1	1,018,433
Other lease business revenue	*1	92,813	*1	117,075
Total operating revenues		1,114,157		1,135,509
Operating expenses				
Expenses related to rent business	*1	367,194	*1	442,618
Asset management fees		74,405		70,886
Asset custody fees		2,062		2,074
Administrative service fees		11,220		11,017
Directors' compensation		4,500		4,500
Other operating expenses		39,402		51,247
Total operating expenses		498,785		582,345
Operating income		615,371		553,163
Non-operating income				
Interest income		17		37
Interest on refund		221		-
Total non-operating income		239		37
Non-operating expenses				
Interest expenses		85,743		74,611
Derivatives-related expenses		4,308		11,913
Borrowing expenses		43,209		41,592
Amortization of deferred organization costs		5,300		5,214
Amortization of investment unit issuance costs		12,501		12,298
Total non-operating expenses		151,064		145,629
Ordinary income		464,546		407,571
Income before income taxes		464,546		407,571
Income taxes				
Current		949		952
Deferred		9		-0
Total income taxes		958		952
Net income		463,588		406,619
Retained earnings brought forward		31		41
Unappropriated retained earnings (undisposed loss)		463,620		406,661

**(3) Statements of Changes in Net Assets**

	(in thousands of yen)	
	Second Fiscal Period August 1, 2012 to January 31, 2013	Third Fiscal Period February 1, 2013 to July 31, 2013
Unitholders' equity		
Unitholders' capital		
Balance at the beginning of current period	13,773,456	13,773,456
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	*1 13,773,456	*1 13,773,456
Surplus		
Unappropriated retained earnings (undisposed loss)		
Balance at the beginning of current period	254,868	463,620
Changes of items during the period		
Dividends from surplus	-254,836	-463,578
Net income	463,588	406,619
Total changes of items during the period	208,751	-56,958
Balance at the end of current period	463,620	406,661
Total Surplus		
Balance at the beginning of current period	254,868	463,620
Changes of items during the period		
Dividends from surplus	-254,836	-463,578
Net income	463,588	406,619
Total changes of items during the period	208,751	-56,958
Balance at the end of current period	463,620	406,661
Total unitholders' equity		
Balance at the beginning of current period	14,028,324	14,237,076
Changes of items during the period		
Dividends from surplus	-254,836	-463,578
Net income	463,588	406,619
Total changes of items during the period	208,751	-56,958
Balance at the end of current period	14,237,076	14,180,117
Valuation and translation adjustments		
Deferred gains or losses on hedges		
Balance at the beginning of current period	-	-24,023
Changes of items during the period		
Net change of items other than owners' equity	-24,023	15,092
Total changes of items during the period	-24,023	15,092
Balance at the end of current period	-24,023	-8,930
Total valuation and translation adjustments		
Balance at the beginning of current period	-	-24,023
Changes of items during the period		
Net change of items other than owners' equity	-24,023	15,092
Total changes of items during the period	-24,023	15,092
Balance at the end of current period	-24,023	-8,930
Total net assets		
Balance at the beginning of current period	14,028,324	14,213,052
Changes of items during the period		
Dividends from surplus	-254,836	-463,578
Net income	463,588	406,619
Net change of items other than owners' equity	-24,023	15,092
Total changes of items during the period	184,728	-41,866
Balance at the end of current period	14,213,052	14,171,186

**(4) Distributions**

	Second Fiscal Period (From August 1, 2012 to January 31, 2013)	Third Fiscal Period (From February 1, 2013 to July 31, 2013)
I. Retained earnings at the end of period	¥463,620,113	¥406,661,143
II. Total distributions	¥463,578,800	¥406,621,600
Distributions per unit	¥6,145	¥5,390
III. Retained earnings brought forward to the next period	¥41,313	¥39,543
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 be up to its profits as the maximum amount. Following this policy, the Investment Corporation has decided that it shall distribute ¥463,578,800 which is the maximum integral multiple to 75,440 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 second 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 be up to its profits as the maximum amount. Following this policy, the Investment Corporation has decided that it shall distribute ¥406,621,600 which is the maximum integral multiple to 75,440 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 third fiscal period, the Investment Corporation has decided not to distribute cash in excess of distributable profit.

**(5) Statements of Cash Flows**

	(in thousands of yen)	
	Second Fiscal Period	Third Fiscal Period
	August 1, 2012 to	February 1, 2013 to
	January 31, 2013	July 31, 2013
Net cash provided by (used in) operating activities		
Income before income taxes	464,546	407,571
Depreciation and amortization	194,501	194,877
Amortization of deferred organization costs	5,300	5,214
Amortization of investment unit issuance costs	12,501	12,298
Interest income	-17	-37
Interest expenses	85,743	74,611
Derivatives-related expenses	4,308	11,913
Decrease (increase) in operating accounts receivable	114	1,103
Decrease (increase) in consumption taxes refund receivable	75,195	-
Decrease (increase) in prepaid expenses	9,341	-5,689
Increase (decrease) in operating accounts payable	-4,160	23,036
Increase (decrease) in accounts payable-other	12,384	7,207
Increase (decrease) in accrued consumption taxes	4,158	-2,321
Increase (decrease) in advances received	3,660	2,506
Decrease (increase) in long-term prepaid expenses	29,717	29,232
Other, net	467	657
Subtotal	897,762	762,181
Interest income received	17	37
Interest expenses paid	-85,805	-74,630
Income taxes paid	-1,378	-946
Net cash provided by (used in) operating activities	810,596	686,642
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-16,273	-
Purchase of property, plant and equipment in trust	-32,592	-11,690
Purchase of investment securities	-	-405,011
Repayments of tenant leasehold and security deposits in trust	-27,947	-41,264
Proceeds from tenant leasehold and security deposits in trust	24,176	46,569
Net cash provided by (used in) investing activities	-52,636	-411,396
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	-	2,830,000
Decrease in short-term loans payable	-	-3,000,000
Dividends paid	-250,983	-462,889
Payments for purchase of derivatives	-64,650	-
Net cash provided by (used in) financing activities	-315,633	-632,889
Net increase (decrease) in cash and cash equivalents	442,326	-357,643
Cash and cash equivalents at the beginning of period	1,060,305	1,502,632
Cash and cash equivalents at the end of period	*1 1,502,632	*1 1,144,988



**(6) Notes to the Going Concern**

Not applicable

**(7) Important Accounting Standards**

1. Evaluation standards and evaluation method of assets	<p>Securities</p> <p>Other securities</p> <p>Those with no fair value</p> <p>Cost method through moving-average method</p> <p>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.</p>
2. Depreciation of fixed assets	<p>(1) Property, plant and equipment (includes trust assets)</p> <p>The straight-line method is applied.</p> <p>Useful lives of the assets ranging are as follows:</p> <p>Buildings: 3 to 62 years</p> <p>Structures: 3 to 25 years</p> <p>Machinery and equipment: 8 to 30 years</p> <p>Tools, furniture and fixtures: 30 years</p> <p>(2) Long-term prepaid expenses</p> <p>The straight-line method is applied.</p>
3. Accounting policies for deferred assets	<p>(1) Deferred organization costs</p> <p>Deferred organization costs are amortized over a period of 5 years under the straight-line method.</p> <p>(2) Unit issuance costs</p> <p>Unit issuance costs are amortized over a period of 3 years under the straight-line method.</p>
4. Accounting standards for revenues and expenses	<p>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.</p> <p>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. There were no capitalized property-related taxes as of January 31, 2013 and July 31, 2013.</p>
5. Accounting for hedges	<p>(1) Hedge accounting method</p> <p>The deferred hedge method is applied.</p> <p>(2) Hedging instruments and risks hedged</p> <p>Hedge instruments</p> <p>The Investment Corporation enters into interest-rate cap transactions.</p> <p>Risks hedged</p> <p>Interest rates on debt.</p> <p>(3) Hedging policy</p> <p>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.</p> <p>(4) Method of evaluating the effectiveness of hedging</p> <p>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. Furthermore, assessment of the effectiveness of hedging activities is omitted in the case of interest rate caps that do not meet the requirements for special treatment as the important conditions regarding hedged items and hedging instruments are the same and are clearly expected to have the effect of limiting the impact of interest rate volatility within a certain range on an ongoing basis.</p>

<p>6. The scope of cash and cash equivalents on statements of cash flows</p>	<p>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 3 months or less from the date of purchase.</p>
<p>7. Other significant accounting policies utilized in the preparation of financial statements</p>	<p>(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 and land in trust                  3. Tenant leasehold and security 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.</p>

**(8) Notes to the Financial Statements**

(Notes to the Balance Sheets)

\* 1. Assets pledged as collateral and relevant secured liabilities as of January 31, 2013 and July 31, 2013 are as follows:

(in thousands of yen)

Assets pledged as collateral	As of January 31, 2013	As of July 31, 2013
Cash and deposits in trust	665,818	637,662
Buildings in trust	14,440,133	14,267,405
Structures in trust	113,393	110,373
Machinery and equipment in trust	307,221	301,972
Tools, furniture and fixtures in trust	3,648	5,609
Land in trust	13,766,909	13,766,909
<b>Total</b>	<b>29,297,125</b>	<b>29,089,932</b>
<b>Secured liabilities</b>		
Short-term loans payable	3,000,000	2,830,000
Current portion of long-term loans payable	-	5,500,000
Long-term loans payable	15,500,000	10,000,000
<b>Total</b>	<b>18,500,000</b>	<b>18,330,000</b>

\* 2. 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, 2013	As of July 31, 2013
50,000	50,000

## (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, 2012 to January 31, 2013	From February 1, 2013 to July 31, 2013
Rental and other operating revenues:		
Rental revenues	889,042	884,944
Rental revenues from limited proprietary rights of land	78,309	78,310
Common area charges	53,991	55,178
Subtotal	1,021,344	1,018,433
Others:		
Parking space rental revenues	41,472	40,673
Miscellaneous	51,340	76,402
Subtotal	92,813	117,075
Total rental and other operating revenues	1,114,157	1,135,509
Property management fees and facility management fees	79,525	84,437
Utilities	16,564	16,378
Taxes	21	59,695
Repairs and maintenance	31,987	37,243
Insurance	2,359	2,230
Trust fees	8,700	8,700
Depreciation	194,501	194,877
Others	33,534	39,056
Total property-related expenses	367,194	442,618
Net operating income	746,962	692,890

## (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, 2012 to January 31, 2013	From February 1, 2013 to July 31, 2013
Total number of authorized investment units	5,000,000	5,000,000
Total number of investment units issued and outstanding	75,440	75,440

## (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, 2013	As of July 31, 2013
Cash and deposits	836,814	507,326
Cash and deposits in trust	665,818	637,662
Cash and cash equivalents	1,502,632	1,144,988

## (Notes to the Lease Transactions)

## Operating lease transactions (Lessor)

## Unearned lease payments

	(in thousands of yen)	
	As of January 31, 2013	As of July 31, 2013
Due in 1 year	204,104	204,104
Due after 1 year	5,986,425	5,884,373
Total	6,190,530	6,088,478

## (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 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, which 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 2 years and 9 months as of July 31, 2013, the end of the third 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. 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.

## c. Liquidity risk

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

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

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

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

The carrying value of financial instruments on the balance sheet and estimated fair value are shown in the following table. As of January 31, 2013

	(in thousands of yen)		
	Carrying amount	Estimated fair value	Difference
(1) Cash and deposits	836,814	836,814	-
(2) Cash and deposits in trust	665,818	665,818	-
Subtotal	1,502,632	1,502,632	-
(1) Short-term loans payable	3,000,000	3,000,000	-
(2) Long-term loans payable	15,500,000	15,500,000	-
Subtotal	18,500,000	18,500,000	-
Derivative transactions	36,318	36,318	-

As of July 31, 2013

	(in thousands of yen)		
	Carrying amount	Estimated fair value	Difference
(1) Cash and deposits	507,326	507,326	-
(2) Cash and deposits in trust	637,662	637,662	-
Subtotal	1,144,988	1,144,988	-
(1) Short-term loans payable	2,830,000	2,830,000	-
(2) Current portion of long-term loans payable	5,500,000	5,500,000	-
(3) Long-term loans payable	10,000,000	10,000,000	-
Subtotal	18,330,000	18,330,000	-
Derivative transactions	39,497	39,497	-

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 (3) Long-term loans payable

Since these items have floating interest rates, market interest rates are reflected in the short term. Also, as the credit standing of the Investment Corporation has not changed significantly since the loans were made, the fair value of the long term loans payable is believed to approximate the carrying amount and therefore is based on the carrying amount.

Derivative transactions

Please refer to “Notes to the Derivative Transactions”.

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

(in thousands of yen)

Classification	As of January 31, 2013	As of July 31, 2013
Investment securities *	-	405,922

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

Note 3: Redemption schedule for financial assets with maturities

As of January 31, 2013

(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
Cash and deposits	836,814	-	-	-	-	-
Cash and deposits in trust	665,818	-	-	-	-	-
Total	1,502,632	-	-	-	-	-

As of July 31, 2013

(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
Cash and deposits	507,326	-	-	-	-	-
Cash and deposits in trust	637,662	-	-	-	-	-
Total	1,144,988	-	-	-	-	-

Note 4: Redemption schedule for loans payable

As of January 31, 2013

(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
Short-term loans payable	3,000,000	-	-	-	-	-
Long-term loans payable	-	5,500,000	6,500,000	3,500,000	-	-
Total	3,000,000	5,500,000	6,500,000	3,500,000	-	-

As of July 31, 2013

(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
Short-term loans payable	2,830,000	-	-	-	-	-
Long-term loans payable	5,500,000	6,500,000	3,500,000	-	-	-
Total	8,330,000	6,500,000	3,500,000	-	-	-

## (Notes to the Derivative Transactions)

## (1) Transactions not subject to hedge accounting

As of January 31, 2013 and as of July 31, 2013 : Not applicable

## (2) Transactions subject to hedge accounting

As of January 31, 2013

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 cap transaction:	Long-term loans payable	10,000,000	10,000,000	36,318	Based on the amount provided by counterparty financial institutions

As of July 31, 2013

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 cap transaction:	Long-term loans payable	10,000,000	10,000,000	39,497	Based on the amount provided by counterparty financial institutions

## (Notes to the Tax-Effect Accounting)

The significant components of deferred tax assets and liabilities:

(in thousands of yen)

	As of January 31, 2013	As of July 31, 2013
Deferred tax assets:		
Enterprise tax payable	16	16
Deferred gains or losses on hedges	8,648	3,855
Subtotal deferred tax assets	8,665	3,872
Valuation allowance	-8,648	-3,855
Total deferred tax assets	16	16

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

	From August 1, 2012 to January 31, 2013	From February 1, 2013 to July 31, 2013
Statutory tax rate	36.59%	36.59%
Deductible cash distributions	-36.51	-36.50
Others	0.13	0.14
Effective tax rate	0.21%	0.23%



## (Notes to the Related-Party Transactions)

## 1. Parent Company, major corporate unitholders and other

Second Fiscal Period (August 1, 2012 to January 31, 2013) and Third Fiscal Period (February 1, 2013 to July 31, 2013): Not applicable

## 2. Affiliated companies and other

Second Fiscal Period (August 1, 2012 to January 31, 2013) and Third Fiscal Period (February 1, 2013 to July 31, 2013): Not applicable

## 3. Fellow subsidiary companies and other

Second Fiscal Period (August 1, 2012 to January 31, 2013) and Third Fiscal Period (February 1, 2013 to July 31, 2013): Not applicable

## 4. Directors, major individual unitholders and other

Second Fiscal Period (August 1, 2012 to January 31, 2013)									
Classification	Name	Principal business / Position	Ratio of voting rights held (%)	Relationship		Nature of transaction	Transaction amount (in thousands of yen) (Note 2)	Account	Balance at the end of period (in thousands of yen) (Note 2)
				Position held concurrently	Relation to the entity				
Directors and Close Relatives	Akira Tanaka	Executive Director for the Investment Corporation and CEO and President of Kenedix Residential Partners, Inc.	—	Executive Director for the Investment Corporation and CEO and President of Kenedix Residential Partners, Inc.		Payment of asset management fee to Kenedix Residential Partners, Inc. (Note 1)	74,405	Accounts payable-other	25,732

Note 1: Akira Tanaka serves as a representative of the third party (Kenedix Residential Partners, Inc.), and the asset management fee is established in the Articles of Incorporation of the Investment Corporation.

Note 2: Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.

Third Fiscal Period (February 1, 2013 to July 31, 2013)									
Classification	Name	Principal business / Position	Ratio of voting rights held (%)	Relationship		Nature of transaction	Transaction amount (in thousands of yen) (Note 2) (Note 3)	Account	Balance at the end of period (in thousands of yen) (Note 3)
				Position held concurrently	Relation to the entity				
Directors and Close Relatives	Akira Tanaka	Executive Director for the Investment Corporation and CEO and President of Kenedix Residential Partners, Inc.	—	Executive Director for the Investment Corporation and CEO and President of Kenedix Residential Partners, Inc.		Payment of asset management fee to Kenedix Residential Partners, Inc. (Note 1)	74,886	Accounts payable-other	22,577

Note 1: Akira Tanaka serves as a representative of the third party (Kenedix Residential Partners, Inc.), and the asset management fee is established in the Articles of Incorporation of the Investment Corporation.

Note 2: Asset management fee includes ¥4,000 thousand related to the acquisition of investment securities and is accounted for in the book value for the individual assets.

Note 3: Consumption taxes are not included in the transaction amount, but are included in the balance at the end of period.

## (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)

		Second Fiscal Period from August 1, 2012 to January 31, 2013	Third Fiscal Period from February 1, 2013 to July 31, 2013
Book value			
	Balance at the beginning of period	31,563,998	31,418,684
	Changes during the period	-145,313	-179,036
	Balance at the end of period	31,418,684	31,239,647
Fair value at the end of period		31,746,000	32,180,000

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 second fiscal period, the principal decrease was depreciation (¥194,501 thousand) and in the third fiscal period the principal decrease was depreciation (¥194,877 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 January 31, 2013 and July 31, 2013 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 period end from August 1, 2012 to January 31, 2013 and from February 1, 2013 to July 31, 2013 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.

## (Notes to the Per Unit Information)

	From August 1, 2012 to January 31, 2013	From February 1, 2013 to July 31, 2013
Net asset value per unit	¥188,402	¥187,847
Net income per unit	¥6,145	¥5,389
Weighted average number of units (units)	75,440	75,440

Note 1: The weighted average number of units outstanding of 75,440 was used for the computation of the amount of net income per unit for the periods ended January 31, 2013 and July 31, 2013, respectively. 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, 2012 to January 31, 2013	From February 1, 2013 to July 31, 2013
Net income (in thousands of yen)	463,588	406,619
Net income not available to ordinary unitholders (in thousands of yen)	-	-
Net income available to ordinary unitholders (in thousands of yen)	463,588	406,619
Weighted average number of units during the period (units)	75,440	75,440

## (Notes to Important Subsequent Events)

## ① Acquisition of Properties

On August 7, 2013, the Investment Corporation acquired the 60 properties described below (total acquisition price: ¥68,556,000 thousand).

In addition, the following acquisition prices do not include the acquisition costs, property taxes, city-planning taxes and consumption taxes, etc.

Property number	Property name	Location (city or ward, prefecture)	Seller	Acquisition price (in thousands of yen)
T-13	KDX Residence Shirokane I	Minato ward, Tokyo	G.K. KDX10	3,000,000
T-14	KDX Residence Shirokane III	Minato ward, Tokyo	G.K. KDX9	2,900,000
T-15	KDX Residence Shirokane II	Minato ward, Tokyo	G.K. KDX9	2,800,000
T-16	KDX Residence Minami-aoyama	Minato ward, Tokyo	G.K. KDX10	2,230,000
T-17	KDX Residence Minami-azabu	Minato ward, Tokyo	G.K. KDX9	2,080,000
T-18	KDX Residence Shiba Koen	Minato ward, Tokyo	G.K. KDX10	1,781,000
T-19	KDX Residence Azabu East	Minato ward, Tokyo	G.K. KDX9	1,560,000
T-20	KDX Residence Takanawa	Minato ward, Tokyo	G.K. KDX9	770,000
T-21	KDX Residence Nishihara	Shibuya ward, Tokyo	G.K. KDX9	1,450,000
T-22	KDX Residence Daikanyama II	Shibuya ward, Tokyo	G.K. KDX9	730,000
T-23	KDX Residence Sendagaya	Shibuya ward, Tokyo	G.K. KDX9	650,000
T-24	KDX Residence Nihombashi Suitengu	Chuo ward, Tokyo	G.K. KDX9	3,240,000
T-25	KDX Residence Nihombashi Hakozaeki	Chuo ward, Tokyo	G.K. KDX10	1,147,000
T-26	KDX Residence Higashishinjuku	Shinjuku ward, Tokyo	G.K. KDX10	3,270,000
T-27	KDX Residence Yotsuya	Shinjuku ward, Tokyo	G.K. KDX9	2,260,000
T-28	KDX Residence Nishi-shinjuku	Shinjuku ward, Tokyo	G.K. KDX10	1,000,000
T-29	KDX Residence Kagurazaka	Shinjuku ward, Tokyo	G.K. KDX10	720,000
T-30	KDX Residence Futako Tamagawa	Setagaya ward, Tokyo	G.K. KDX9	1,250,000
T-31	KDX Residence Komazawa Koen	Setagaya ward, Tokyo	G.K. KDX10	920,000
T-32	KDX Residence Mishuku	Setagaya ward, Tokyo	G.K. KDX9	760,000
T-33	KDX Residence Yoga	Setagaya ward, Tokyo	G.K. KDX10	700,000
T-34	KDX Residence Shimouma	Setagaya ward, Tokyo	G.K. KDX10	600,000
T-35	Raffine Minami-magome	Ota ward, Tokyo	Y.K. KW 5th	1,250,000
T-36	KDX Residence Yukigaya Otsuka	Ota ward, Tokyo	G.K. KDX10	1,050,000
T-37	KDX Residence Denen Chofu	Ota ward, Tokyo	G.K. KDX10	1,000,000
T-38	KDX Residence Tamagawa	Ota ward, Tokyo	G.K. KDX9	776,000

T-39	KDX Residence Monzennakacho	Koto ward, Tokyo	G.K. KDX9	773,000
T-40	KDX Residence Okachimachi	Taito ward, Tokyo	G.K. KDX10	850,000
T-41	KDX Residence Moto-asakusa	Taito ward, Tokyo	G.K. KDX10	800,000
T-42	KDX Residence Itabashi Honcho	Itabashi ward, Tokyo	G.K. KDX10	620,000
T-43	KDX Residence Azusawa	Itabashi ward, Tokyo	G.K. KDX9	550,000
T-44	KDX Residence Tobu Nerima	Nerima ward, Tokyo	G.K. KDX9	420,000
T-45	KDX Residence Yokohama Kannai	Yokohama, Kanagawa	G.K. KDX10	800,000
T-46	KDX Residence Miyamaedaira	Kawasaki, Kanagawa	G.K. KDX9	999,000
T-47	KDX Residence Machida	Sagamihara, Kanagawa	G.K. TSM108	1,800,000
R-9	KDX Residence Odori Koen	Sapporo, Hokkaido	G.K. KDX9	765,000
R-10	KDX Residence Kikusui Yojo	Sapporo, Hokkaido	G.K. KDX9	830,000
R-11	KDX Residence Toyohira Koen	Sapporo, Hokkaido	G.K. KDX9	445,000
R-12	KDX Residence Kamisugi	Sendai, Miyagi	G.K. KDX10	700,000
R-13	KDX Residence Ichiban-cho	Sendai, Miyagi	G.K. KDX10	530,000
R-14	KDX Residence Kotodai	Sendai, Miyagi	G.K. KDX9	520,000
R-15	KDX Residence Izumi Chuo	Sendai, Miyagi	G.K. KDX9	480,000
R-16	KDX Residence Higashi-sakura I	Nagoya, Aichi	Y.K. KW Property 7	2,350,000
R-17	KDX Residence Higashi-sakura II	Nagoya, Aichi	G.K. KDX10	900,000
R-18	KDX Residence Atsuta Jingu	Nagoya, Aichi	G.K. KDX9	840,000
R-19	KDX Residence Nishi-oji	Kyoto, Kyoto	G.K. KDX9	813,000
R-20	KDX Residence Saiin	Kyoto, Kyoto	G.K. KDX9	440,000
R-21	KDX Residence Namba	Osaka, Osaka	G.K. KDX9	1,410,000
R-22	KDX Residence Namba-minami	Osaka, Osaka	G.K. KDX9	1,350,000
R-23	KDX Residence Shin-osaka	Osaka, Osaka	G.K. KDX9	510,000
R-24	KDX Residence Ibaraki I · II	Ibaraki, Osaka	G.K. KDX10	1,275,000
R-25	KDX Residence Toyonaka-minami	Toyonaka, Osaka	G.K. KDX9	740,000
R-26	KDX Residence Moriguchi	Moriguchi, Osaka	G.K. KDX9	551,000
R-27	KDX Residence Sannomiya	Kobe, Hyogo	G.K. KDX9	1,080,000
R-28	Ashiya Royal Homes	Ashiya, Hyogo	G.K. KDX10	1,360,000
R-29	KDX Residence Funairi Saiwai-cho	Hiroshima, Hiroshima	G.K. KDX9	588,000
R-30	KDX Residence Tenjin-higashi II	Fukuoka, Fukuoka	G.K. KDX9	680,000
R-31	KDX Residence Tenjin-higashi I	Fukuoka, Fukuoka	G.K. KDX9	370,000
R-32	KDX Residence Nishi Koen	Fukuoka, Fukuoka	G.K. KDX10	763,000
R-33	KDX Residence Hirao Josui-machi	Fukuoka, Fukuoka	G.K. KDX10	760,000
Total		—	—	68,556,000

②The issue of new investment units

On July 17, 2013 and July 30, 2013 respectively, the Board of Directors of the Investment Corporation resolved to issue new investment units as detailed below in order to procure funds for acquisition of the above 60 properties etc. The payments were completed on August 6, 2013 through public offering and September 4, 2013 by way of third-party allotment. As a result of the issuance of new investment units, the Investment Corporation had total unitholders' capital of ¥48,592,739,550 with 241,622 investment units outstanding as of September 4, 2013.

(Issuance of new investment units through public offering)

Total number of units issued : 165,000 units (Domestic 122,500 units, International 42,500 units)

Issue Price (Offer Price) : ¥217,327 per unit

Total Amount of the Issue Price (Offer Price) : ¥35,858,955,000

Paid-in Value (Issue Value) : ¥209,525 per unit

Gross Proceeds : ¥34,571,625,000

Payment date : August 6, 2013

(Issuance of new investment units by way of third-party allotment)

Total number of units issued : 1,182 units

Paid-in Value (Issue Value) : ¥209,525 per unit

Gross Proceeds : ¥247,658,550

Payment date : September 4, 2013

Allottee : SMBC Nikko Securities Inc.

### ③Debt Financing

As of August 7, 2013, the Investment Corporation borrowed funds in order to procure funds for the acquisition of the above 60 properties, etc.

Series	Lender	Amount (in thousands of yen)	Interest rate	Repayment date	Payment method	Remarks
3-A	Sumitomo Mitsui Banking Corporation	1,700,000	Base rate (JPY TIBOR for 1-month in JBA) + 0.40%	August 31, 2014	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Aozora Bank, Ltd.					
3-B	Sumitomo Mitsui Banking Corporation	5,500,000	Base rate (JPY TIBOR for 1-month in JBA) + 0.45% (Note)	August 31, 2015	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Aozora Bank, Ltd.					
	Resona Bank, Ltd.					
	Sumitomo Mitsui Trust Bank, Limited					
	Mizuho Trust & Banking Co., Ltd.					
	Mizuho Bank, Ltd.					
3-C	Sumitomo Mitsui Banking Corporation	8,500,000	Base rate (JPY TIBOR for 1-month in JBA) + 0.50% (Note)	August 31, 2016	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Aozora Bank, Ltd.					
	Sumitomo Mitsui Trust Bank, Limited					
	Resona Bank, Ltd.					
	Mizuho Trust & Banking Co., Ltd.					
	Mizuho Bank, Ltd.					
3-D	Sumitomo Mitsui Banking Corporation	11,000,000	Base rate (JPY TIBOR for 1-month in JBA) + 0.55% (Note)	August 31, 2017	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Aozora Bank, Ltd.					
	Resona Bank, Ltd.					
	Sumitomo Mitsui Trust Bank, Limited					
	Mizuho Trust & Banking Co., Ltd.					
	Mizuho Bank, Ltd.					
3-E	Sumitomo Mitsui Banking Corporation	8,000,000	Base rate (JPY TIBOR for 1-month in JBA) + 0.60% (Note)	August 31, 2018	Full on maturity	Unsecured/ Unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Aozora Bank, Ltd.					
	Resona Bank, Ltd.					
	Sumitomo Mitsui Trust Bank, Limited					
	Mizuho Trust & Banking Co., Ltd.					
	Mizuho Bank, Ltd.					
3-F	Development Bank of Japan Inc.	3,000,000	1.0875% (Fixed rate)	August 31, 2018	Full on maturity	Unsecured/ Unguaranteed

Note: The Investment Corporation signed an interest-rate swap agreement to hedge the risk of interest rate fluctuations by converting the interest rate payable into a fixed rate for the long-term borrowings with floating interests. (Series 3-C, 3-D, 3-E).

The interest rates are as follows:

Series 3-C	0.7870%	Series 3-D	0.9095%	Series 3-E	1.0520%
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### (Omission of Disclosure)

Notes to the Marketable Securities, the Equity-Method Income and Retained Earnings, Retirement Payment and Asset Retirement Obligations are omitted as immaterial to disclose.

**【Reference】 Earnings Performance for the Individual Properties for the 3rd Fiscal Period (February 1, 2013 to July 31, 2013) : 181days ※As of July 31, 2013**

Location		Tokyo Metropolitan Area											
Property No.		T-1	T-2	T-3	T-4	T-5	T-6	T-7	T-8	T-9	T-10	T-11	T-12
Property Name		KDX Daikanyama Residence	KDX Yoyogi Residence	KDX Odemma Residence	KDX Iwamoto-cho Residence	KDX Bunkyo Sengoku Residence	KDX Azumabashi Residence	KDX Shimura Sakae Residence	Nichii Home Tama Plaza (Limited proprietary rights of land)	Cosmo Heim Motosumiyoshi (Limited proprietary rights of land)	KDX Musashi Nakahara Residence	KDX Chiba Chuo Residence	KDX Kawaguchi Saiwai-cho Residence
Acquisition Date		May 1, 2012	May 1, 2012	May 1, 2012	May 1, 2012	May 1, 2012	May 1, 2012	May 1, 2012	April 26, 2012	April 26, 2012	May 1, 2012	May 1, 2012	May 1, 2012
Price Information	Acquisition price ( In millions of yen )	4,700	1,320	1,775	822	1,488	650	2,830	960	1,750	637	1,480	1,150
	Percentage of total portfolio	15.4%	4.3%	5.8%	2.7%	4.9%	2.1%	9.3%	3.2%	5.7%	2.1%	4.9%	3.8%
	Net book value ( In millions of yen )	4,804	1,348	1,815	844	1,521	667	2,894	989	1,798	653	1,510	1,189
	Appraisal value at the end of period ( In millions of yen )	4,880	1,440	1,860	863	1,590	733	2,990	960	1,750	647	1,550	1,240
	Percentage of total appraisal value	15.2%	4.5%	5.8%	2.7%	4.9%	2.3%	9.3%	3.0%	5.4%	2.0%	4.8%	3.9%
Lease Information	Number of leasable residential units	86	50	54	36	77	41	85	-	-	35	106	61
	Leasable floor area (㎡)	5,338.99	1,593.93	2,353.23	1,131.24	2,054.10	1,054.83	6,117.48	-	-	2,123.46	3,546.91	2,491.66
	Leased floor area (㎡)	5,097.16	1,523.18	2,266.88	1,099.96	1,916.58	1,005.79	5,824.66	-	-	2,123.46	3,438.51	2,406.67
	Occupancy ratio												
	As of July 31, 2013	95.5%	95.6%	96.3%	97.2%	93.3%	95.4%	95.2%	-	-	100.0%	96.9%	96.6%
As of January 31, 2013	96.8%	97.0%	96.2%	100.0%	97.7%	93.1%	93.1%	-	-	88.5%	96.7%	95.2%	
As of July 31, 2012	94.0%	95.7%	90.7%	100.0%	91.2%	95.5%	96.5%	-	-	97.2%	96.9%	90.1%	
Income and Retained Earnings' Information for the 3rd Fiscal Period	Operating periods	181days	181days	181days	181days	181days	181days	181days	181days	181days	181days	181days	181days
	①Rental and other operating revenues ( In thousands of yen )	153,268	47,158	54,932	27,754	50,114	24,438	101,922	34,560	43,750	25,323	64,467	49,082
	Rental revenues	131,766	43,148	50,623	26,328	46,106	22,605	90,462	34,560	43,750	22,860	57,926	44,226
	Other operating revenues	21,501	4,009	4,308	1,426	4,008	1,832	11,460	-	-	2,463	6,541	4,856
	②Property-related expenses ( In thousands of yen )	38,219	10,068	14,158	6,631	11,031	7,700	22,112	604	1,010	7,127	15,075	11,077
	Property management fees	12,479	4,310	4,852	2,408	3,851	3,434	8,185	-	-	3,151	5,866	4,788
	Taxes	9,062	2,286	2,835	1,254	2,403	1,295	5,728	598	1,010	1,575	3,909	2,800
	Utilities	4,716	551	556	430	590	299	1,140	-	-	473	824	592
	Repairs and maintenance	5,217	1,188	2,752	1,272	1,860	972	3,688	-	-	657	1,729	1,224
	Insurance	240	64	88	42	79	45	215	-	-	68	143	99
	Trust fees and other expenses	6,503	1,666	3,073	1,221	2,246	1,653	3,153	6	-	1,202	2,602	1,571
	③NOI (=①-②) ( In thousands of yen )	115,048	37,089	40,773	21,123	39,083	16,737	79,810	33,955	42,740	18,196	49,392	38,005
	④Depreciation ( In thousands of yen )	14,927	5,123	10,495	5,191	6,431	4,880	21,248	-	-	4,009	17,091	7,208
⑤Rental operating income (=③-④) ( In thousands of yen )	100,121	31,965	30,278	15,932	32,651	11,857	58,561	33,955	42,740	14,186	32,300	30,797	
⑥Capital expenditures ( In thousands of yen )	5,000	104	161	208	491	-	470	-	-	910	-	543	
⑦NCF (=⑤-⑥) ( In thousands of yen )	110,048	36,985	40,612	20,914	38,591	16,737	79,339	33,955	42,740	17,285	49,392	37,462	
Reference	Expense ratio (=②/①)	24.9%	21.4%	25.8%	23.9%	22.0%	31.5%	21.7%	1.7%	2.3%	28.1%	23.4%	22.6%
	Property tax for the year 2013 ( In thousands of yen )	16,892	4,563	5,667	2,508	4,804	2,588	11,455	1,196	2,015	3,147	7,817	5,594
	Assets pledged as collateral	Secured	Secured	Secured	Secured	Secured	Secured	Secured	Unsecured	Unsecured	Secured	Secured	Secured

**【Reference】**

**Earnings Performance for the Individual Properties for the 3rd Fiscal Period (February 1, 2013 to July 31, 2013) : 181days**

※As of July 31, 2013

Location		Other Regional Areas								Total of 20 Properties	
Property No.		R-1	R-2	R-3	R-4	R-5	R-6	R-7	R-8		
Property Name		KDX Toyohira Sanjo Residence	KDX Jozenji Dori Residence	KDX Izumi Residence	KDX Chihaya Residence	KDX Sakaisuji Hommachi Residence	KDX Shimmachi Residence	KDX Takarazuka Residence	KDX Shimizu Residence		
Acquisition Date		May 1, 2012	May 1, 2012	May 1, 2012	May 1, 2012	May 1, 2012	May 1, 2012	May 1, 2012	May 1, 2012		
Price Information	Acquisition price ( In millions of yen )	582	1,015	1,120	1,080	2,910	1,015	1,510	1,680	30,474	
	Percentage of total portfolio	1.9%	3.3%	3.7%	3.5%	9.5%	3.3%	5.0%	5.5%	100.0%	
	Net book value ( In millions of yen )	605	1,055	1,150	1,114	2,967	1,037	1,545	1,725	31,239	
	Appraisal value at the end of period ( In millions of yen )	647	1,130	1,170	1,160	3,010	1,110	1,640	1,810	32,180	
	Percentage of total appraisal value	2.0%	3.5%	3.6%	3.6%	9.4%	3.4%	5.1%	5.6%	100.0%	
Lease Information	Number of leasable residential units	63	92	40	92	160	94	80	148	1,400	
	Leasable floor area (㎡)	2,868.75	3,330.15	2,798.20	2,936.40	6,385.70	2,146.02	4,631.16	6,255.16	59,157.37	
	Leased floor area (㎡)	2,868.75	3,330.15	2,731.74	2,905.10	5,798.71	2,077.53	4,631.16	5,852.09	56,898.08	
	Occupancy ratio										
	As of July 31, 2013	100.0%	100.0%	97.6%	98.9%	90.8%	96.8%	100.0%	93.6%	96.2%	
As of January 31, 2013	85.8%	99.1%	92.1%	100.0%	93.0%	96.8%	92.8%	99.4%	95.1%		
As of July 31, 2012	94.1%	96.8%	87.1%	98.9%	91.7%	96.8%	87.1%	96.1%	94.0%		
Income and Retained Earnings Information for the 3rd Fiscal Period	Operating periods	181days	181days	181days	181days	181days	181days	181days	181days	181days	181days
	①Rental and other operating revenues ( In thousands of yen )	29,036	59,202	42,788	47,811	104,858	40,612	60,587	73,838	1,135,509	
	Rental revenues	26,350	44,094	34,910	44,086	96,656	39,072	54,326	64,571	1,018,433	
	Other operating revenues	2,685	15,108	7,877	3,724	8,201	1,539	6,261	9,266	117,075	
	②Property-related expenses ( In thousands of yen )	9,791	12,188	10,117	9,875	25,835	7,169	10,885	17,059	247,741	
	Property management fees	2,743	4,432	3,830	3,564	6,088	2,219	2,765	5,464	84,437	
	Taxes	1,648	2,515	1,646	2,618	7,634	1,889	2,874	4,107	59,695	
	Utilities	701	897	294	854	1,573	555	608	718	16,378	
	Repairs and maintenance	2,374	2,353	1,552	1,246	2,953	708	1,236	4,253	37,243	
	Insurance	92	113	98	111	279	82	146	216	2,230	
Trust fees and other expenses	2,230	1,876	2,694	1,480	7,306	1,714	3,253	2,299	47,756		
③NOI (=①-②) ( In thousands of yen )	19,245	47,013	32,670	37,935	79,022	33,443	49,701	56,778	887,767		
④Depreciation ( In thousands of yen )	5,925	10,240	9,090	10,006	23,451	8,916	16,462	14,174	194,877		
⑤Rental operating income (=③-④) ( In thousands of yen )	13,319	36,772	23,580	27,928	55,570	24,526	33,239	42,604	692,890		
⑥Capital expenditures ( In thousands of yen )	243	6,943	-	-	595	-	167	-	15,840		
⑦NCF (=⑤-⑥) ( In thousands of yen )	19,001	40,070	32,670	37,935	78,426	33,443	49,534	56,778	871,927		
Reference	Expense ratio (=②/①)	33.7%	20.6%	23.6%	20.7%	24.6%	17.7%	18.0%	23.1%	21.8%	
	Property tax for the year 2013 ( In thousands of yen )	3,291	5,546	3,290	5,236	15,260	3,776	5,744	8,213	118,611	
	Assets pledged as collateral	Secured	Secured	Secured	Secured	Secured	Secured	Secured	Secured		

※ Total: Cost-weighted average management period (days)

## (【Reference】 Borrowings)

Borrowings on a financial institution basis as of July 31, 2013 are as follows:

(in thousands of yen)

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 8)	Use	Remarks
Short-term loans payable	Sumitomo Mitsui Banking Corporation	1,000,000	-	1,000,000	-	0.769%	April 30,2013	(Note 5)	Secured/ Non-guaranteed (Note 9)
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	1,000,000	-				
	Sumitomo Mitsui Banking Corporation	1,000,000	-	1,000,000	-	1.169%	April 30,2013 (Note 6)		
	Sumitomo Mitsui Banking Corporation	-	1,000,000	-	1,000,000	0.650%	April 30,2014		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	1,000,000	-	1,000,000	0.650%	April 30,2014		
	Sumitomo Mitsui Banking Corporation	-	830,000	-	830,000	1.100%	April 30,2014 (Note 7)		
	Sub Total	3,000,000	2,830,000	3,000,000	2,830,000				
Current portion of long-term loans payable	Sumitomo Mitsui Banking Corporation (Note 2)	2,000,000	-	-	2,000,000	0.809%	April 30,2014	(Note 5)	Secured/ Non-guaranteed (Note 9)
	Aozora Bank, Ltd. (Note 2)	1,500,000	-	-	1,500,000				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 2)	1,000,000	-	-	1,000,000				
	Resona Bank ,Ltd. (Note 2)	1,000,000	-	-	1,000,000				
	Sub Total	5,500,000	-	-	5,500,000				
Long-term loans payable	Aozora Bank, Ltd.	2,000,000	-	-	2,000,000	1.060%	April 30,2015	(Note 5)	Secured/ Non-guaranteed (Note 9)
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000,000	-	-	2,000,000				
	Resona Bank, Ltd.	1,500,000	-	-	1,500,000				
	Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000				
	Sumitomo Mitsui Banking Corporation	2,500,000	-	-	2,500,000	1.053%	April 30,2016		
	The Bank of Tokyo-Mitsubishi UFJ ,Ltd.	1,000,000	-	-	1,000,000				
	Sub Total	10,000,000	-	-	10,000,000				
Total		18,500,000	2,830,000	3,000,000	18,330,000				



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:

(in thousands of yen)				
	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
Long-term loans payable	6,500,000	3,500,000	-	-

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 are borrowings 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 cap transactions were implemented in order to hedge the interest rate volatility risk, the weighted average interest rates taking into consideration the effects of the interest rate caps are indicated.

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

Note 6: ¥170 million was repaid on March 31, 2013 and ¥830 million was repaid on the final principal repayment date.

Note 7: ¥100 million will be repaid on March 31, 2014 and ¥730 million will be repaid on the final principal repayment date. Also, if an early repayment is made on the principal of the short-term borrowing before March 31, 2014, the amount of repayment of principal with March 31, 2014 as the principal repayment date will be the amount where the total of the principal of the short-term borrowing repaid based on the said early repayment is deducted from the scheduled principal repayment amount of ¥100 million.

Note 8: Except for the above (Note 6 and 7), all the repayment methods of debt financing are lump-sum repayments on the due date.

Note 9: The assets that are pledged as collateral are KDX Daikanyama Residence, KDX Yoyogi Residence, KDX Odemma Residence, KDX Iwamoto-cho Residence, KDX Bunkyo Sengoku Residence, KDX Azumabashi Residence, KDX Shimura Sakaue Residence, KDX Musashi Nakahara Residence, KDX Chiba Chuo Residence, KDX Kawaguchi Saiwai-cho Residence, KDX Toyohira Sanjo Residence, KDX Jozenji Dori Residence, KDX Izumi Residence, KDX Chihaya Residence, KDX Sakaisuji Hommachi Residence, KDX Shimmachi Residence, KDX Takarazuka Residence and KDX Shimizu Residence, for a total of 18 properties.